

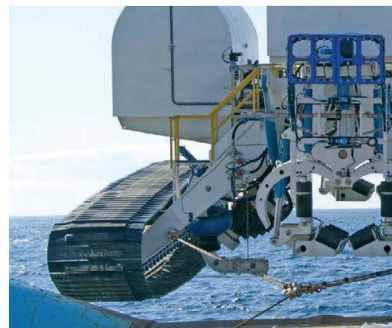


Tees Valley Unlimited

# Tees Valley Strategic Economic Plan



April 2014



25,000  
Jobs



£1bn extra into  
the Economy  
over the next  
decade



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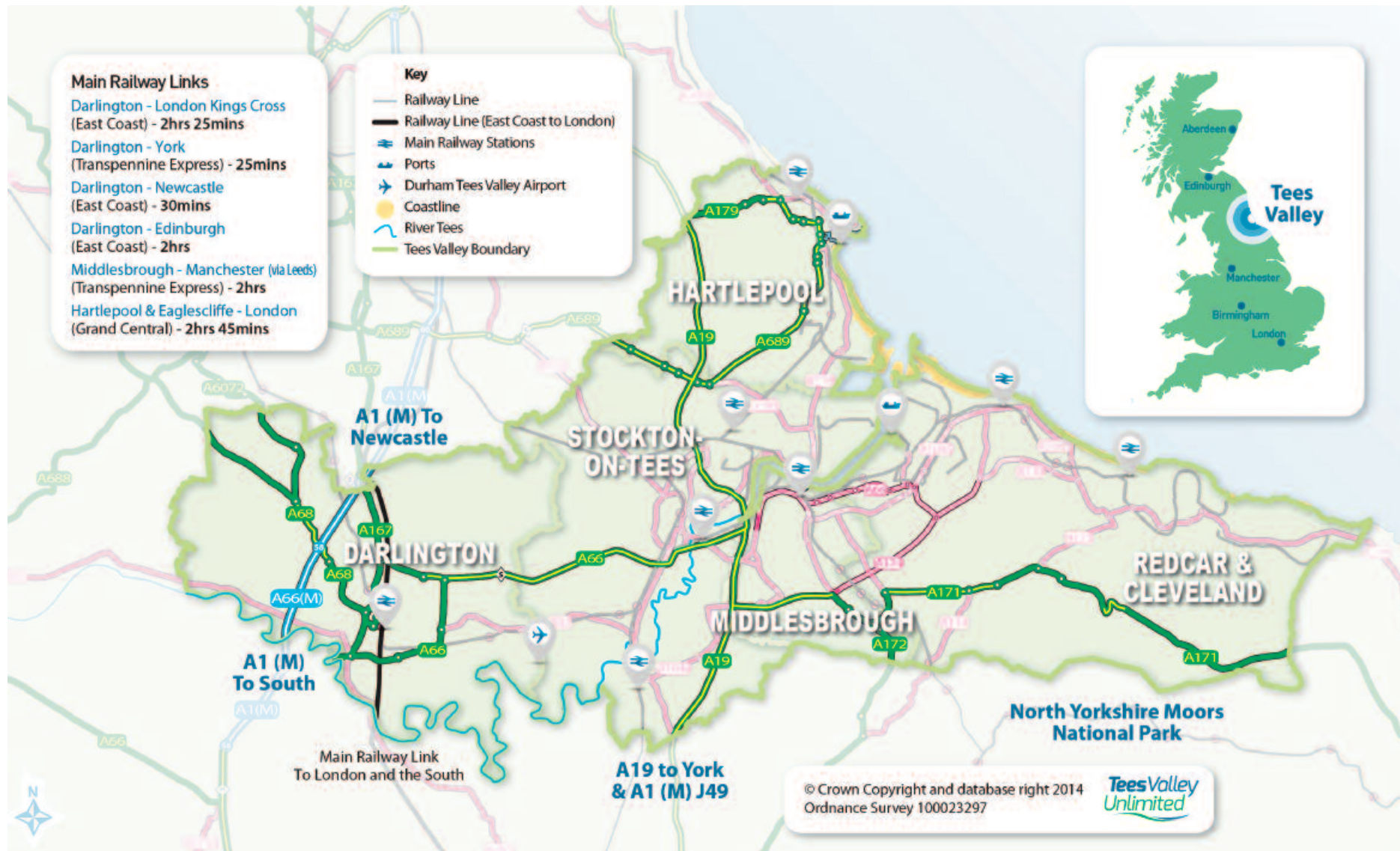
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Support Innovation &  
Sector DevelopmentDevelop The  
WorkforceDevelop & Provide  
InfrastructureAttract & Retain  
Wealth

# The Tees Valley



# Foreword

**Tees Valley is an area of innovation that contributes over £10 billion to the national economy.** The area is a major hub for process industries and advanced manufacturing; benefitting from recent major investment in innovative new technologies, such as subsea, biologics and energy from waste, the Tees Valley is an important location for UK manufacturing.

**Our strategy therefore places SMEs, innovation and individuals at the centre of Tees Valley's growth ambitions.**

**Tees Valley boasts many competitive advantages;** we are home to major industries that export products and services across the globe; a skilled workforce supported by leading colleges, universities and national knowledge centres; and a major port, airport and direct rail routes to key locations.

**However, the area faces challenges which must be addressed to secure future growth.** Our energy-intensive industries face growing global competition – we must support them in finding ways to remain competitive by investing in industrial carbon capture and storage and in waste industrial heat schemes. We must address low rates of enterprise, commercialisation and new company formation by tackling the issue of lack of access to appropriate finance and support for growing businesses. In addition, we need to address significant infrastructure constraints, particularly road capacity, rail connectivity, high-quality housing and suitable business accommodation.

**We must deliver jobs for our residents.** With only 281,000 jobs for a working age population of 421,000, the Tees Valley does not have enough private sector jobs for local people; consequently unemployment is a persistent issue with youth unemployment, deprivation and barriers to work particular problems.

**Our Strategic Economic Plan sets out the steps that we as public and private partners are taking, hand in hand with Government, to overcome these challenges.**

**Sandy Anderson**  
Chairman, Tees Valley Unlimited



## Strategic Economic Plan - Overview

**Ambition 1:**  
Drive the Transition to the High Value Low Carbon Economy

**Ambition 2:**  
Create a More Diversified and Inclusive Economy

"Our Strategic Economic Plan presents our proposal to generate growth through transformational change in the Tees Valley. Working collaboratively with our partners, we will build on our competitive advantages and remove barriers to growth, thus facilitating the creation of 25,000 new jobs and £1 billion extra into the economy over the next decade – a challenging but achievable goal."

**Our aim is to become a high-value, low-carbon, diverse and inclusive economy. To get there, we are focussing upon six priorities:**

1. Develop and nurture an innovation culture and positive environment for business growth.
2. Secure the transformation of Tees Valley into a Low Carbon High Value economy.
3. Secure improved skills levels to address future demand in growth sectors and in existing industries.
4. Secure additional capacity on the East Coast Main Line rail route and improve rail services to major northern cities and within the Tees Valley.
5. Improve our air, road, port, land and property infrastructure to enable economic growth.
6. Create and retain wealth by establishing the Tees Valley as a preferred location to live in, work and visit.

**These six priorities are grouped under four objectives within the SEP:**

1. **Support Innovation and Sector Development**
2. **Develop The Workforce**
3. **Develop and Provide Infrastructure**
4. **Attract and Retain Wealth**

**Our Growth Deal will help us to achieve these priorities.** Our key asks from Government complement our City Deal and will enable us to drive change locally; through releasing HCA assets and funding to enable the Tees Valley to develop a fund to create the right physical environment for investment; by extending our successful Enterprise Zone to encourage investment and enterprise; by securing and enhancing our strategic rail routes through the upcoming rail franchise processes; by giving TVU a coordinating role in careers advice and guidance to encourage young people to make career choices that lead to local employment; through the designation of Teesside University as a University Enterprise Zone; and by piloting innovative measures to improve excellence in schools.

**Our Investment Plan, which includes public and private, local, national and European funding, will stimulate and catalyse private sector growth, creating transformational change in our economy.** A key part of this is Local Growth Funding (LGF); Tees Valley is putting forward innovative projects which would create 5,082 jobs, safeguard 2,748 jobs, enable 26,393 jobs and lever in £311.3m of public and private sector investment. The LGF ask of Government for 2015/16 is £66.5m. By investing in these schemes, we can realise local and nationally significant opportunities to overcome some of our barriers to growth.

Whilst the detail on LGF is focussed on 2015/16, this transformational change will require a longer term commitment – by all partners, including Government – to the Investment Strategy. TVU and its partners are fully committed to the Strategy and to invest EU funding and its own Investment Fund to support its delivery.

**Tees Valley Unlimited and partners commend our Strategic Economic Plan, our Growth Deal, and our Local Growth Fund bid to Government.**

**CLlr Bill Dixon**  
Leader  
Darlington Borough  
Council

**CLlr Chris Akers-Belcher**  
Leader  
Hartlepool Borough  
Council

**Ray Mallon**  
Mayor  
Middlesbrough  
Borough Council

**CLlr Bob Cook**  
Leader  
Stockton-on-Tees  
Borough Council

**CLlr George Dunning**  
Leader  
Redcar & Cleveland  
Borough Council

## TVU - Our Leadership Board

Our Leadership Board is well established and has strong private and public sector representation. Our Board plays a vital role in setting the future direction of our activities – not just at the board level, but also too at the operational level.

At Tees Valley Unlimited (TVU) we have a number of advisory groups which inform and assist the board in specialist matters, such as transport and infrastructure, business growth, low carbon, skills, and area development. Each group is led by a private sector Leadership Board member; ensuring our Board is well informed on all matters relating to the delivery of our key strategies which sit within the Strategic Economic Plan. This hands-on approach by the private sector works exceptionally well and ensures Tees Valley Unlimited stays at the forefront of industry led initiatives, and that our strategies reflect the needs of businesses in the Tees Valley.

Our Leaders and Mayors also play a vital role in ensuring that the focus and direction of our strategies and investments are in touch with the needs of local residents. Together with our local councillors, Members of Parliament and Members of the European Parliament, they form a crucial link to the people in the Tees Valley, ensuring the Tees Valley's needs are heard by Government.

		<b>Sandy Anderson OBE</b> Chairman, Tees Valley Unlimited
		<b>Cllr Christopher Akers-Belcher</b> Leader - Hartlepool Borough Council
		<b>Cllr Bill Dixon MBE</b> Leader - Darlington Borough Council
		<b>Alison Thain OBE</b> Chief Executive - Fabrick Housing Group
		<b>Cllr George Dunning</b> Leader - Redcar & Cleveland Borough Council

		<b>Ian Kinnery</b> Director - Team Massive Results
		<b>Prof Graham Henderson CBE</b> Vice Chancellor - Teesside University
		<b>Mayor Ray Mallon</b> Middlesbrough Council
		<b>Alastair MacColl</b> Chief Executive - Business & Enterprise Group
		<b>David Robinson</b> Group Chief Executive - PD Ports
		<b>Cllr Bob Cook</b> Leader - Stockton on Tees Borough Council
		<b>David Soley</b> Director - Cameron's Brewery
		<b>Paul Booth</b> President - SABIC UK
		<b>Nigel Perry</b> Chief Executive - Centre for Process Innovation
		<b>Tim Grant</b> Principal and Chief Executive - Darlington College

# Tees Valley Economy

Over the past 50 years our economic focus has moved away from mining, steel making and ship building towards the process and chemical industries – today our business base is shifting again, with growing expertise in advanced manufacturing, renewable energy, logistics and digital industries.

For many years our labour market was dominated by a small number of large employers: ICI and British Steel collectively employed over 80,000 staff in the late 1960s/70s. In line with national trends, technological advances and international competition have reduced the need for large workforces in such industries, which for decades had provided the bulk of our employment – they became more capital intensive rather than labour intensive. Although we have retained our strengths in production, between 1971 and 2004 over 93,000 manufacturing jobs were lost in the Tees Valley<sup>1</sup>. These losses have in part been offset by growth in the service sectors, but we have not witnessed the same levels of growth experienced elsewhere and we have become over-reliant on the public sector. Therefore, whilst private sector employment has risen over the past 2 years, there is still a long way to go to build up economic resilience.

Indeed, this economic restructuring has fundamentally changed the profile of our labour market, leading to an imbalanced economy, a productivity deficit and an increasing socio-economic challenge. In fact, our economy now supports just 281,000 jobs, serving a working age population of 421,000. Furthermore, our employment rate is 6.6% below the national average, meaning that to close the gap and achieve national levels of employment we would need an additional 28,000 jobs<sup>2</sup>.

We have therefore set ambitious targets for growth in the Tees Valley. Our headline target is to achieve 25,000 new jobs (a 10% increase) in the Tees Valley over the next decade, bringing with it over £1 billion of GVA benefits, closing the gap between national employment rates and matching the private sector employment rate in Manchester, Birmingham and Leeds<sup>3</sup>.

We believe our Strategic Economic Plan (SEP), our European Structural and Investment Funds Strategy (ESIFS) and agreed City Deal, alongside associated investment, will support the delivery of this headline target. Therefore we believe that our 25,000 jobs target will be achieved in the following sectors:

	2015	2025
	JOB	GVA
Low Carbon	+2,500	+£147m
Advanced Manufacturing	+2,500	+£147m
Other Manufacturing	-5,000	-£250m
Construction	+4,000	+£231m
Professional and Business Services	+8,000	+£307m
Logistics	+2,000	+£118m
Digital	+2,000	+£87m
Higher Education	+1,000	+£31m
Health & Social Care	+4,000	+£116m
Services	+4,000	+£119m
<b>TOTAL</b>	<b>25,000</b>	<b>+£1,052m</b>

The achievement of our targets will require action across a broad front. Our Statement of Ambition sets out our vision for the Tees Valley up to 2025:

### Ambition 1:

Drive the Transition to the High Value Low Carbon Economy

To drive the transition from a high value, high carbon economy to a high value, low carbon economy, focused on renewable energy, new technologies, biological feedstocks and the reduction of the carbon footprint of our existing industries.

### Ambition 2:

Create a More Diversified and Inclusive Economy

To create the conditions for a more diverse and inclusive economy that builds on our strengths and allows all our people to realise their potential.

3 - Tees Valley Economic Assessment, 2013

2 - ONS, Annual population Survey, 2013; ONS BRES, 2011

3 - Target is based on detailed analysis of our pre-recession jobs growth trajectories, market trends and the influence that our key proposed actions and activities are expected to have on new job growth



# Tees Valley Economy

	Economic output	Employment	Enterprise	Skills
<b>2025 Target</b>	<b>£1 billion additional GVA into the economy (10% increase)</b>	<b>25,000 new jobs created to match national employment rate</b>	<b>3,200 additional enterprises (25% increase)</b>	<b>14,500 more residents achieving NVQ Level 3 and Level 4</b>
<b>Current situation/ trend</b>	Tees Valley contributed £10.7billion of GVA to the national economy in 2012. Economy dominated by large employers	Tees Valley has a population of 664,000 people and a working age population of 421,000, but only 281,000 jobs	The enterprise rate is lower than the national average, but increased in both 2012 and 2013	Number of residents in Tees Valley with NVQ Level 3 (48%) still trails the national average (55%), although it has increased in the last year
<b>Comparison with national average</b>	GVA per head in Tees Valley is 75.8% of the national average	64.5% employment rate in Tees Valley compared to 71.1% nationally.	254 enterprises per 10,000 population in Tees Valley, 61% of the GB average. Total of 13,000 SMEs in Tees Valley.	25% of residents are qualified to NVQ level 4 compared to 34% nationally
<b>Recent progress</b>	GVA per head index falling slightly in Tees Valley over the past decade	Employment rate up 0.8% year on year, showing signs of recovery after reaching a low point in Sept 2011	Number of enterprises up 665 in last two years and one year survival rates now above the national average	A larger rise in advanced apprenticeships in Tees Valley than the national average in the last year
<b>Major challenges</b>	Ensuring Tees Valley captures the GVA benefits from its industrial assets and diversifies and enhances its SME base to boost GVA.	Youth unemployment at 10.4%, double the national average of 5.1%. Overall unemployment at 5.7% compared to 3.0% nationally.	Low enterprise rates and rates of commercialisation (North East has lowest number of patents filed and granted in the UK)	Low skills rates compared to national average (13% of people have no qualifications, compared to 10% nationally) and an ageing workforce
<b>Opportunities</b>	Build upon industrial assets which contribute significantly to GVA and £4bn p.a. regionally to UK exports (North East is the only region with a positive trade in goods balance)	Recent signs of private sector employment growth with FDI investment of £1.5bn over last 3 years	Enterprising and innovative firms being developed in Tees Valley in growth sectors such as digital, low carbon, subsea and green chemicals	Generally excellent FE and HE physical infrastructure across Tees Valley with significant expertise in our colleges and universities (84% of employers found new Tees Valley graduates prepared for work)

# Tees Valley – SWOT Analysis

## Our Strengths

- **Critical mass of process activity** - We have a well-developed cluster of process manufacturing that has for decades underpinned our contribution to growth across the UK. These industries have benefited from reduced capital and operating costs due to our locational strengths as a place with a favourable planning and regulation environment, available land, established infrastructure, access to bulk sea movement and access to technology support and feedstocks.
- **Critical mass of advanced manufacturing and engineering** - We have substantial capabilities in process engineering, steel, automotive, aerospace, offshore engineering (particularly subsea) and energy (including renewables, oil and gas and nuclear).
- **Emerging and growing sectors** - We have a diverse mix of digital/creative businesses trading across our sectors – the creative/digital sector has grown in size, even during recession. We also have a large health and social care sector, with innovating businesses in pharmaceuticals, biologics and medical technology, and the presence of major logistics operators.
- **Net exporter** - Tees Valley is part of the only UK region that is a Net exporter of goods.
- **Physical and virtual infrastructure** - We have good physical internal and external connectivity via rail and roads links and good access to international markets through Teesport and Durham Tees Valley Airport. We also have good virtual connectivity with above average superfast broadband connectivity and robust water, gas and electricity infrastructure.
- **Proximity to offshore developments** - The Tees Estuary has provided the platform for a strong and growing sector of offshore activity, for oil and gas and potential for supplying the offshore wind market.
- **Presence of innovation support** - We have a strong supporting infrastructure with the presence of the Centre for Process Innovation (CPI), Teesside and Durham Universities and Teesside Welding Institute (TWI). These provide strong research and development capabilities and will be supplemented by the location of the National Biologics Manufacturing Centre in Tees Valley.
- **Land supply, including an Enterprise Zone** - We have a strong and varied land offer through the Tees Valley Enterprise Zone. Our EZ comprises 424 hectares of development land across 12 sites.
- **Built and natural offer** - We have rolling hills, market towns, coastal settings, urban areas and expanses of countryside. This diverse mix of assets, which is supported by well-developed internal infrastructure, offers something for everyone.

## Tees Valley – SWOT Analysis

### Our Weaknesses

- **Low levels of private sector jobs** - Our working age population is 421,000, but Tees Valley provides only 281,000 jobs. This shortfall reflects low rates of enterprise (61% of the national average) and our high rates of both unemployment (particularly youth unemployment) and deprivation. This leaves us vulnerable to public sector cuts (24% of jobs are public, compared to 19% nationally).
- **Low enterprise and commercialisation rates** - The Tees Valley and wider North East has low rates of enterprise, with fewer patent applications filed and granted than other regions and our enterprise birth rate is 70% of the UK average.
- **Reliance on large employers** - We remain reliant on a small number of large-scale employers with bases outside of the UK – over 50% of Tees Valley workers work for a company employing more than 1,000 workers. 70% of large companies are foreign owned and 30% of these are based outside of the EU<sup>4</sup>. We therefore have to compete for investment across the globe.
- **Low rates of SME exporting** - Tees Valley businesses are reliant upon a client base heavily dependent upon domestic market demand. In fact, only 6.5% of SMEs in Tees Valley are currently exporting, according to a Tees Valley business survey, a significant untapped resource.
- **Connectivity** - There is poor public transport connectivity to key employment locations and slow connectivity to Northern cities, along with poor quality rail rolling stock. There is demand on the existing road infrastructure to cope with increased traffic growth from new housing developments.
- **Skills shortages** - A substantial skills gap in higher level qualifications has ramifications for recruitment into managerial positions and for innovation. We have a shortfall in terms of basic skills with 13.1% of people having no qualifications, compared to 8% nationally. We have significant shortages in the process and offshore sectors, resulting in a dependency on imported skills.
- **Business accommodation** - There is a market failure in business accommodation in Tees Valley with rents achievable unable to provide a commercial return on the investment costs of development (particularly for incubator space and small business units). Tees Valley also has an oversupply of lower grade office accommodation and out of date industrial premises.
- **Housing stock** - Tees Valley suffers from issues of affordability, outdated stock and spatial over-dominance of tenure types which can result in unbalanced communities and a polarisation of the housing offer. A particular gap is the lack of high quality housing.
- **Maturity of much of our process sector** - Although well maintained and updated, much of our process industry faces the challenge of an ageing workforce and continued investment to ensure that future operating costs remain competitive.
- **Energy intensive activities and the cost of energy** - Tees Valley has 18 major users of energy in its process sector, accounting for 4.8% of UK industrial emissions. These companies are now vulnerable to requirements to reduce emissions and face costs pressures from cheaper energy sources, such as the USA.
- **Reductions in process integration** - Changes to business ownership have resulted in significant reductions in process integration within Tees Valley (such as heat and feedstocks) – the result of this has been a long term erosion of developed supply chains and a loss of supply chain efficiency.
- **Access to finance** - We have seen market failure in our investment capital market in recent years and despite efforts to address this, through schemes such as JEREMIE (which operates a portfolio of funds at different levels and stages of development), access to finance remains an issue.

# Tees Valley – SWOT Analysis

## Our Opportunities for Growth

- **A growing demand for advanced manufacturing products and services** - There is growth potential for advanced manufacturing products and services, particularly in the BRIC group of countries and we have potential to exploit the restructuring of the domestic energy and environmental markets.
- **A buoyant European Oil and Gas sector** - Oil and Gas (O&G) activity is driven by European concerns over energy security and availability of upstream assets, particularly from Asia – this apparent buoyancy means there is still significant demand for North Sea O&G. Due to the lifecycle of O&G infrastructure, there will be opportunities for Tees Valley to support the needed investment in replacing and decommissioning North Sea rigs and installations.
- **Onshore and Offshore Low Carbon opportunities** - Growth in UK renewable technologies, high energy emitters and the location of Tees Valley combine to offer a significant opportunity, both to lead the way on industrial CCS and the exploitation of heat, hydrogen, syngas and low carbon industries – this is particularly true in the offshore wind, subsea and engineering design markets.
- **Integrating the process cluster** - The continued development of our global position in the process industries needs to be sustained, maximising our plants on a world scale and supporting and growing our export economy. Moves towards further integration, using waste heat, steam, power or other products to act as feedstocks, alongside the potential to exploit the opportunities provided to our industries from shale gas, can increase the competitive advantage that Tees Valley has and ensure it remains at the centre of export-led advanced manufacturing.
- **Container traffic** - With the growth of container traffic through Teesport, the fifth largest port in the UK, there needs to be further support to capitalise on this asset of national importance, offering Tees Valley global reach. Asda and Tesco currently have major distribution centres at Teesport.
- **The digital media market** - With a rapidly evolving and globalised digital media market, Tees Valley has the opportunity to develop its digital offer for businesses, capture global supply chains and build upon smart specialisation to embed digital technology across sectors and increase competitiveness.
- **Creative industries** - Opportunities to build upon our cluster of creative businesses, including firms in architecture, design, software and publishing. Such businesses, combined with our cultural and heritage assets, supply key businesses and our creative economy produces significant economic impact in attracting investment, people and visitors to Tees Valley.
- **Demographic trends driving opportunities in health provision** - With an ageing population and the increasingly complex needs of patients, there are opportunities for Tees Valley to build upon the expertise of its NHS Trusts, the presence of major social care home operators and the new CPI National Biologics Manufacturing Centre to grow its SME base and foster innovation.
- **Financial/Business Professional Services** - Opportunities to build upon our successful base of both high value activities, including legal and financial services, and a growing reputation for excellence in shared services and business process outsourcing, as moves to outsource activities continues.
- **EU2020 targets and other international treaties** - Regulation of energy production continues to drive investment in renewable energy. We have substantial opportunities to capitalise on investment already going into offshore, to energy, bio-refining and recycling.

# Tees Valley – SWOT Analysis

## Our Threats to Growth

### ■ Continued slow growth in domestic, European and World markets -

Although the world economy is transitioning to a less volatile situation, Europe remains the slowest growing economic area and this trend is not projected to radically change in the medium term. This macro-economic outlook has significant ramifications for exports from Tees Valley and our overall potential for growth.

### ■ Exposure to commodity markets for processed goods - Low cost competition and doubts over the sustainability of certain process activities represents a significant threat to growth. Uncertainty may lead to lower levels of investment, particularly in our steel and process industries, which have for many years provided a substantial contribution to GVA and jobs in Tees Valley.

### ■ Overcapacity of process industries - Production in Europe in 2012 was some 8.4% below 2008 levels and we have seen continued depressed demand in vital sectors in our economy. This presents a threat to the competitiveness of Tees Valley as a location for process industries, particularly with cheaper energy sources available elsewhere.

### ■ Emissions permits and carbon taxes - The EU Emissions Trading Scheme sets an annual cap on the emissions of energy intensive industries and port generators. This represents a significant threat to growth in our large-scale process industries, with potential for financial penalties for those businesses which cannot effectively address their emissions profile.

### ■ Workforce supply - We have seen a substantial rise in youth unemployment, which is double the national average, and are expecting a significant loss in skilled workers in our core sectors over the coming decade. There is a threat that such skill sets will be lost if we do not upskill our existing and replacement workforce, particularly with higher level skills.

### ■ Broadband coverage - although rates of broadband availability and coverage are high in Tees Valley, and being further developed through the Broadband Delivery UK (BDUK) programme, there is the threat that the area is left behind as other areas of the UK invest in even faster speeds.

- **Climate change** - potential threat to existing infrastructure, including flood defences, gas and electricity networks, from any increase in adverse weather driven by climate change.

## Our Plan - Alignment with Government Policy

**Connectivity and enabling infrastructure** – Our SEP complements the National Infrastructure Plan and the National Planning Policy Framework, including identification of priority areas for infrastructure provision and supporting growth of housing, ports, airports and high speed broadband.

**Key Sectors** – Our priorities and projects align directly to the SME Competitiveness Thematic Objective of the 2014-2020 European programme, complements the National Industrial Strategy, Plan for Growth and fits government ambitions to increase foreign direct investment and exports.

**Innovation** – our priorities align to the Innovation Thematic Objective of the 2014-2020 European programme and complement the National Innovation and Research Strategy for Growth and the findings of the Witty Review in building upon university expertise and key innovation assets.

**Business growth** – our priorities align directly to the SME Competitiveness Thematic Objective of the 2014-2020 European programme and complement the aim of the National 'Plan for Growth' to make the UK the best place in Europe to start, finance and grow a business.

**Workforce** – our SEP reflects the direction of the Rigour and Responsiveness in Skills Strategy, Richard Review of Apprenticeships and 'Building Engagement, Building Futures' strategy, as well as aligning to the EU's Agenda for new skills and jobs, Youth Employment Initiative and Youth on the Move.

**Sustainable growth and economic equity** – Our priorities, to ensure an inclusive, sustainable economy that works for our residents and businesses, aligns to the national strategy for social justice and DEFRA's sustainable development principles.



# Key Objectives for Local Growth

We believe that the Tees Valley's economic strengths and competitive advantages, combined with our history of partnership working and collaboration, will enable us to achieve our ambition of moving to a high-value low-carbon diverse, inclusive and sustainable economy with 25,000 net new jobs created over the next decade.

## Our key objectives and priorities are:

### 1. Support Innovation and Sector Development

- Secure the transformation of Tees Valley into a Low Carbon High Value economy.
- Develop and nurture an innovation culture and positive environment for business growth.

### 2. Develop the workforce

- Secure improved skills levels to address future demand in growth sectors and in existing industries.

### 3. Develop and Provide Infrastructure

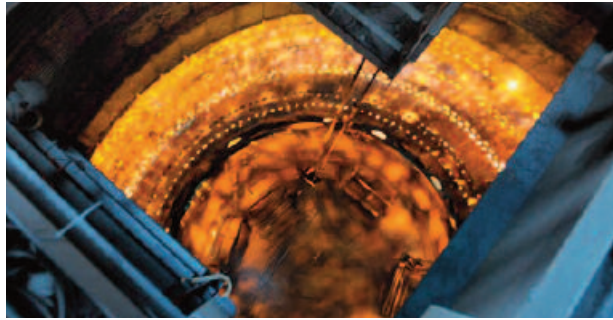
- Secure additional capacity on the East Coast Mainline rail route and improve rail services to major northern cities and within the Tees Valley.
- Improve our air, road, port, land and property infrastructure to enable economic growth.

### 4. Attract and Retain Wealth

- Create and retain wealth by developing the Tees Valley as a place to live in, work and visit.

The over arching principle within each of these objectives and priorities is to ensure that growth is sustainable and inclusive and attract and retain wealth creation by developing the Tees Valley as a place to live, work and visit.

## Support Innovation and Sector Development



### Priority 1

*“Develop & nurture an innovation culture and a positive environment for business growth.”*

### Priority 2

*“Secure the transformation of Tees Valley into a Low Carbon High Value economy.”*



# Support Innovation & Sector Development - Our Key Sectors

## The Evidence

- Tees Valley generates 50% of the UK's petrochemicals GDP
- In Wilton International, we have the second largest integrated chemical complex in Europe
- SSI in Tees Valley produces 25% of UK steel
- Air Products are investing £300m in Tees Valley in one of the world's largest renewable energy plants
- Over 9,000 people are employed in the digital and creative industries in Tees Valley

The Tees Valley has significant expertise and competitive advantages in advanced manufacturing, process industries, the low-carbon economy and the digital/creative industries. This has been demonstrated through strong growth in recent years which needs to be harnessed. Our major firms need to be retained, indigenous businesses developed, foreign direct investment encouraged, carbon emissions reduced, low carbon technology deployed and digital enablement maximised.

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>■ Critical mass of integrated process and advanced manufacturing sectors</li> <li>■ 50% of UK petrochemical GDP and the largest industrial complex in the UK</li> <li>■ Growing low carbon industry, with Tees Valley designated a CORE (Centre for Offshore Renewable Engineering) area for offshore wind and attracting significant energy investment, particularly in energy from waste</li> <li>■ Proximity to offshore developments</li> <li>■ Strong digital/creative cluster</li> </ul>	<ul style="list-style-type: none"> <li>■ Reduction in process integration</li> <li>■ Energy intensive activities</li> <li>■ Maturity of process sector assets</li> <li>■ Ageing workforce</li> <li>■ Undersupply of quality accommodation and infrastructure for digital/creative businesses</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>■ Opportunities to further integrate process and advanced manufacturing cluster and create and harness closed loop supply chains.</li> <li>■ Growing demand for advanced manufacturing products and services, including oil and gas decommissioning</li> <li>■ Onshore and offshore low carbon opportunities</li> <li>■ Buoyant European oil and gas sector</li> <li>■ Opportunities for the rural economy in the low-carbon economy</li> <li>■ Opportunities to further grow the digital/creative economy</li> </ul>	<ul style="list-style-type: none"> <li>■ Slow growth in world markets</li> <li>■ Exposure to commodity markets for processed goods from low-cost competition and cheap gas from the USA</li> <li>■ Investment in integrated activities in other parts of the world, such as Rotterdam, potentially leading to investment leaving the UK</li> </ul>

# Support Innovation & Sector Development - Our Key Sectors

## Process Sector

The Tees Valley process sector defines our economy, with over 1,400 local firms in the supply chain. Generating sales in excess of £26bn per annum, £12bn of exports and, comprising 50% of the UK's petrochemicals GDP, the process sector, centred upon our three major industrial complexes at Wilton International, North Tees and Billingham, comprising 2,600 hectares of industrial land, is an essential driver of the national economy.<sup>1</sup>

- **Petrochemicals** – Wilton International is the largest integrated chemical cluster in the UK, and the second largest in Western Europe. 60% of the UK's chemical exports are produced in Tees Valley and we boast large-scale processing facilities by global industry leaders including Huntsman, Mitsubishi and INEOS and our SME supply chain into this industry is significant.
- **Polymers** - First manufactured at Wilton International, polymers are a key part of the chemical sector in the area. Tees Valley is home to SABIC's Low Density Polyethylene (LDPE) plant, the largest of its type in the world, as well as the world's biggest producers of methyl-methacrylate (MMA), Lucite International, and key R&D facilities at Dupont Tejin Films and the Centre for Process Innovation (CPI).
- **Steel primary production and secondary processing** – the reopening of the Teesside Cast Products (TCP) plant by SSI in 2012 ensured Tees Valley's continued expertise in steel making, with the blast furnace at Redcar producing 25% of total UK steel. In addition, Tata Steel has a major presence in Tees Valley, including the Thermal Technologies Research Centre, also the engineering supply chain supporting this sector is wide.

- **Energy, including nuclear** – Tees Valley is home to the Hartlepool nuclear power station and major energy and power plants, such as the Wilton 10 biomass power station, along with significant oil and gas infrastructure, including the BP CATS pipeline. We produce 3.4GW of electricity for the grid, with a further 2.6GW proposed<sup>2</sup>. The nuclear power station, whose life has been extended until 2024, has capacity to supply electricity to 1.5m homes.

Investment should be made for the construction of a new nuclear power station at Hartlepool, together with accompanying infrastructure, in order to continue this capacity, safeguard the existing 700-strong workforce (and 3,000 during the construction phase) and provide a contribution of £40m to the local economy every year.<sup>3</sup>

- **Pharmaceuticals and Industrial Biotechnology** – Tees Valley is home to a cluster of firms centred around the operations of Fine Industries, Johnson Matthey and Fujifilm Diosynth Biotechnologies, leading contract biologics manufacturers and producers of catalysts, and key SMEs in the sector include Cambridge Research Biochemicals and Hart Biologicals.<sup>4</sup> Darlington will soon be home to the Centre for Process Innovation's National Biologics Manufacturing Centre, offering major opportunities to grow a cluster of leading biologics firms in Tees Valley.

1 - NEPIC, 2012

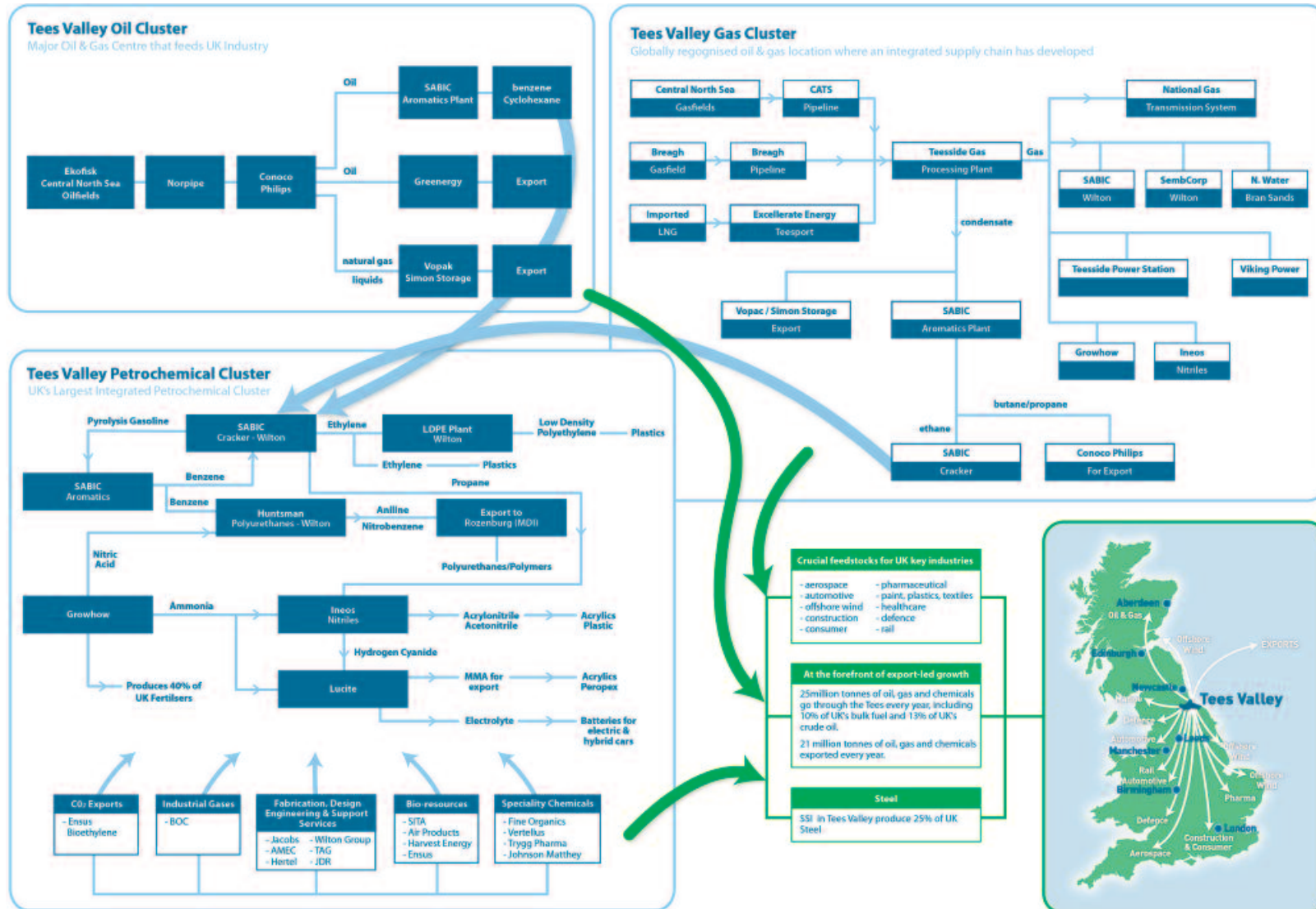
2 - Tees Valley, City Deal Expression of Interest, 2013

3 - Enviro Consulting, 'Local Economic Impact Scenarios arising from decommissioning and potential new build of Hartlepool Nuclear Power Station,' 2009

4 - Tees Valley Health Care Sector Action Plan, 2012

# Support Innovation & Sector Development - Our Key Sectors

Tees Valley - Home to a globally significant integrated process and advanced manufacturing cluster



# Support Innovation & Sector Development - Our Key Sectors

## Tees Valley - Integrated Cluster



## Support Innovation & Sector Development - Our Key Sectors

### Advanced Manufacturing

The Tees Valley is a major UK hub for advanced manufacturing. Today, around 750 advanced manufacturing businesses are based in Tees Valley, many of which operate in global markets.<sup>5</sup> This sector, spanning energy, oil and gas, defence, aerospace and automotive, provides jobs for 25,900 people, 1% of total employment<sup>6</sup>. We are well placed to take advantage of a number of favourable market developments in to the medium term, with particular demand from environmental markets, oil and gas and automotive, placing Tees Valley in the vanguard of the UK's drive for export-led growth:

- **Process engineering and materials processing** – Tees Valley firms, including innovative SMEs, currently supply OEMs like Airbus and Boeing. We have a leading engineering industry supplying key industries, such as oil and gas, including Darchem-Esterline, Jacobs Engineering, Heerema, Tata, Hertel and Wilton Engineering;
- **Offshore / subsea engineering** – Our proximity to North Sea infrastructure has enabled us to develop a significant subsea engineering cluster. This has real growth potential linked to the development of offshore wind and oil and gas projects and includes DeepOcean, JDR Cables, Modus, Reef Subsea, Global Marine Energy and a fast-developing cluster of small businesses;
- **Automotive and rail** – There is a growing supply chain of SMEs and larger businesses supplying major automotive manufacturers, including Cummins designing the next generation of diesel engines, Mitsubishi Chemical Corporation producing chemicals for electric vehicle batteries and Nifco and Elring Klinger supplying Honda, Nissan and Jaguar Land Rover. Tees Valley's rail legacy means that firms, such as Henry Williams, supply the rail industry with significant potential opportunities arising from the Hitachi intercity train facility to be operational in neighbouring Newton Aycliffe in 2015.

### Low Carbon

The Tees Valley sits at the centre of the UK's move towards a high value, low carbon economy having attracted significant investment over recent years and developed a reputation for green excellence. We are currently working with Government on a Low Carbon Action Plan, Industrial Carbon Capture and Storage and industrial heat networks as a result of our agreed City Deal:

- **Waste processing** – Tees Valley is leading the way on bioindustries and energy from waste, with projects underway from major global companies including Air Products (currently building one of the world's largest energy from waste plants using advanced gasification), SembCorp and SITA.
- **Renewable Energy** – Tees Valley is increasingly being seen as a destination for green investment, including energy from waste and offshore wind. This is particularly so having been recognised as a Centre of Offshore Renewable Engineering (CORE) as we host industry leaders including Heerema, TAG Energy Solutions and JDR Cables and a growing cluster of leading SMEs.
- **Hydrogen** – Tees Valley produces around 50% of the UK's hydrogen and already has an established hydrogen pipe network. With the application of Carbon Capture and Storage, investments such as Air Products, and the potential extraction of hydrogen from industrial sources, there is a significant opportunity to produce green hydrogen in Tees Valley which is capable of supplying the increasing demand for hydrogen fuel cells.

5 - Tees Valley Advanced Manufacturing Sector Action Plan, 2012

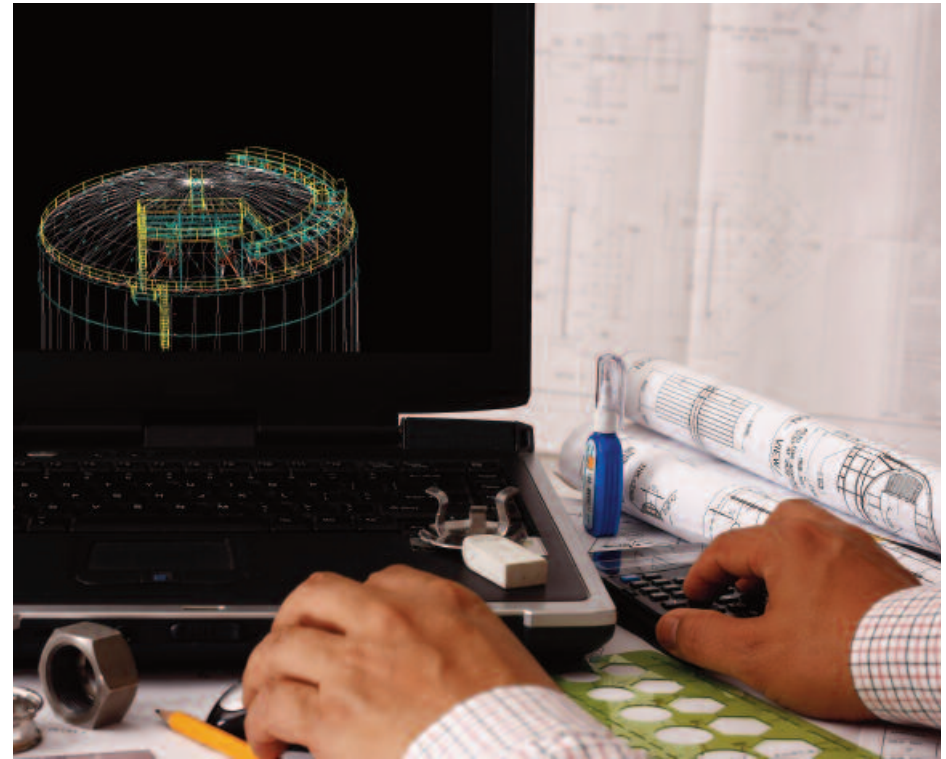
6 - ONS, BRES, 2012

# Support Innovation & Sector Development - Our Key Sectors

## Digital/Creative

Digital/creative is a growing Key Sector within Tees Valley, with over 9,000 people employed. Significant growth has occurred in our digital and engineering design industries and combines with our cultural and heritage assets to attract investment, businesses, learners and visitors to Tees Valley.

- Digital** – Over 200 digital firms, supplying services to market leaders such as Google and Sony, have been created in recent years. Growth has been driven by Digital City, a major Tees Valley partnership initiative, and Teesside University’s digital expertise, putting it in the top 20 places in the world for studying animation. Our digital industry provides innovative technology solutions to local industry, from shutdown and plant simulation software for the process industries to financial modelling for the energy sectors.
- Engineering design and technical services** – We have over 5,000<sup>7</sup> people employed in engineering design, particularly focused upon the advanced manufacturing, process and low-carbon industries. This expertise means that Tees Valley has some of the highest level of knowledge-intensive business services in the region, including major firms such as AMEC, Aker Solutions, Samsung GTL, Phusion and Seimens VAI.
- Culture, arts and heritage** – Tees Valley has a growing culture, arts and heritage sector employing over 4,000 people<sup>8</sup> with firms ranging from established creative businesses to sole traders. Key assets include Cleveland College of Art and Design, Darlington Civic Theatre, Hartlepool Maritime Experience, the Middlesbrough Institute of Modern Art (mima), Kirkleatham Museum and the ARC, which draw in people to our visitor economy.



7 - TVU, 2013

8 - ONS, Creative Economy Sub-Regional estimates, 2014

## Support Innovation & Sector Development - Our Key Sectors

### Barriers to Growth

Our Key Sectors face significant and specific barriers to growth (with cross-cutting business issues outlined under Business Growth):

- **Rising energy and carbon costs increasing competition;** the advanced manufacturing and, particularly, the process sector is subject to competitive pressures, rising energy and carbon costs, and faces significant challenges in terms of re-investment and low-carbon transformation. With cheaper energy sources in the USA via shale gas, the UK's industrial areas face a competitive disadvantage and may lose out on investment as a result. With rising carbon costs, growth in Tees Valley will be dampened through our energy-intensive industries which comprise 4.8% of UK industrial emissions.<sup>9</sup>
- **Loss of integration and ageing process assets reducing competitiveness:** Our competitor industrial locations such as Rotterdam, Qatar, Singapore and China are developing integrated production and processing locations, where integrated heat networks and low carbon feedstocks are available to investors. To compete, we need to invest in our ageing process assets, develop low carbon technologies and reduce energy costs. Investment can reduce our energy intensity, develop more efficient processes, including turning waste into chemicals, and deepen integration to reduce our cost base.
- **Ageing workforce:** Tees Valley has an ageing workforce, particularly in our advanced manufacturing and process sectors (see Workforce section).
- **Accommodation and funding in the digital/creative economy:** Recent engagement with Tees Valley businesses in this sector has highlighted the main obstacles to growth as being; an inability to recruit experienced staff; poor access to angel/venture capital investment to grow a digital or creative business; lack of collaborative opportunities; need for specialist business support; and the requirement for bespoke business accommodation. Our goals are to break down these barriers to growth through working closely with these industries, providing specialist support, finance and accommodation <sup>10</sup> and building a skilled workforce able to meet their requirements.

- **Lack of facilities** to transform research and development into commercial opportunities and production space
- **Lack of patent capital** to support the establishment of early stage commercialisation opportunities.

Further details are set out in the Key Sectors, Business Growth & Innovation Section of our Economic Evidence Base (Appendix 1).

9 - DECC, Climate Change Statistics, 2007.  
10 - Tees Valley Digital Sector Action Plan, 2012



## Support Innovation & Sector Development - Innovation

### Nigel Perry – Innovation Champion

“Innovation sits at the heart of economic growth. The Tees Valley boasts nationally significant innovation assets – particularly in relation to advanced manufacturing, industrial biotechnology, biologics and subsea engineering – all of which offer fantastic opportunities to generate significant economic growth for the area and for UK PLC. Only by creating new products and processes and exploring new technology solutions, can we grow our business base, export our expertise and provide new jobs for our residents.

Our key sectors, particularly the process, advanced manufacturing and digital sectors, combined with the move to a low carbon economy and our world leading research institutions, such as our universities, CPI and TWI, give us the base to build upon. Investing in innovation will help us live up to our historic reputation for being at the forefront of invention and innovation.”



**Nigel Perry**  
CEO

Centre for Process Innovation  
Tees Valley Innovation Champion  
& Leadership Board





# Support Innovation & Sector Development - Innovation

## The Evidence

**Innovation is central to the future growth of our economy, with Tees Valley an example of continued reinvention. Innovation thus sits at the heart of our Strategic Economic Plan and our Statement of Ambition.**

Innovation is crucial to our economy because only by being innovative and exploiting the commercial opportunities that flow from invention can the Tees Valley economy continue to gain competitive advantage, evolve and grow.

Our economy has evolved from ironstone mining and steel making to chemicals and oil and gas – and now further structural changes are taking place as we develop as a national hub for advanced manufacturing (with particular specialisms in oil and gas, subsea, biologics and automotive), low carbon (holding expertise in offshore wind and waste to energy), healthcare and the digital/creative economy.

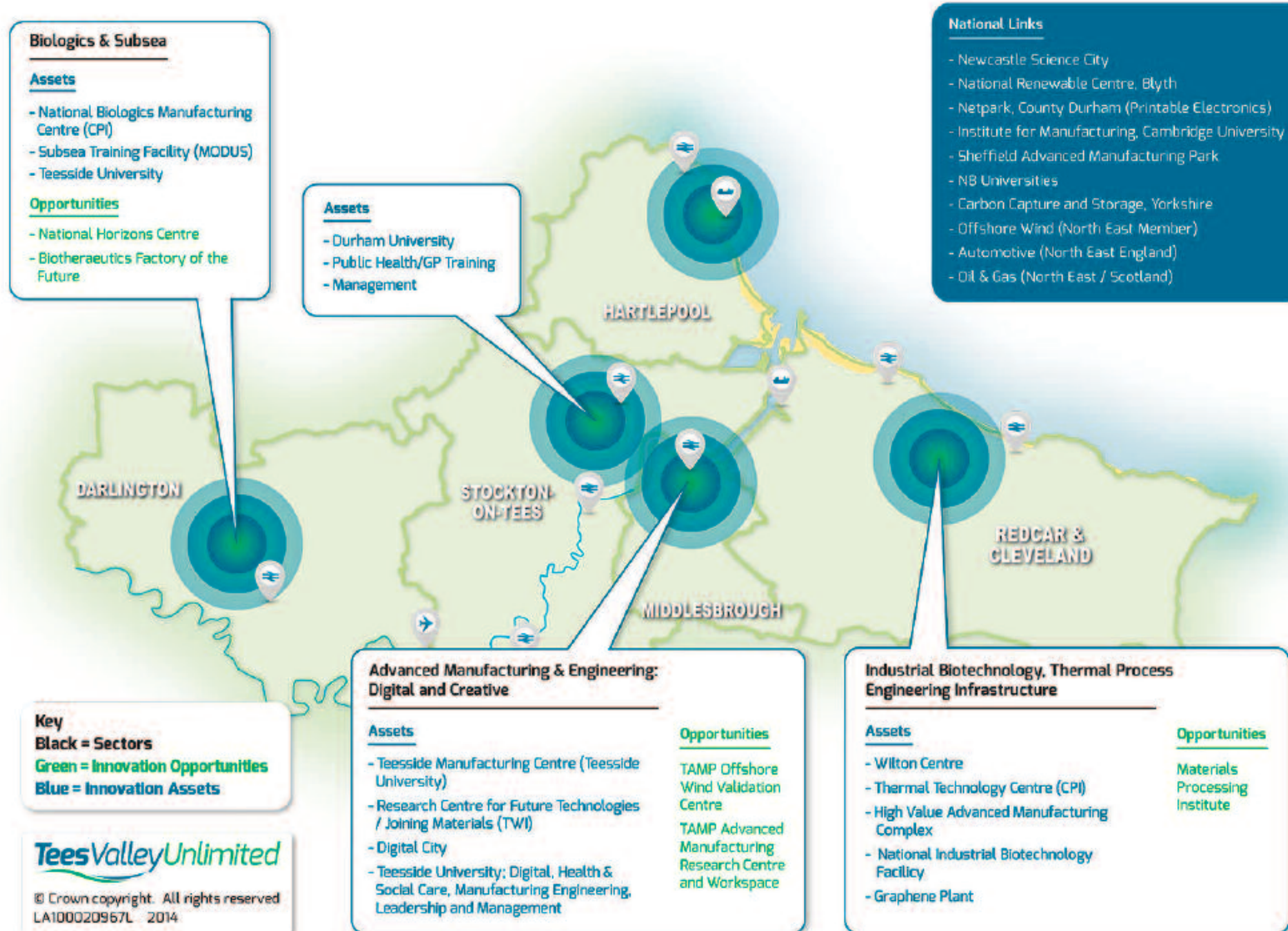
This is an area which invented the safety match, produced one of the first major public steam railways in the world, developed products from Perspex and ammonia to polyethylene and nylon and is now home to the UK's largest hydrogen plant, the UK's first biomass power station, a world leading Graphene Plant, and will shortly be home to one of the world's largest advanced gasification facilities.

We must build upon our innovative businesses and nationally-recognised knowledge assets in order to increase our low rates of start-ups and commercialisation, fostering a culture of entrepreneurialism and innovation to the benefit of businesses, employees and supply chains across Tees Valley.

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>■ Critical mass of process and advanced manufacturing sectors</li> <li>■ Growing digital/creative and low carbon industries</li> <li>■ Established healthcare sector</li> <li>■ Presence of innovation support, such as Teesside University and Centre for Process Innovation</li> </ul>	<ul style="list-style-type: none"> <li>■ Lowest rates of commercialisation in UK</li> <li>■ Low rates of enterprise and business creation</li> <li>■ Lack of incubator and pilot space</li> <li>■ Lack of skilled personnel to meet demand</li> <li>■ Maturity of process industry</li> <li>■ High levels of carbon emissions from process and advanced manufacturing</li> <li>■ Lack of visibility of innovation support available, particularly for SMEs</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>■ Development of sector specialisms in biologics, subsea and advanced manufacturing through innovation and skills hubs</li> <li>■ Growing demand for renewable energy technology</li> <li>■ Growing demand for advanced manufacturing services and products</li> <li>■ Potential innovation in health and social care as life expectancy and long term conditions increase</li> <li>■ Rapidly evolving digital market place</li> <li>■ Reputation of Teesside University, CPI and TWI on innovation</li> </ul>	<ul style="list-style-type: none"> <li>■ Globalisation of supply chains</li> <li>■ Slow growth could lead to lack of investment in R&amp;D</li> <li>■ Nationalisation of innovation infrastructure</li> <li>■ Continuation of access to funding issues for SMEs</li> </ul>

# Support Innovation & Sector Development - Innovation

## Tees Valley - Home to Nationally Significant Innovation Assets



## Support Innovation & Sector Development - Innovation

### Tees Valley - Home to Nationally Significant Innovation Assets

<b>National Biologics Manufacturing Centre £38m (TSB/CPI)</b>	Support companies to develop, prove, demonstrate, scale up, and commercialise new biologics process technologies.
<b>National Industrial Biotechnologies Facility (CPI)</b>	Support companies to develop bioprocesses. It has access to over £34m bioprocess assets, including pilot and demonstrator facilities.
<b>Wilton Centre (including the High Value Manufacturing Catapult) (TSB/CPI)</b>	Home to over 50 innovating businesses, this centre is the largest process industrial research centre in Western Europe and home to the TSB funded High Value Manufacturing Catapult, as well as the Wilton Accelerator
<b>Thermal Technologies Centre (TATA Steel/CPI)</b>	Open access centre with expertise in thermal processing. Support companies to develop new processes, improve existing processes and revitalise products.
<b>Subsea Training Facility (Modus)</b>	The UK subsea market is worth £8.9bn and the global market is worth £21bn, which, according to Subsea UK, will double over the next 5 years. The facility builds on its cluster in Tees Valley & North East to deliver bespoke training in a growing industry.
<b>Graphene Plant on Teesside</b>	Globally significant plant owned by Applied Graphene Materials (AGM) – a spin out company from Durham University. AGM plans to develop graphene-based materials for other uses for the likes of vacuum cleaner maker Dyson and household goods giant Procter & Gamble. The global appetite for, and interest in, graphene is growing rapidly and forecasts suggest a market of £116 million by 2018, rising to £778 million by 2023 (BCC Research).
<b>Teesside Manufacturing Centre (Teesside University)</b>	Support companies with total enterprise integration in design, manufacturing and business process improvement.
<b>Research Centre at TWI</b>	Focuses on joining materials, engineering and aligned technologies supporting industries from oil and gas to aerospace and automotive.
<b>DigitalCity</b>	Vibrant UK Digital Hub for digital media, digital technology and creative businesses. Led by industry experts that offer support to establish, develop and grow businesses.
<b>Teesside University</b>	Training and research expertise in digital & technology futures, design, health & social care, engineering, leadership and management.
<b>Durham University</b>	Training and research expertise in public health/GP training, leadership and management and accountancy.
<b>National Links</b>	<p>TSB support to High Value Manufacturing Catapult at Wilton and National Biologics Manufacturing Centre at Central Park plus:</p> <ul style="list-style-type: none"> <li>■ Newcastle Science City</li> <li>■ National Renewable Energy Centre, Blyth</li> <li>■ NETPark – Printable electronics at County Durham</li> <li>■ Sheffield Advanced Manufacturing Park</li> </ul>

# Support Innovation & Sector Development - Innovation

## Our Focus: Create Growth Through Innovation

Innovation is central to our vision for Tees Valley to create 25,000 net new jobs over the next decade and move to a high-value, low-carbon, diverse and inclusive economy. Without our businesses adapting and innovating, we will not be able to increase our global competitiveness, maximise the success of new industries, grow developing sectors and create the jobs that our economy needs.

There are many opportunities to exploit, particularly in the low-carbon, advanced manufacturing, digital and healthcare sectors, building upon Tees Valley's industrial expertise and nationally significant knowledge assets. However, we recognise that innovation spans geographical boundaries and that partnership working is vital to deliver for businesses in the Tees Valley and across the country.

Encouragingly, the Tees Valley enterprise rate increased in both 2012 and 2013 and, in the first half of 2013, the number of Tees Valley start-ups increased by 10% compared to 2012 (significantly above the UK increase of 6.4%). Particular growth has been experienced in innovative firms in sectors such as digital/creative, energy, subsea and green chemicals.

Source: Tees Valley Unlimited Business Survey, 2012

## Barriers to Growth

There are a number of barriers to innovation in the Tees Valley which we need to overcome. Our enterprise and commercialisation levels are low, with our enterprise rate at 61% of the national average and we have the lowest rates of patents filed and granted in the UK. Obstacles to innovation include:

- **Access to finance;** our Business Survey identified finance as an obstacle to SME expansion, findings supported by recent Select Committee reports. We believe there is a particular gap in equity, angel and grant provision for businesses at Technology Stage Readiness levels 4 to 7, who need funds to develop, demonstrate and scale up.
- **Infrastructure and accommodation;** Tees Valley suffers from a lack of incubation space and accommodation to pilot, test and demonstrate new products and services. Although this has improved through provision at CPI, the Wilton Centre and Teesside University, obstacles remain.
- **Innovation support;** From our engagement with businesses, we believe there is a lack of visibility and specialist support to help SMEs and new start-ups innovate, including assistance to seek finance, invest in R&D and work with knowledge transfer organisations.
- **Exports;** Tees Valley businesses are reliant upon a small client base heavily dependent upon domestic market demand, hindering innovation. Only 6.5% of SMEs in Tees Valley are currently exporting outside of the UK and recent national surveys have also identified this as an issue.
- **Skills shortages in innovation led industries;** Current analyses show that there is not only a significant national shortfall in the skills needed for innovating industries, the Tees Valley skills base itself is behind the national average at all levels, from basic entry to post-doctoral research.

## Support Innovation & Sector Development - Innovation

### Our Innovation Strategy – Building on our Competitive Advantages

To continue this progress, Tees Valley Unlimited, along with partners, has developed an Innovation Strategy based upon the principles of Smart Specialisation. The concept is that investment should be focused on the competitive advantages of an area, where there is critical mass, the potential for sustainable growth and the ability to develop trade flow, value chain and investment connections with other areas.

Our Innovation Strategy looks to achieve this by being directly aligned to the national Innovation and Research Strategy for Growth, the findings of the Witty Review and the goal of the Technology Strategy Board to accelerate the commercialisation of emerging technologies. We strongly support the recent announcement of a TSB Launchpad for the process industries in the North East and will work with the TSB to ensure its success. However, we are disappointed that the decision to establish University Enterprise Zones was restricted to the Core Cities, representing a lost opportunity to further spur start-up activity in local economies such as Tees Valley.

Our Innovation Strategy takes account of the Key Enabling Technologies (KETs) identified by the European Commission under Horizon 2020 and the UK Government through the Industrial Strategies. The KETs have a clear fit with the sectors which have been identified as having growth potential in the Tees Valley, particularly energy storage, advanced materials, photonics, robotics, nanotechnology and the cross-cutting advanced manufacturing technologies.

**Development of our Innovation Strategy has been driven by a private sector led Stakeholder Group, based upon a robust evidence base.** This is chaired by the Innovation Champion for the Tees Valley, Nigel J Perry, Chief Executive Officer of the Centre for Process Innovation (CPI). The Group is currently working to identify and prioritise technology areas of opportunity for Tees Valley based upon our expertise, growth sectors and innovation assets and how these meet key global and European challenges.

The governance of the strategy is being developed, including exploring the creation of an Innovation Leadership Group, to ensure that we create the most effective partnership to drive forward collaboration in innovation in the Tees Valley to ensure stimulation, cooperation and cross-sectoral collaboration.

**Further details setting out the opportunities, obstacles and vision for growth in innovation in Tees Valley can be found within the 'Innovation Section' of the Economic Evidence Base with the full Innovation Strategy Document in the Technical Annexe (Appendix 1).**

### What we will do

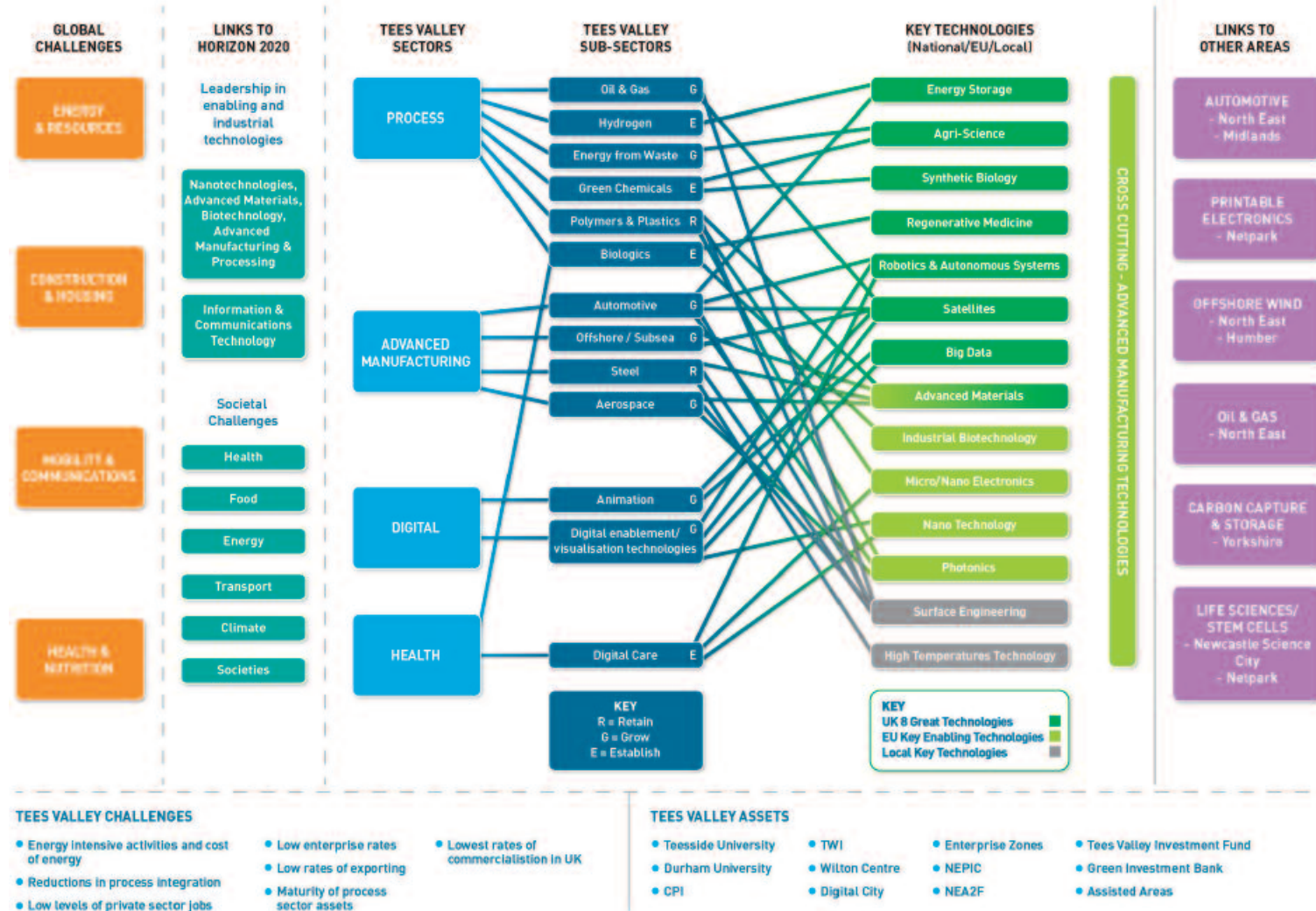
Through our Innovation Strategy we will build on our nationally recognised centres of excellence in innovation to deliver the following;

1. Provide direct support for research & innovation, particularly in the process/advanced manufacturing, health & digital services.
2. Provide direct support to businesses for innovation and commercialisation of new products/processes and services, encouraging exports outside of the Tees Valley.
3. Support collaboration in innovation led projects, particularly those working across sectors, to improve innovation and competitiveness, working with other research based organisations (such as Cambridge University, Newcastle Science City and the N8 Universities).
4. Create, develop and enhance open access technology centres, to promote specialist technical and business support to commercialise research.
5. Meet the skills demands for innovation through the establishment of World Class Innovation-led Skills Centres linked to our national innovation assets.

# Support Innovation & Sector Development - Innovation

## Tees Valley Innovation Strategy

The diagram below sets out our thinking and further work is underway to prioritise further, ensuring that Tees Valley's Innovation Strategy embodies the concept of smart specialisation in focussing resources upon the areas that can make the biggest economic impact.



## Support Innovation & Sector Development - Low Carbon

### Paul Booth – Low Carbon Group Chair

**“The Tees Valley is synonymous with the process and advanced manufacturing – from oil and gas to steel – industries in which we have developed a global reputation. To grow we must build on these strengths and take advantage of moves towards a low carbon economy.**

We are already seeing huge investment into new sectors such as subsea, biologics and energy from waste. Whilst developing our strengths we must do more to retain our existing assets through measures such as carbon capture and storage and exploiting conventional gas – it is crucial that we diversify into new markets to remain competitive.

Our City Deal has been instrumental in placing the Tees Valley at the heart of the low carbon agenda. We are recognised as an area for green technologies and, working with Government, our aim is to build on our world class industrial complex to increase the integration of our production and processing complexes to overtake global competitors, such as Rotterdam and Singapore. We will do this through:

- Investing in industrial carbon capture, storage and conversion to further integrate the process industry and to reduce costs and boost competitiveness;
- Investing in District Heating networks to make use of industrial process heat;
- Exploiting innovation in new feedstock produced from biological (waste) sources to replace oil;
- Marketing the Tees Valley to attract major foreign direct and inward investment; and
- Supporting low carbon businesses to develop technologies and access new markets.
- Infrastructure improvements to encourage the transmission of gas from the North East Coast to Tees Valley.
- Creating transmission systems to bring competitive energy to Tees Valley.

**Our bid for Local Growth Funding in 2015/16 is seeking investment in the South Tees District Heating scheme; to construct the project following the feasibility work which started through our City Deal.** We also have a future scheme planned for the North Tees area, as well as a project to take forward Industrial Carbon Capture and storage.

I commend these projects to you; they have the ability to reduce carbon emissions by over 50% at our key industrial sites, making them globally competitive and attractive to existing and future companies.

I look forward to exciting and prosperous times ahead and welcome the opportunity for the Tees Valley to be at the forefront of the low carbon agenda.”



**Paul Booth**  
**President**  
SABIC UK

Tees Valley Leadership Board

## Support Innovation & Sector Development - Low Carbon

### Secure The Transition To A Low Carbon, High Value Economy

Given our process and advanced manufacturing strengths, the Tees Valley is critical to the UK's national growth ambitions through the provision of raw materials and advanced manufacturing products and services that underpin UK manufacturing. If the raw materials and services were not manufactured in the UK, such vitally important industries would rely upon imports and therefore would not be as competitive. This puts Tees Valley at the heart of the move towards low-carbon, export-led, advanced manufacturing in the UK. We are also growing our flourishing sectors, such as digital/creative, to further the move towards a high value and diversified economy. **Our SEP priority, therefore, is to secure the transformation of Tees Valley into a Low Carbon High Value economy.**

To maximise opportunities to build upon these industrial strengths and the transition to the low-carbon economy, we will:

- **Invest in innovative delivery vehicles to bring forward land for development, upgrade utilities and remove barriers to investment, focused around the spatial area of the North and South Tees.** This includes working with government on our agreed City Deal to enhance planning certainty.
- **Aim to increase the integration of our production and processing complexes to overtake global competitors**, such as Rotterdam and Singapore, through the exploitation of innovation in new feedstock produced from biological sources to replace oil, efficient uses for waste heat and large scale industrial Carbon Capture and Storage (working with government to deliver these as part of our agreed City Deal).
- **Secure investment from the major pipeline of commercial interest in Tees Valley**, currently looking at biofuel plants, energy from waste plants, port developments, oil refineries, nuclear power and maritime wind farm construction.

- **Support low carbon businesses to develop technologies and access new markets**, based on the success of a growing number of firms in offshore wind, subsea and energy from waste. As agreed through our City Deal, we will work with government to recognise Tees Valley as an area for green technologies and deliver a Tees Valley Low Carbon Action Plan.
- **Work to enhance and strengthen our digital and creative economy**, particularly to encourage digital enablement across sectors.
- **Market the Tees Valley to attract major foreign direct and inward investment.** This will be targeted towards our Enterprise Zone and strategic sites and be in partnership with UK Trade and Investment and other government agencies, building on our joint Memorandum of Understanding.

Further details are set out in the Economic Evidence Base Appendix 1.





## Support Innovation & Sector Development - Business Growth

### David Soley, TVU Economic Group Chair

“Our ambition is to diversify the Tees Valley economy, building on the strengths of our local businesses to increase our economic resilience and create the right environment for growth. We have many advantages that attract businesses to start-up, locate and grow here, from a skilled workforce and good transport links to growing industries and support networks.

Yet we recognise that we must do more to improve our low levels of enterprise and reduce the gap between our population and the number of jobs available. That is why we must encourage a culture of entrepreneurialism and support our existing firms to innovate, become more productive and, crucially, access new markets.

To do so, our businesses need the right tools at their disposal, including easily accessible and visible business support, appropriate and available finance, high quality business accommodation and the ability to recruit from a wide labour pool. I believe that the Tees Valley Strategic Economic Plan, through the priorities we have set and the projects to support businesses that we have put forward, demonstrates the passion and commitment of partners to enable this to happen.”



**David Soley**  
**Director**

Cameron's Brewery  
Tees Valley Leadership Board

“Tees Valley businesses have a reputation for innovation and commitment to the local area. We must exploit this passion and create the right environment to encourage more businesses to start, grow and prosper. Our SEP sets out how this can be achieved.”

### Alastair MacColl Chief Executive

Business and Enterprise Group  
Tees Valley Leadership Board



# Support Innovation & Sector Development - Business Growth

## The Evidence

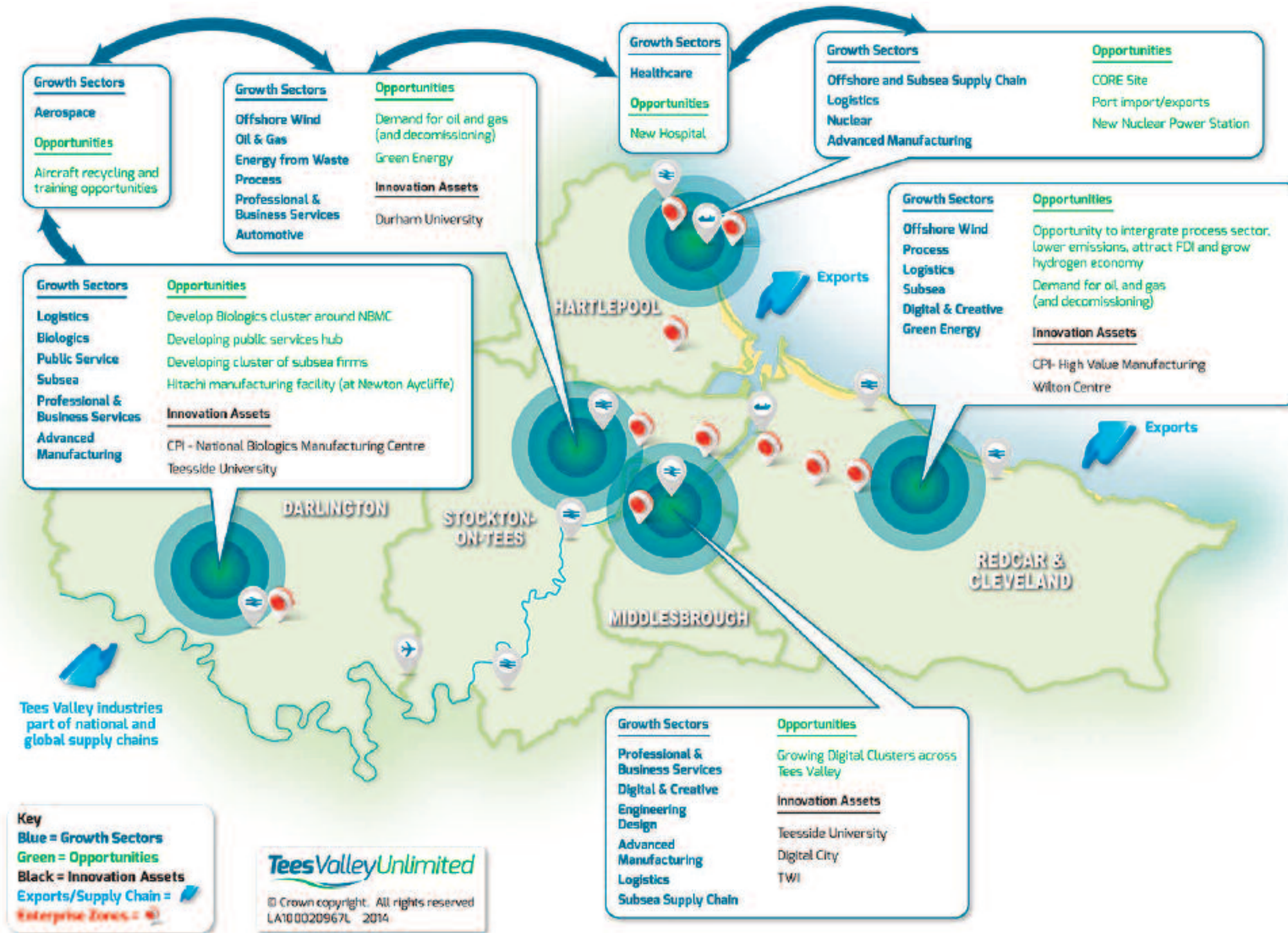
- £10.7bn GVA Contribution
- £1.5bn Foreign Direct Investment over last 3 years
- Low Enterprise Rate (61% GB Average)
- 13,500 SMEs
- 1 year business survival rate above national average 94%

Our innovative SMEs and larger firms supply products and services to major manufacturers (OEMs) and key supply chains around the globe in a multitude of sectors, but rates of exporting and enterprise are low in Tees Valley and access to finance, business support, appropriate accommodation and contracts remain barriers to growth. While the retention and development of our Key Sectors remains vital to the competitiveness of Tees Valley, our future economic growth will be driven in large part by our existing and future business base and its ability to expand, innovate, diversify and access supply chain opportunities.

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>■ Vibrant supply chains supplying key industries, such as process, automotive, oil and gas and subsea</li> <li>■ Growing supply chains in low-carbon and digital/creative industries</li> <li>■ Large business and professional services and healthcare sectors</li> <li>■ Good supply of land, including Enterprise Zones</li> <li>■ Strong relationship with UKTI, MAS and GrowthAccelerator</li> </ul>	<ul style="list-style-type: none"> <li>■ Not enough private sector jobs</li> <li>■ Low rates of enterprise and start-ups</li> <li>■ Over reliance upon large, foreign owned, employers</li> <li>■ Small amount of exporting activity</li> <li>■ Difficulties of SMEs securing finance</li> <li>■ Obstacles preventing SMEs accessing supply chain opportunities</li> <li>■ Skills shortages</li> <li>■ Lack of visibility of available business support</li> <li>■ Suitable business accommodation</li> <li>■ Lack of OEMs in Tees Valley</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>■ Build on innovative investment models, such as JEREMIE, community and social finance</li> <li>■ Rapidly evolving digital market and emerging biologics sector</li> <li>■ Expertise of business support assets, such as universities, knowledge centres and business support providers</li> <li>■ Buoyant European oil and gas sector</li> <li>■ Onshore and offshore low carbon opportunities</li> </ul>	<ul style="list-style-type: none"> <li>■ Slow growth in domestic and world markets</li> <li>■ Potential loss of future skilled workforce with current high levels of NEETs</li> <li>■ Lack of penetration of SMEs into major OEMs and supply chain due to low cost competition from abroad</li> <li>■ Changing nature of the retail market</li> <li>■ Continued difficulty of SMEs accessing finance</li> </ul>

# Support Innovation & Sector Development - Business Growth

## Tees Valley - Business Assets and Opportunities for Growth



## Support Innovation & Sector Development - Business Growth

Our existing 13,550 SMEs,<sup>12</sup> and over 80 large companies, are spread across a wide range of industries, from our Key Sectors of advanced manufacturing, process, low carbon and digital/creative to our enabling industries, such as ICT, transport and logistics and professional services, and our supporting sectors of retail and leisure, health and social care and public services. Developing these areas of our economy is critical to boosting competitiveness and diversification, improving economic resilience and providing the range of jobs we need to ensure that growth is both widespread and inclusive:

- **Advanced Manufacturing, Process, Low Carbon Economy and Digital/Creative:** Tees Valley's SME expertise in supplying the oil and gas, subsea, automotive, aerospace, steel, low-carbon, digital and creative sectors is based upon our engineering heritage. Our key sectors export products and services around the globe and have experienced significant growth. More evidence on these industries is included in the Key Sectors section.
- **ICT:** We have a number of leading ICT firms based in Tees Valley, such as Onyx, and data centres, including the world's greenest data centre at Wynyard run by HP. Such businesses provide solutions to a global network of clients.
- **Professional and Business Services:** 49,500 people are employed, at all levels, across the professional, business, financial and legal services sectors in Tees Valley<sup>13</sup> and over 7,500 people in business process outsourcing activities, a growing source of expertise.<sup>14</sup> The former include RPMI, Bond Dickinson and Lattimer Hinks and the latter Santander, EE and Virgin Media.
- **Transport and Logistics:** The changing face of retail has led to further development of the logistics market, with Tees Valley now home to the major distribution centres of Asda and Tesco, based at Teesport, Aldi and Argos at Darlington and Clipper/George at Asda at Wynyard.
- **Retail and Leisure:** Wholesale, retail and related service industries continue to be a key source of employment in the Tees Valley, employing some 53,100 people<sup>15</sup>. Although 3,000 jobs were lost between 2010 and 2012, the ongoing regeneration of our town centres are reflecting changes in shopping habits, with a larger focus upon cultural and leisure activities. Our retail and leisure offer in Tees Valley is vital to making the area an attractive location for

residents and businesses. However, growth is dependent upon economic wealth being created in the area.

- **Health and Social Care:** The sector employs 45,400 people in Tees Valley and employment has increased by 12% since 2009<sup>16</sup>. Although the vast majority of jobs are in the public sector, we have over 350 private sector businesses<sup>17</sup>, including the headquarters of a number of social care operators, including HC One and Four Seasons and a number of bio-medical start-ups, such as Hart Biologicals in Hartlepool.
- **Public Sector:** 63,000 people are employed across the public sector<sup>18</sup> and, as identified, we need to grow our private sector base to create more economic resilience. However, Darlington is becoming a hub for government services, which includes the new home of the Department for Education, alongside the Disclosure and Barring Service and Student Finance England. **Tees Valley has a number of advantages to attract high quality relocation due to its connectivity, accommodation offer and skilled staff, so we would encourage government to look at Tees Valley when considering options for the government estate.**

Most Tees Valley-based businesses are micro (less than 10 people), with 86% of all our companies employing less than 10 people.<sup>19</sup> However, nearly two thirds of Tees Valley workers are in firms employing more than 250 staff in total, and 52% work are in very large companies employing over 1,000 staff.<sup>20</sup> This presents opportunities to grow and enhance our SME base, build upon the many advantages that Tees Valley offers for businesses to thrive, including a productive, skilled workforce, access to expert training providers and knowledge centres, affordable and available premises and excellent transport infrastructure.

12 - ONS, BRES, 2012

13 - ONS BRES 2012 SIC sections J-N

14 - TVU, 2013

15 - ONS, BRES, 2012 SIC Sections G,I

16 - ONS, BRES, 2012 SIC Section Q

17 - TBR Observatory, 2012

18 - ONS, BRES, 2012, SIC section O

19 - ONS, UK Business Activity, Size and Location, 2013

20 - ONS, BRES, 2012

## Support Innovation & Sector Development - Business Growth

### Barriers to Growth

There are a number of obstacles preventing the growth of existing SMEs and the generation of new businesses in Tees Valley, including connectivity, infrastructure and accommodation, innovation and skills (as described in other sections), enterprise, access to finance, business support, exports and supply chain opportunities.

- **Business Support:** There are barriers to growth for SMEs and new start-ups in particular struggling to find the right form of business support in a confusing landscape of different types of provision. Recent reports have found overwhelming evidence for the need for better information and advice for SMEs to get them 'investor ready' and enable them to access finance.<sup>21</sup> There is a need for better coordination and promotion of existing local and national forms of business support to ensure our businesses get the support they need.
- **Enterprise:** Tees Valley's enterprise and commercialisation rates are comparatively low, with our enterprise rate at just 61% of the national average and the lowest rates of patents filed and granted in the UK. Although our enterprise rate has increased over the past two years, with new start-ups in sectors such as digital, energy and subsea, encouraged by our innovation assets, there is a need to increase the availability of finance and wider business support to foster a more entrepreneurial culture.
- **Access to finance:** There is currently a market failure in the availability of funding for SMEs in Tees Valley, a constraint to economic growth. This is particularly so for early stage and small businesses, who struggle to afford commercial borrowing, are not eligible for larger grant support and have been impacted by the decline and narrow sector focus of venture capital investment. Improving the availability and affordability of finance is essential to the growth of the Tees Valley economy, be this through grant, loan or equity provision. Over the last decade, equity and loan provision in the North East has been delivered through the Finance for Business North East fund (JEREMIE), including technology, proof of concept and angel funds. This has invested over £145m in 1,400 businesses, resulting in the creation or

safeguarding of 12,000 jobs and additional SME turnover of over £400m. An independent report suggested that "in the absence of these funds, it is unlikely that much of this economic activity would have occurred as there is no evidence to suggest the private sector would have stepped in and filled any void."<sup>22</sup>

- **Exports and supply chain opportunities:** A further barrier to SME growth in Tees Valley is the reliance upon a small client base heavily dependent upon domestic market demand. Only 6.5% of SMEs in Tees Valley are currently exporting outside of the UK according to a recent survey of businesses, with over 50% not trading outside of the Tees Valley.<sup>23</sup> Recent surveys have reinforced this, with just one in five North East SMEs willing to expand overseas, in contrast to 44% of London SMEs who are already internationally active.<sup>24</sup> This provides a significant opportunity for our SME base to promote and sell their products and services to customers across the UK and to penetrate markets in Europe and beyond.
- **Supply chain opportunities:** With a lack of Original Equipment Manufacturers (OEMs) in Tees Valley and poor visibility of some of our supply chain expertise, accessing contract opportunities is a further barrier for growth, particularly for our SMEs. The Tees Valley Catalyst Fund, offering bond guarantees to our businesses to help them win new work, has started to address this, but access to contracts remains a key issue.

21 - Ekos, North East Access to Finance – Fund Evaluation Research, June 2013

22 - Ekos, North East Access to Finance – Fund Evaluation Research, June 2013

23 - TVU, Business Survey, 2012

24 - Baker Tilly, 2014

## Support Innovation & Sector Development - Business Growth

### Strategic Focus: Develop and nurture an innovation culture and positive environment for business growth.

- **Continuing to support the growth and expansion of our existing SME base**, from engineering and advanced manufacturing to digital/creative and ICT, to enable Tees Valley businesses to export products and services across the globe, win new business, access new markets and innovate. We have focused our European Structural and Investment Funds Strategy on enhancing the competitiveness of SMEs **and need support from government to tailor national programmes to local needs and support and promote the use of UK supply chains in major public and private sector projects.**
- **Coordinate and provide cross-sector targeted and specialist business support**, particularly on enterprise, exporting, productivity, supply chain access, and supply chain development, public sector procurement, resource management and efficiency, ICT and e-commerce, innovation, business coaching and mentoring. We will provide support for rural businesses to ensure that they are not disadvantaged by their location, build on the enhanced business support programme currently funded through RGF via Lancaster University (as part of our agreed City Deal) and work closely with UK Trade and Investment to help our companies export their products and services to new markets.
- **Ensure a flexible mix of finance** available for different sectors and stage of readiness for enterprises including grants, loan, equity, community and social finance. As part of our European Strategy, we are exploring a successor to the JEREMIE scheme when the current scheme closes at the end of 2015, working with NELEP, we are looking to create a Social Enterprise Fund to provide community finance and social capital to social enterprises and voluntary and community organisations.
- **Support the provision of appropriate business accommodation and infrastructure**, including providing suitable land for commercial development, at our Enterprise Zones and key strategic sites in order to increase the availability of industrial premises, office units and incubation facilities to support high-growth SMEs.

Further details are set out in the 'Business Growth Section' of our Economic Evidence Base (Appendix 1).



## Develop The Workforce



### Priority 3

*“Secure improved skills levels to address future demand in growth sectors and in existing industries”*

## Introduction

### Ian Kinnery – Employment, Learning & Skills Group Chair

“Without a skilled, productive and flexible workforce, Tees Valley will struggle to meet the challenges ahead. We have an excellent foundation to build on, with leading universities, colleges and knowledge centres in a part of the world renowned for its process, chemical and advanced manufacturing skills. Yet our workforce is ageing, youth unemployment is high and our achievement rates are lagging behind.

Only when our employers large and small, our education and training providers and our present and future workforce enjoy a coordinated and collaborative approach to the rapidly changing demands of the world of work in the Tees Valley can we hope to be able to be up to the exciting challenges ahead. We can no longer expect the experiences of earlier generations to adequately inform the work force of the future. In the 21st century innovative world we are creating, high quality, independent and future focussed advice is essential. That is why we ask Government for more freedom and flexibility in this area.”



**Ian Kinnery**  
**Director**

Team Massive Results

Tees Valley Employment, Learning  
and Skills Group Chair &  
Leadership Board

“Equipping our young people and adults with the skills they need to access the new employment opportunities of the future is essential. That is why Tees Valley’s Further Education colleges and training providers are vital partners in realising the aim of creating 25,000 net new jobs over the next decade and moving to a low-carbon, high value, diverse and inclusive economy.”

**Tim Grant**

**Darlington College**

Principal & Chief Executive

“To compete in today’s globalised economy, higher level skills are crucial. Our universities have strong reputations for research excellence, employer engagement and expertise across many areas, including advanced manufacturing, digital/creative, management and healthcare. This critical mass puts us in a strong position to ensure Tees Valley meets its ambitions.”

**Graham Henderson CBE**

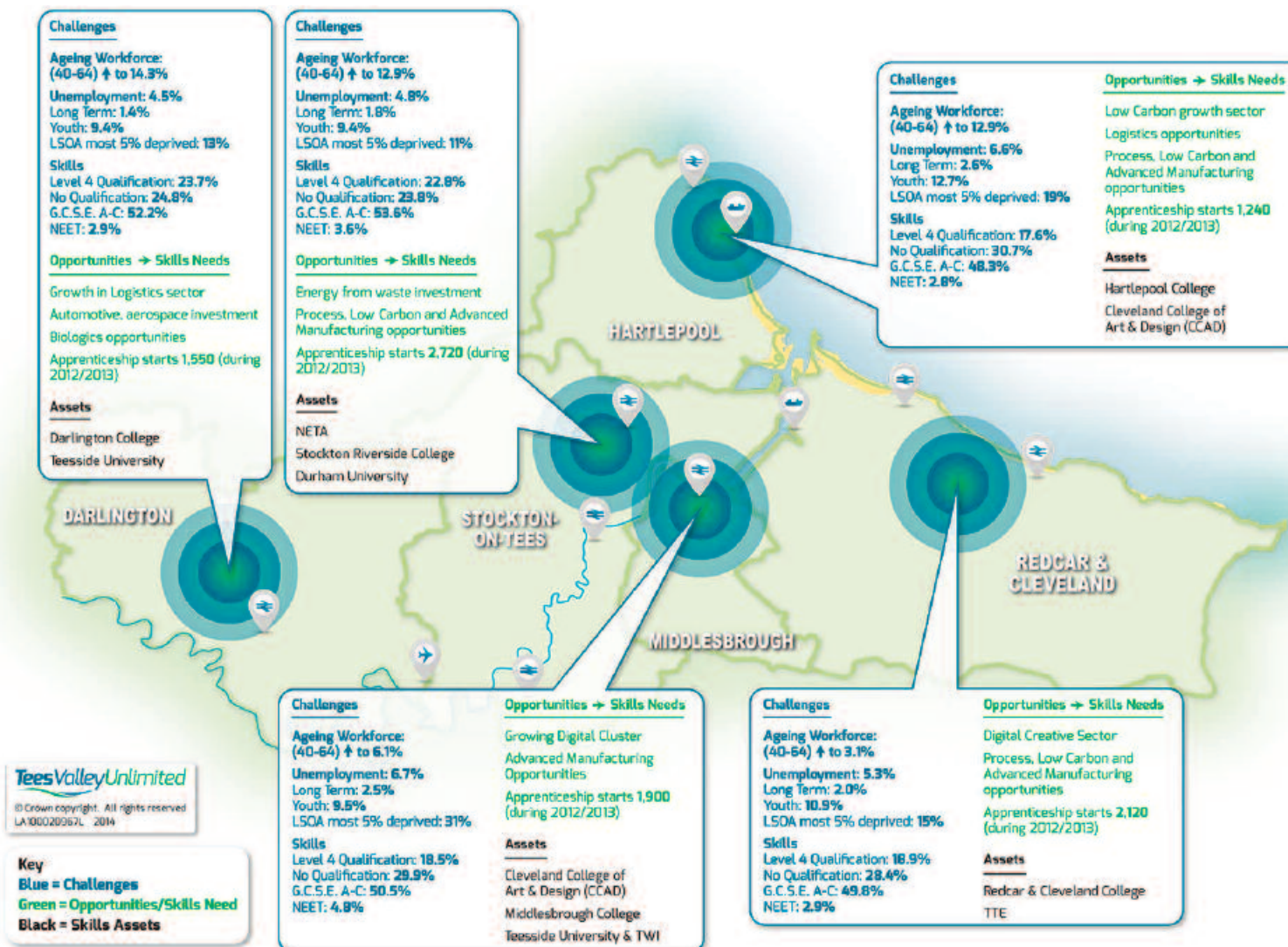
**Teesside University**

Vice Chancellor & Chief Executive

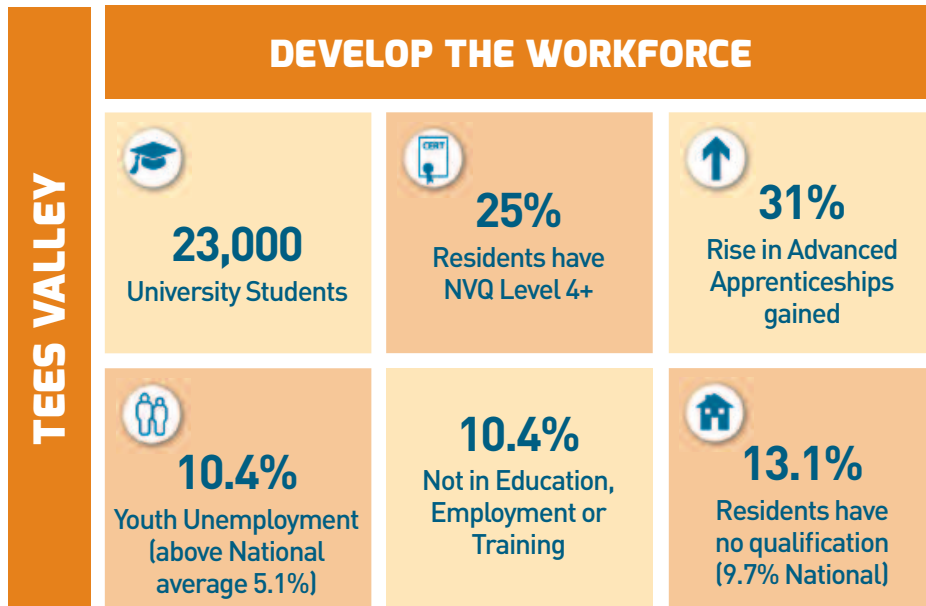


# Develop The Workforce

## Tees Valley Skills Assets and Opportunities for Growth



# Develop The Workforce



Key Challenges	Local Growth Funded Priority Projects	Impact
An ageing population, skills gaps in key sectors, replacement & future demand for growing sectors (122,000 jobs up to 2020; Source: UKCES)	<ul style="list-style-type: none"> <li>Hartlepool Campus Redevelopment (Cleveland College of Art &amp; Design)</li> <li>Skills Expansion Project (Redcar &amp; Cleveland College)</li> <li>The Skills Continuum – a collaborative approach to advanced &amp; higher level skills (Middlesbrough College)</li> <li>Tees Valley Skills Hub linked to the Tees Valley Business Compass (Tees Valley Unlimited)</li> <li>Green Lane Campus Redevelopment (Cleveland College of Art &amp; Design)</li> <li>Building Skills Capacity (Stockton Borough Council &amp; Stockton Riverside College)</li> </ul>	6,936 Total Jobs unlocked £437m GVA <b>Qualifications</b> 1,640 Level 2 5,505 Level 3 2,442 Level 4 819 Apprenticeships

## OUR TARGET

### 14,500 more residents achieving NVQ Level 3 and Level 4

Key Challenges	Growth Deal Asks	Impact
Inconsistent Labour Market Information and careers advice available across Tees Valley, particularly for young people.	<b>We ask that Government devolve the coordination of careers information, advice and guidance (CIEAG) to TVU.</b> By devolving CIEAG to the LEP, which has a real understanding of the needs of local employers and has developed a nationally-recognised Skills Portal, real employment opportunities in our growing sectors (such as advanced manufacturing, low-carbon and digital/creative) will be put at the heart of the skills system in Tees Valley. This will benefit Government by engaging more employers, helping to identify and plug skills shortages and gaps and extracting maximum value from the new National Careers Service contract.	More streamlined and coherent approach to CIEAG, with high quality advice tailored to local employer demand, increasing local employment opportunities.  Increase the number of apprenticeships, traineeships and trailblazers in the Tees Valley.
Increase our currently low educational attainment rates and improve school standards.	<b>We ask that DfE work together with TVU to pilot a package of measures to improve and promote excellence in Tees Valley schools, including piloting a new innovative Tees Valley curriculum model.</b> Better preparing young people for work will lead to improved national employment outcomes. This is particularly acute in an area like Tees Valley which has high rates of youth unemployment. Therefore, innovative new approaches will benefit Government through reduced welfare payments, increased taxation via a rise in employment and also allow other areas to learn from initiatives piloted in the Tees Valley.	Improvement in school participation, attainment and pupil progression rates  Improvement in school OFSTED ratings  Increase in employment and decrease in unemployment, particularly NEETs  Savings for the UK taxpayer and benefits to HM Treasury

\*NOTE: All figures are gross figures

# Develop The Workforce

## The Evidence

A skilled workforce, meeting the needs of current and future businesses, is essential to facilitating 25,000 new jobs over the next decade, filling the gaps left by an ageing workforce (some 120,000 replacement jobs over the next decade) and ensuring a vibrant, diverse economy that is inclusive for all.

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>Recognised skilled workforce, particularly in process, advanced manufacturing, logistics, digital and professional services</li> <li>Excellent Higher Education and Further Education physical infrastructure due to new facilities at our universities and FE Colleges</li> <li>Expert training provision through our two universities (hosting 23,000 students), six major FE colleges and specialist training providers</li> <li>Good relationships between training providers and employers</li> </ul>	<ul style="list-style-type: none"> <li>Persistently high levels of unemployment, particularly youth unemployment and NEETs</li> <li>High levels of benefit dependency and low pay/low skilled jobs</li> <li>High numbers of people with significant barriers to work</li> <li>High numbers of people without basic level skills (English, maths and ICT)</li> <li>Low numbers of people with higher level skills</li> <li>Inconsistent or poor quality labour market information and limited careers advice and guidance, particularly for young people</li> <li>Low rates of outstanding / good OFSTED rated secondary schools</li> <li>Limited quality and range of teaching in STEM related subjects</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>Grow our reputation for excellence in advanced manufacturing and engineering, and oil and gas</li> </ul>	<ul style="list-style-type: none"> <li>Ageing workforce, particularly in advanced manufacturing and process sectors, resulting in the need to fill a large number of existing jobs over the next decade</li> </ul>

Opportunities	Threats
<ul style="list-style-type: none"> <li>Grasp new opportunities presented by the growth of new sectors, including digital, low-carbon economy, biologics, subsea and energy from waste</li> <li>Upskill replacement demand workforce to meet the needs and open up opportunities for new entrants to the workforce</li> <li>Build on employer interest in the skills system, such as rising apprenticeship take-up, Employer Ownership of Skills pilots and a willingness to contribute to careers information e.g. Foundation for Jobs, High Tide and TVU Skills Portal. Work with and assist employers on their workforce planning and skills development</li> </ul>	<ul style="list-style-type: none"> <li>Potential loss of future skilled workforce and insufficient skilled people with the experience to take their place.</li> <li>Number of young people entering the workforce declining over the next decade</li> <li>Loss of competitiveness if higher skilled job roles cannot be filled</li> </ul>

The Tees Valley is making great strides in terms of educational achievement and quality, even though the former remains below the national average. We currently have provision for over 32,670 students across our major FE Colleges (Darlington, Hartlepool, Middlesbrough, Redcar and Cleveland, Stockton Riverside and Cleveland College of Art and Design), including work-based apprenticeships and full-time and part time provision. We are proud to say that between 2011/12, 9,870 of our young people started apprenticeships<sup>1</sup> delivered through public and private sector collaboration across sectors, but we face a substantial challenge to narrow our current skills deficits. We have a network of specialist private training providers which offer businesses bespoke training solutions, particularly in advanced manufacturing and the process industries. Our FE and HE physical infrastructure is generally excellent, with over £78m invested in Tees Valley Further Education facilities over recent years to provide five of our six FE colleges with first-class new facilities.

1 - BIS - The Data Service, via TVU Skills Intelligence, March 2013

## Develop The Workforce

Tees Valley benefits from two leading universities, hosting over 23,000 students. Teesside University is home to 21,000 students and was named University of the Year by the Times in 2009. It has a focus upon the digital and creative industries, advanced manufacturing and engineering, management and healthcare. Teesside is a business-facing university with Business Secretary Vince Cable calling it “one of the best universities for business in Britain.”

Durham University is in the UK’s top five universities for academic achievement and has a base in Stockton, where Queen’s Campus has seen over £40m of investment since its establishment in 1992 and hosts 2,000 students, specialising locally in health, medicine, education and business.

However, Tees Valley is behind the national average for both lower and higher level skills. The percentage of Tees Valley residents with no qualifications is 13.1% compared to 9.7% nationally, while those with NVQ levels 1 and above, and 2 and above, are below the national average<sup>2</sup>. We also have a significant shortfall in higher level skills, as just 25% of residents had an NVQ Level 4 in 2012. This was around 9% below the national average (34.4%), equating to a shortfall of 39,000 people in Tees Valley without a degree level qualification<sup>3</sup>. The structure of our workforce is reflective of a high proportion of low paid jobs; for example, we would need 21,000 more people employed in managerial and professional occupations to reach the national average<sup>4</sup> and this is reflected in our earnings, which equate to a deficit of some £2,490 per year compared to the national average<sup>5</sup>. Therefore, up-skilling our existing workforce and preparing new entrants into the workforce will play an important role in driving both our economic performance and improving social mobility.

2 - ONS, Annual Population Survey, 2012

3 - ONS, Annual Population Survey, 2012

4 - ONS, ASHE, 2012

5 - ONS, Annual Survey of Hours and Earnings, 2012

A detailed analysis of our 25,000 jobs in relation to sectors and skills levels suggests the following are required:

	Skills				
	2014-2024				
	Entry	L2	L3	L4	Total
Low Carbon	224	724	1,067	485	2,500
Advanced Manufacturing	224	724	1,067	485	2,500
Other Manufacturing	-448	-1,448	-2,134	-970	-5,000
Construction	340	736	2,245	679	4,000
Tourism and Retail	496	943	280	280	2,000
Finance and Business Services	873	1,609	3,731	1,787	8,000
Logistics	335	994	235	436	2,000
Telecoms and Digital	218	909	426	447	2,000
Higher Education	63	422	139	377	1,000
Health (Care)	252	1,687	554	1,507	4,000
Services	126	844	277	753	2,000
<b>Total</b>	<b>2,703</b>	<b>7,638</b>	<b>8,393</b>	<b>6,266</b>	<b>25,000</b>
Based upon occupational profile of Tees Valley workforce by sector (see annex)					

## Develop The Workforce

### Barriers to Growth

- **Demographic changes:** It is predicted that the number of people over the age of 65 will rise over the next ten years, along with an increase in those aged 55 (prevalent in process and advanced manufacturing) to 64 and a fall in the number of young people entering the labour market. Those aged over 55 are the group most likely to leave our workforce during the lifetime of our Plan, taking their skills and experience with them. The replacement demand in the Tees Valley between 2010 and 2020 could be as high as 120,000 people across all occupations <sup>6</sup>. At the same time, the number of young people aged 15-24 will decline, with new entrants to our workforce over the same period diminishing. Our cohort size of Year 11 will shrink over the coming years - by 2017 there will be 900 less students in this group than in 2013 <sup>7</sup>. The combined effect will produce a huge shift in the profile of our workforce over the next ten years and we need to put measures in place now to reduce the impact upon our economy.
- **High levels of youth unemployment and young people who are not in education, employment or training (NEET):** unemployment amongst 16-24 year olds stands at 10.1%, compared to 5.2% nationally<sup>8</sup>. The numbers of those classified as NEET are also high with around 9.2% of 16-18 year olds in Tees Valley compared to 8.2% in England <sup>9</sup>. We need to reduce the barriers which hold back young people from being consistently involved in education, employment and training opportunities.
- **Scarcity of higher level skills:** We need to maintain our improvement in Level 2 and GCSE attainment and increase our relatively low levels of Level 3 and Level 4 achievements to boost higher level skills. To be on a par with the national average in high level skills by 2020 we need: 18,900 more 19-64 year olds achieving a level 2 qualification or equivalent; 29,200 more 19-64 year olds achieving a level 3 qualification; 37,500 more 19-64 year olds achieving a level 4 qualification <sup>10</sup>. Much of our predicted job growth are concentrated in the higher skills occupations, with the hardest to fill vacancies in the professional, technical and skilled trades. Our current estimates suggest that over the next ten years:

22,000 people in Professional Occupations and 10,000 Managers and Directors, (most likely to be educated to Level 3 or 4), will leave the workforce, along with:

- 13,000 people in Associate Professional and Technical roles (who are likely to be Level 3 educated), and 16,000 people in Skilled Trades <sup>11</sup>. Increasing the number of Tees Valley residents with higher-level skills is crucial to ensure that employers in Tees Valley can recruit the skilled workforce they need.
- **Underperformance of schools:** In Tees Valley only 49% of secondary schools are judged as 'good or outstanding' and conversely 51% are judged as 'requires improvement or special measures'. We face a particular challenge in relation to the literacy, numeracy and communication skills generally, the level of participation and achievement in areas that are at a premium in the area of science, technology, engineering, mathematics and modern foreign languages. Addressing these challenges is a priority.
- **Poor quality and inconsistent labour market information and careers advice:** From our extensive engagement with employers, schools, local authorities, training providers and other stakeholders, we have found that there is an inconsistency in the quality of careers information, advice and guidance, particularly for young people. Pockets of good practice exist such as the 'Foundation for Jobs' approach in Darlington but it is not available across the area. Young people should be able to experience the world of work and understand the job opportunities in the area no matter where they live.

6 - UKCES, Working Futures estimates, 2010-2020

7 - Data from TVU provided by the Local Authorities in Tees Valley

8 - ONS Claimant Count, Feb 2014

9 - Department for Education May 2013

10 - [www.teesvalleyunlimited.gov.uk/InstantAtlas](http://www.teesvalleyunlimited.gov.uk/InstantAtlas)

11 - UKCES Working Futures 2010-2020, 2012

## Develop The Workforce

### Barriers to Growth (continued...)

This has been a constant theme through our engagement with stakeholders as part of our Task and Finish Groups on the priorities for European Social Fund, our liaison with employers as we developed our Skills Strategy and through the lesson plan workshops we have held with school teachers and careers advisors. A particular message is that schools do not currently have the tailored Tees Valley-specific information they need which sets out the opportunities in the area. This is crucial to ensuring that residents know about the Key Sectors in which job opportunities are, and will be, available. Schools do not have coordinated access to businesses across Tees Valley. **Our research has been reinforced by the recent APPG for Local Growth report <sup>13</sup> which found that “support systems are fragmented... Learners need the information and guidance to ensure they are making informed choices for their skills development” and “LEPs should take the lead in bringing together a robust labour market intelligence and information base.”**

<sup>13</sup> - All Party Parliamentary Group on Local Growth, Local Enterprise Partnerships and Enterprise Zones, 'Skills and Employment in the age of Local Growth Deals,' June 2013



## Our Focus – Secure improved skills to address replacement and future demand

In order to develop the skilled people to meet our ambitions to create 25,000 net new jobs as well as satisfying replacement demand over the next decade and overcome the barriers outlined above, we have developed the Tees Valley Skills Strategy. The goal of our Strategy and our SEP priority is to secure improved skills levels to address future demand in growth sectors and in existing industries.

### What We Will Do

- Support our young people from education through to sustainable employment with training, to eradicate NEET and increase youth employment rates [to at least meet the national average]
  - Provide mainstream and bespoke education and training establishments to provide the physical infrastructure needed to deliver skills and education in Tees Valley and ensure that this is maintained, improved and remains fit for purpose.
  - Provide a continuous pathway of support through a 'skills hub' approach, bringing partners and resources together to create a more joined up service for young people, to raise aspirations, improve progression and realise full potential.
- Increase overall levels of achievement, particularly in higher level skills
  - Secure a responsive and joined up education and skills infrastructure which improves attainment at all levels, to level 4 and beyond, provides specialist provision where appropriate and delivers the anticipated volume and range of skills needed for the priority and supporting sectors in Tees Valley.
  - Increase the quality and availability of the learning offer in STEM related subject areas to maximise career opportunities for those with the appropriate skills and create a pool of fresh talent to support our key industries.

- Develop the existing workforce and under employed.
  - Enable as many people as possible who are unemployed to enter and re-enter the labour market through targeted interventions which provide sustainable employment and progression.
  - Up-skill those in work to replace those who will be leaving, so that they can take up the jobs requiring skills and experience in our priority and supporting sectors. Increasing higher level skills and involving more employers with young people will create the necessary 'pull-through' effect for new entrants to join our workforce and give employers the confidence to invest in an area with a highly-skilled workforce
  - Improve the capability of employers to develop skills/workforce planning strategies to underpin their own business plans and increase the demand for, and investment in skills, by employers and individuals.
- Improve access to appropriate, work related and high quality careers information and experience for all ages
  - Ensure that young people and other new entrants have knowledge of and access to a range of progression routes through learning into work. These must be underpinned by quality and co-ordinated careers education, information, advice and guidance (CEIAG) and work related experiences to give the relevant knowledge, skills and attitudes valued by employers. Support this by utilising both mainstream programmes and the Youth Employment Initiative for the Tee Valley.
- Establish a globally competitive education and skills system across Tees Valley. This will complement the North East LEPs focus on a North East Schools Challenge.

**Further details are set out in the Skills Section of the Economic Evidence Base and the full Skills Strategy attached in the Technical Annexe (Appendix 1).**

## Develop and Provide Infrastructure



### Priority 4

*“Secure additional capacity on the East Coast Mainline and improve rail services to northern cities and within the Tees Valley”*

### Priority 5

*“Provide Infrastructure to Enable Growth”*



## Introduction

### David Robinson – Transport & Infrastructure Group Chair

“The Tees Valley acts as a gateway to the North of England. With over 70% of local businesses internationally owned, we must make sure we are globally competitive by offering effective transport links and resilient infrastructure to drive forward economic growth.

The Tees Valley is a world class centre for petrochemicals, energy, bio-resources, steel and advanced manufacturing. In recent years the Tees Valley has seen over £2 billion investment by large companies and there is a pipeline of £540m investment planned.

Infrastructure to support these sectors includes nationally important strategic energy generation assets, such as Hartlepool Nuclear Power Station, Integrated Wilton International chemical complex, Hartlepool Port and Teesport, and the Central Area Transmission System (CATS) which brings in North Sea gas.

Through our City Deal and European Funding work we have already identified a range of opportunities to deliver strategic energy projects in the Tees Valley. These include industrial carbon capture and storage to further integrate the process industry, reducing costs and boosting competitiveness; district heating networks to make use of industrial process heat; and an accelerated programme of energy efficiency building retrofit. We will continue to work with Government to deliver our City Deal for the benefit of all.

In addition we must continue to invest in our road and rail networks to ease congestion and maximise opportunities at our port and airport to create growth in new markets, and ensure growth is sustainable by investing in flood resilience and sustainable transport measures. Our businesses also require high-quality broadband and appropriate accommodation to start up and grow.

We ask Government to work in partnership with us to create the right environment for growth by agreeing to the following:

1. Transfer of HCA assets and delegation of £10m of the Land Programme to our Evergreen Fund to allow for critical investment in key infrastructure.
2. Extend our successful Enterprise Zone and delay the start of Enhanced Capital Allowances on existing sites to attract further direct investment.
3. Secure existing Tees Valley strategic rail links through the rail franchise specification processes. We ask that these links are then enhanced, in particular through the Transpennine electrification and InterCity Express programmes, to maintain and develop existing UK trade routes and to allow passenger travel.
4. Government and TVU to work together to determine suitable approaches to enable growth through sustainable transport, helping to reduce carbon emissions, increase employment and provide travel to work solutions for the area.

Our investment priorities have been established through our Infrastructure Plan and we are seeking Local Growth Funding for infrastructure projects in 2015/16 to deliver immediate priorities that will unlock jobs and housing.

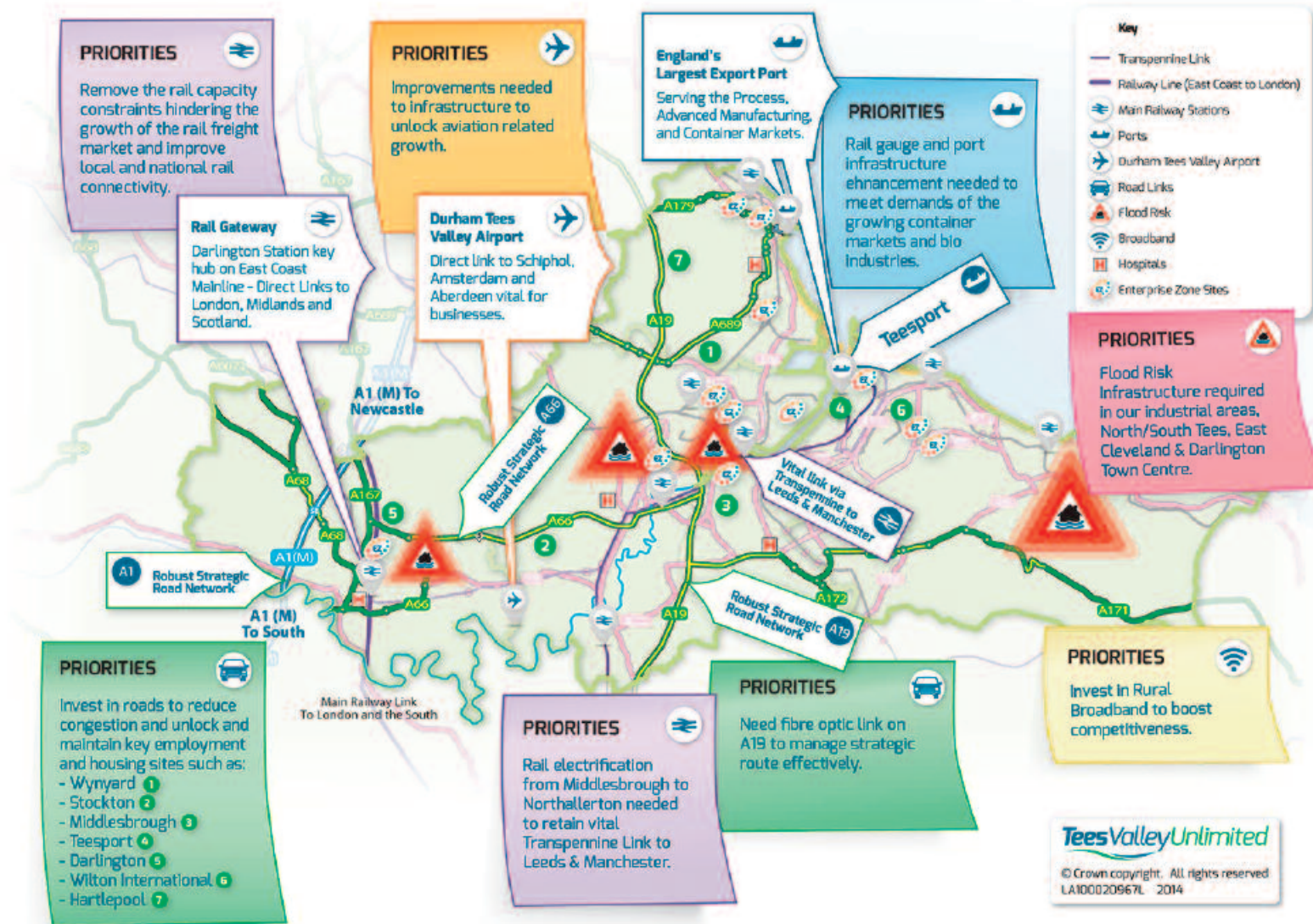
We will work closely with our partners to ensure the delivery of appropriate infrastructure for the area. I look forward to working with partners and Government to help shape and deliver policy, strategy and investment that delivers the right infrastructure for growth moving forward.”



**David Robinson**  
Group Chief Executive  
PD Ports  
Tees Valley Leadership Board

# Develop and Provide Infrastructure

## Tees Valley - Home to Nationally Significant Infrastructure Assets



## Develop and Provide Infrastructure

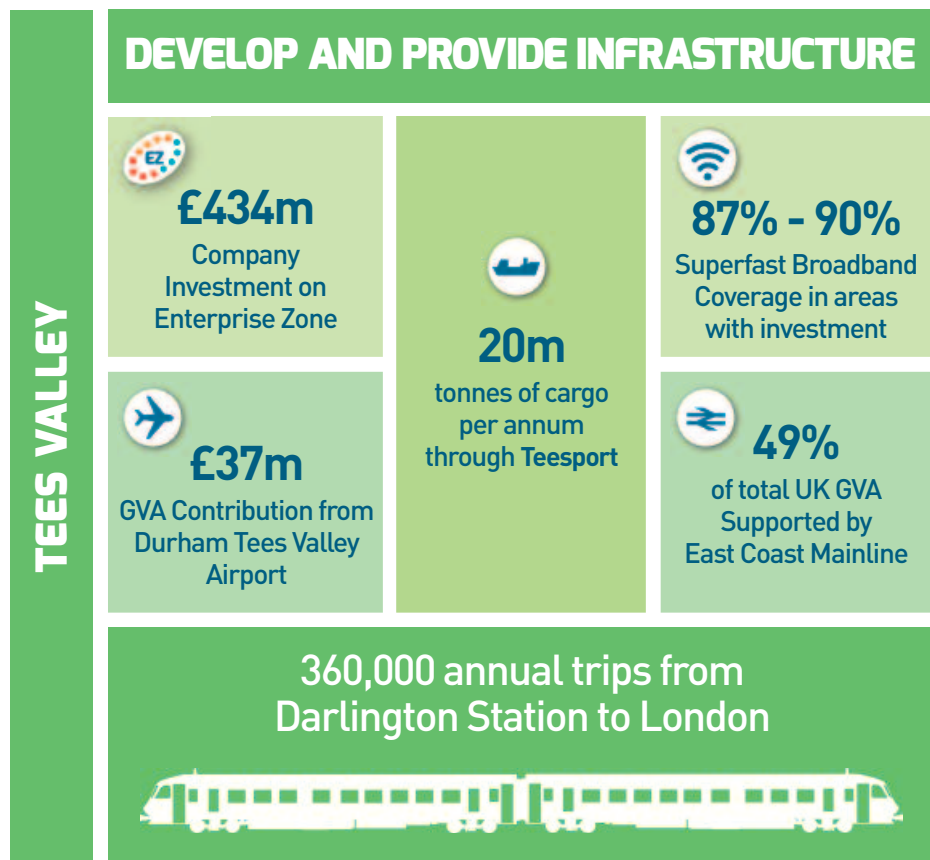
### Tees Valley – Home to Nationally Significant Infrastructure Assets

<b>ROAD</b>	Major highways include the A1(M), A66 and A19, A174 and A1053; they provide fast communications within the sub-region as well as to the North East region and the rest of the country.
<b>RAIL</b>	Direct link from Darlington to London and Scotland on the East Coast Main Rail Line and to Leeds and Manchester on the Transpennine rail routes.
<b>PORT</b>	Teesport is an international asset with good deep water access. It is the largest exporting port by tonnage in England, exporting 20m tonnes, 18% of England's total cargo, including substantial liquid bulk exports and imports <sup>1</sup> .
<b>AIRPORT</b>	Durham Tees Valley Airport has regular services to the Amsterdam Schiphol hub and to Aberdeen, important routes for Tees Valley businesses, particularly in the oil and gas sectors.
<b>OTHER INFRASTRUCTURE</b>	<b>Tees Valley Enterprise Zone:</b> has successfully attracted 13 companies which will create 573 new jobs, including US energy company Air Products who aim to have a new energy to waste facility operational by 2015.
	<b>Broadband:</b> There is a good high speed broadband network serving the more densely populated areas in the Tees Valley conurbation and our main towns, with Tees Valley average speeds faster than Leeds, Manchester and Birmingham and superfast availability reaching an average of 87% across the Tees Valley <sup>2</sup> .
	<p><b>Energy:</b> The Tees Valley is a world class centre for petrochemicals, energy, bio-resources, steel and advanced manufacturing. Infrastructure to support these sectors includes nationally important strategic energy generation assets, such as:</p> <ul style="list-style-type: none"> <li>■ Hartlepool Nuclear Power Station</li> <li>■ Integrated Wilton International chemical complex</li> <li>■ A deep water port</li> <li>■ Extensive pipeline and storage infrastructure</li> <li>■ The Central Area Transmission System (CATS), bringing in North Sea gas.</li> </ul> <p>There are a range of opportunities to deliver strategic energy projects in the Tees Valley, including industrial carbon capture and storage to further integrate the process industry, reducing costs and boosting competitiveness, district heating networks making use of industrial process heat, and an accelerated programme of energy efficiency building retrofit.</p>

1 - Tees Valley Economic Assessment, 2013

2 - ONS, Annual population Survey, 2013; ONS BRES, 2011

# Develop and Provide Infrastructure



Key Challenges	Local Growth Funded Priority Projects	Impact
<b>Network resilience and congestion restricting development of major sites</b>	<ul style="list-style-type: none"> <li>■ Middlehaven Dock Bridge (Middlesbrough - Local Majors)</li> <li>■ A689 Wynyard Improvements (Hartlepool / Stockton)</li> <li>■ Ingleby Way / Myton Way (Stockton)</li> <li>■ Teesside Park / A66 strategic maintenance (Stockton)</li> </ul>	<p>3,170 houses</p> <p>1,700 jobs unlocked</p> <p>£51m additional GVA</p>

	<ul style="list-style-type: none"> <li>■ Bank Top Station Study (Darlington)</li> </ul>	GRIP Study to enable progression to delivery.
	<ul style="list-style-type: none"> <li>■ Durham Tees Valley Airport Southside (Stockton)</li> </ul>	2,657 Jobs £124m additional GVA
	<ul style="list-style-type: none"> <li>■ 5 Year Sustainable Transport Programme (Tees Valley Wide)</li> </ul>	To be determined
<b>Growth Deal Asks</b>		
	<p><b>Secure existing Tees Valley strategic rail links through the rail franchise specification processes.</b> We ask that these links are then enhanced, in particular through the Transpennine electrification and InterCity Express programmes, to maintain and develop existing UK trade routes and to allow passenger travel.</p>	
	<p><b>Extend our successful Enterprise Zone</b> and delay the start of Enhanced Capital Allowances on existing sites to attract further direct investment.</p>	500 new jobs and £1bn additional investment through delayed ECA starts 3,000 jobs and £100m GVA at DTVA and Prairie sites
	<p><b>Transfer of HCA assets and Land Programme income</b> to our Evergreen Fund to allow for critical investment in key infrastructure.</p>	Facilitate 18,000 jobs and £930m of GVA
	<p><b>Government and TVU to work together to determine suitable approaches to enable growth through sustainable transport,</b> helping to reduce carbon emissions, increase employment and provide travel to work solutions for the area.</p>	Reduction in CO2 emissions Increased employment Public Health Improvement

## Develop and Provide Infrastructure – Connectivity

### The Evidence

Effective transport connectivity is crucial to the future development of the Tees Valley as it will stimulate, support and be a driver for economic growth. Overcoming barriers to get businesses and people moving, trading, working, learning and exporting is therefore essential to achieving the economic aims of the Tees Valley.

#### Road

The Tees Valley comprises a number of commercial centres, all of which are interdependent, so good interconnectivity is vital across all transport modes.

The Tees Valley has a number of locally and nationally significant transport assets, with major highways such as the A1(M), A66 and A19, A174 and A1053 providing fast communications within the sub-region as well as to the North East region and the rest of the country. These routes, along with other key road links within the urban centres, form our strategic road network, which is critical in supporting key housing and employment sites across Tees Valley.

The bus network in the Tees Valley is currently undergoing a significant programme of improvements including prioritisation measures to improve reliability and improved buses, passenger facilities and information. With 34.7 million passengers, bus remains the dominant mode of public transport within the Tees Valley. The Tees Valley has an extensive network of off-road or minor road signed cycle routes, which link many of its major centres.

#### Rail

Our connections on the East Coast Main Rail Line (with its direct link from Darlington to London and Scotland) and the Transpennine rail routes to Leeds and Manchester are vital for the area. Darlington acts as a critical rail “gateway” into and out of Tees Valley, with over 360,000 annual trips to London stations and is the main interchange hub for national and inter-regional rail connections. Grand Central services provide key connectivity to London from Hartlepool and Eaglescliffe. The East Coast Main Line supports Tees Valley businesses, with our direct route from Darlington to London producing £3.4m in GVA benefits and £413m of journey time

benefits. It provides vital business connectivity to the capital, as well as key cities for our companies, such as Edinburgh and Aberdeen.

**ECML is essential for UK PLC as it is estimated that up to 49% of total UK GVA is supported via the East Coast Mainline and we believe further investment should be made in the line.**

Our links from Middlesbrough, Thornaby and Yarm via Transpennine to Leeds and Manchester are important to future economic growth given the trading ties our companies have with financial and professional services firms in Leeds and the key connections that Manchester Airport offers our businesses. Local rail services are currently provided by Northern Rail and provide good connectivity between centres of economic activity within the Tees Valley.

#### Port

With good deep water access, Teesport handled over 37 million tonnes of cargo in 2013. It is the largest exporting port by tonnage in England, exporting 20m tonnes, 18% of England’s total cargo, including substantial liquid bulk exports and imports<sup>4</sup>. Teesport is an international asset which supports our key sectors that rely upon the international transport of goods. Growth of port centric warehousing, with the presence of Tesco and Asda distribution centres, has already contributed significantly to the local economy and has further potential.

#### Airport

Durham Tees Valley Airport has a long term role in contributing to the competitiveness and prosperity of the Tees Valley, particularly through its regular services to the Amsterdam Schiphol hub and to Aberdeen, important routes for Tees Valley businesses, particularly in the oil and gas sectors. The Airport supports 600 direct and indirect jobs and contributes £37m annually in GVA, including an innovative cluster of businesses on site specialising in fire safety training, freight forwarding and aircraft maintenance, overhaul and repair.

3 - SDG, 'TVU Rail Benefits – Final Report,' October 2013

4 - DfT, Port Freight Statistics, 2012

## Develop and Provide Infrastructure – Connectivity

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>■ Good physical infrastructure and connectivity, from selected Tees Valley locations, by rail (with existing direct routes to London, Edinburgh, Leeds and Manchester) and road (fast commuting and travel times)</li> <li>■ Access to international markets through Teesport</li> </ul>	<ul style="list-style-type: none"> <li>■ Current pinchpoints and areas of severe congestion on the road network</li> <li>■ Poor public transport, walking and cycling connectivity to key employment sites from some Tees Valley locations</li> <li>■ One of the oldest rail rolling stock in the UK</li> <li>■ Constraints to future rail enhancements due to the capacity and operational limitations of Darlington Bank Top station's current platform layout</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>■ Support the growth of Tees Valley's economy by alleviating infrastructure barriers to key employment and housing sites, such as EZs and by enhancing internal and external connectivity and transport links</li> <li>■ Provide access to employment through investment in sustainable transport measures</li> <li>■ Grow the employment opportunities and location opportunities for public sector relocation and national centres of innovation excellence by improving rail connectivity.</li> <li>■ Grow the container logistics market by investing in rail freight capacity, electrification, Darlington station improvements and Teesport</li> <li>■ Provide access to international markets through Durham Tees Valley Airport</li> </ul>	<ul style="list-style-type: none"> <li>■ Increased demand on the road infrastructure, particularly through housing development, leading to future pinchpoints</li> <li>■ The renewal of key franchises and the lack of investment in electrification could harm existing rail routes serving the Tees Valley</li> <li>■ Potential national investment programmes could be less favourable towards areas such as the Tees Valley</li> <li>■ The failure of existing networks due to a lack of investment in network maintenance</li> <li>■ The loss of Durham Tees Valley Airport</li> </ul>

### Barriers to Growth

#### ■ Network resilience and road congestion hot spots threatening existing employment sites and limiting future employment and housing site development.

There is significant congestion on localised sections of the trunk and primary road network, particularly at peak times, affecting access to jobs, education, health, leisure and retail. Specific sections include:

- links into Middlesbrough and Stockton town centres and key employment areas along the south side of the River Tees;
- through and beyond Ingleby Barwick, affecting key housing locations;
- at and around the A19/A689 interchange at Wynyard, affecting access to key housing and business locations at Wynyard Park, southern Hartlepool and the north side of the Tees;
- on various sections of A19 between A689 and A174 and at the western end of the A174 at its interchange with the A19, particularly at peak times affecting commuters across the Tees Valley and impacting on network reliability;
- at the eastern end of the A174 and on the A1053 which provide a key access point into Teesport;
- the A66 around Darlington and radial routes leading into Darlington town centre and the rail station; and
- the A66 West of Stockton and Middlesbrough/Middlehaven, affecting access to key housing and business locations.

Maintaining network resilience is also vital for the area, including the maintenance of links into existing key employment sites such as Teesside Park and Darlington Town Centre.

The forecast growth in new jobs and housing across the Tees Valley not only adds additional trips onto the Strategic Road Network but also onto the local highways.

Investment is required in providing new and improved local highway links and junctions to facilitate this planned growth, as well as effective management and maintenance of the highway network to ensure such growth is sustainable. Key to achieving this is the extension by the Highways Agency of the fibre-optic cable link to existing devices on the A19 to allow strategic control and more efficient use, particularly at peak times, of this vital route.

## Develop and Provide Infrastructure – Connectivity

### Barriers to Growth (continued...)

#### ■ Poor sustainable transport connectivity to employment

Due to the polycentric nature of the Tees Valley, many areas, particularly those at the periphery and in rural locations, have relatively poor connectivity to labour markets by sustainable transport modes such as foot, cycle, bus and rail. This can hinder access to job opportunities for those without a car and limit the workforce offer for new and existing employers. Evidence shows that some of the priority employment locations in the Tees Valley Area have exceptionally poor accessibility by public transport from the Tees Valley as a whole<sup>5</sup>. Therefore for many people seeking training or employment opportunities, both a lack of infrastructure and awareness of their travel options are major barriers. There is a need to better coordinate information, invest in infrastructure and provide advice and support.

#### ■ Threat to long-distance rail connectivity that provides vital business links

Retention and enhancement of our direct, long distance rail connectivity – such as the vital routes to London, Leeds and Manchester – are essential to the future economic growth of Tees Valley. Access to Darlington station, which is vital for national connections, from elsewhere in the Tees Valley can be restricted and slow (as local passenger trains have to cross the mainline) preventing the opportunity for timetable enhancements or service improvements. This is why improvements at Darlington Bank Top station, which will increase capacity and operational flexibility for mainline and local services as well as for freight, remain a high priority for the Tees Valley and should be a key focus for future rail investment by Network Rail. This scheme could provide GVA benefits of up to £5m per year<sup>6</sup>. The direct Middlesbrough to Manchester Airport services supports our key sectors and electrification to Middlesbrough, and onwards to Teesport, would benefit the whole Tees Valley economy. We welcome the announcement of a DfT Task Force to explore the next steps for rail electrification and request to be represented on the Task Force to ensure that the line between Teesport and Northallerton is electrified. Future investment in local rail must also include replacement of the current expired fleet of trains with more fit for purpose rolling stock and the delivery of improved frequencies and timetables on a fully electrified network.

#### ■ Rail freight and port constraints restricting the growth of container traffic

Transferring products by rail, rather than road, is driven by the need of large multinationals to save road miles and reduce carbon emissions. Because of the growing market in containers and the expertise of Teesport, PD Ports are developing a deep-sea container terminal. However, this is constrained by the need for further dredging to enable larger container vessels to access the port and the constraints of the rail network. Measures which would provide benefits for the freight industry and the Tees Valley economy are to; electrify the Trans-Pennine line to Teesport via Middlesbrough; provide further W12 clearance on lines such as Northallerton to Eaglescliffe via Yarm, building on the W12 work between Teesport and Darlington; and alleviate capacity constraints at Darlington Station. Potential capacity pinchpoints to the south and freight growth further north need to be addressed if future freight and passenger growth is to be delivered. This is particularly important given Tees Valley's growing reputation as a destination for energy from waste and bio-industries, which would transport raw materials to Tees Valley via freight.

#### ■ Air Passenger Duty and airport infrastructure preventing aviation growth

The growth of local airports is stymied by Air Passenger Duty, which disproportionately impacts upon smaller airports, particularly given the lower cost base of competitor European airports, and the lack of access to London. Tees Valley's input into the Davies Commission pressed the case for the introduction of a differential rate of Air Passenger Duty (APD) and the allocation of ring fenced slots for regional flights from London airports. This would have the effect of encouraging the use of regional airports, such as Durham Tees Valley Airport, and both alleviate capacity constraints in London and the South East, and help boost the local economy by enhancing the economic impact that such assets already have. The growth of DTVA, particularly the employment sites on the North and Southside, are currently constrained by poor rail and road access.

<sup>5</sup> - Collated in the Tees Valley City Region Connectivity and Accessibility Study, JMP Consultants and Genecon for TVU and the Highways Agency, May 2010

<sup>6</sup> - Steer Davies Gleave, 'TVU Rail Benefits - final Report' October 2013

## Our Focus – Develop & Maintain External Transport Links

Connectivity is the life-blood of our economy and critical to our ability to trade effectively and transport people to jobs. The link between transport and economic growth in the Tees Valley is widely recognised, particularly when we contribute £4bn annually to UK exports and are part of the only region in England with a positive trade balance in goods. Although we are currently well connected externally, it is vital that strategic external transport links from the Tees Valley to key markets both nationally and internationally are maintained and enhanced further to enable increased growth.

Internally, our polycentric spatial pattern means we have many centres of economic activity, leading to complex travel demands across the area. Our detailed modelling shows that forecast employment and housing growth will add to this complexity placing added importance upon effective intra-connectivity. This presents challenges in maintaining the reliability of the transport network, sustaining viable public transport, walking and cycling networks and reducing private car dependency.

The vision for the Tees Valley is for an infrastructure and transport network that supports and underpins the key growth sectors in the economy, with capacity to ensure future growth will not be constrained. Good road, rail, sea and air connectivity will enable export-led growth, incentivise inward and foreign direct investment, ensure speedy and reliable journey times, and allow access to major economic hubs in the UK and abroad.

We will continue to work with local authorities along the East Coast Mainline, the North East LEP and with the Rail North Group to ensure that future rail provision will enable the economic growth of our area.

Our SEP priorities are therefore to secure additional capacity on the strategic road network, improve rail services to major UK cities, improve bus, rail, cycling and walking connections to centres of employment in the Tees Valley. We will also provide road, port and air infrastructure to enable growth.

### What We Will Do

The Tees Valley Strategic Infrastructure Plan, encapsulating our Statement of Transport Ambition and Transport Area Action Plan, sets out our short, medium and long term specific priorities including:

- **Capacity improvements on the strategic road network and other pinch points** - including improvements at A689 and A174 junctions and other roads that facilitate planned housing and employment growth, improving journey times and increasing network reliability.
- **Improve Tees Valley Rail Network** - Increase frequencies, reduce journey times, enhance existing station facilities, replace rolling stock and provide improved timetables and connections and provide newer more fit for purpose rolling stock.
- **Electrification of the Northallerton** - Middlesbrough rail line to ensure business connectivity and enable container market growth.
- **Darlington Station remodelling** - Including Track, signalling and platform improvements and reduce conflict between main line and local services as well as investigating the potential to improve the commercial and retail facilities (the full proposition for Darlington Station is set out in the Technical Annex, Appendix 1).
- **Improve the attractiveness of bus travel** - through a package of measures and explore innovative ways of providing bus services to main employment sites.
- **Provide more sustainable transport opportunities** - Providing new, and improving the quality of existing footpath and cycle routes between residential areas and employment sites, and promoting the benefits of sustainable transport for businesses and residents.
- **Explore the freight infrastructure requirements** - To encourage further energy from waste and bio-industries investment in the Tees Valley.
- **Drive network improvements through the Transpennine link** - To allow transport of largest containers by rail to and from Tees Dock.



## Our Focus – Develop & Maintain External Transport Links

### What We Will Do (continued...)

- **Widen and deepen entrances to Tees Dock and Hartlepool Dock** – To cater for increasing ship size and support wider industrial investment to maintain competitiveness; and
- **Infrastructure improvements at Durham Tees Valley Airport** – To provide infrastructure improvements which would open up the south side of the airport for aviation related development and support the longer term competitiveness of the airport.

Further details are set out in the **Connectivity Section of the Economic Evidence Base (Appendix 1)**.



## Develop and Provide Infrastructure - Enabling Infrastructure

### The Evidence

Strategic, enabling infrastructure, including business accommodation and employment sites, flood risk infrastructure, utilities and broadband, are vital to achieving the economic aims of the Tees Valley as they unlock employment and investment opportunities. Overcoming barriers to providing and sustaining such robust and resilient enabling infrastructure is therefore essential to retain and attract learners, investors, workers, visitors and businesses.

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>■ Enterprise Zone sites offering incentives to investors</li> <li>■ Good overall electricity and gas supply and capacity</li> <li>■ Adequate water resources to meet future growth and customer needs</li> <li>■ Fair to good condition of defences against tidal flood risk</li> <li>■ Good basic broadband coverage across the area and availability of superfast broadband reaching an average of 87%</li> <li>■ Excellent energy infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>■ Areas of tidal and fluvial flood risk</li> <li>■ Pockets of poor broadband coverage, including in rural areas, town centres and business parks</li> <li>■ Empty office accommodation and unfilled units</li> <li>■ Oversupply of lower grade office accommodation and out of date industrial premises</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>■ Key infrastructure improvements needed in tidal flood defences to allow for investment in existing and planned businesses and residential sites</li> <li>■ BDUK investment in broadband</li> <li>■ Build on success of Enterprise Zone sites</li> </ul>	<ul style="list-style-type: none"> <li>■ Threat from climate change leading to increased tidal and fluvial flood risk</li> <li>■ Risk of being left behind super-connected cities in terms of broadband speeds</li> <li>■ Inability to deliver major employment and housing sites, or attract investment, due to infrastructure constraints</li> </ul>

### Business Accommodation

There are opportunities across Tees Valley to enhance and expand the business accommodation available, in our Enterprise Zone (EZ) sites, industrial estates, business parks and town centres. We can do this by supporting the provision of appropriate business accommodation and infrastructure, in conjunction with the transport links highlighted in the section above. Tees Valley's EZ was among the first Enterprise Zones (EZ) to be approved by Government and is already making an impact. Since its launch in April 2012 the EZ has successfully attracted 13 companies which will create 573 new jobs, including US energy company Air Products who aim to have a new energy to waste facility operational by 2015.

In Middlesbrough, there is the opportunity to develop the high level specialist retail services the Tees Valley needs and also to attract office development around the success of Boho (Digital Focus), Middlehaven and Teesside University. Darlington's town centre serves the western area of the Tees Valley and because of its locational advantages and its market town ambiance, there is the opportunity for office development with minimum public subsidy, the potential for public sector relocation, building on the public sector hub (Central Government and Local Government with shared services) already in development and a strong niche retail offer. Stockton similarly has the potential to grow its specialist retail offer, boost the office market, building on the success of Teesdale and Durham University, and increase its expanding arts and cultural offer. In Redcar & Cleveland there is the potential for the visitor economy to be exploited in coastal and rural areas. Hartlepool also offers further visitor economy potential around the Marina and to create an innovation and skills quarter around the new Hartlepool College and Queens Meadow Enterprise Zone site.

## Develop and Provide Infrastructure - Enabling Infrastructure

### Utilities

The electricity distribution and gas distribution networks across the Tees Valley have sufficient capacity both now and in the longer term to meet most development requirements, without the need for significant investment in major strategic assets. Current demand from major industrial, business and residential developments is well catered for and future capacity is unlikely to present a major barrier to development provided sufficient notice is given. Water supply is generally more than adequate to meet customer needs throughout the Tees Valley, and Kielder Reservoir guarantees that there will be sufficient water available for the foreseeable future. The majority of wastewater treatment plants serving the Tees Valley have capacity within their current discharge consent limits to accept and treat additional waste water flow from proposed developments.

### Flooding

There has been on-going investment to tackle the risk of flooding, with defences against tidal flood risk in a fair to good condition, although their remaining life span is varied. We welcome recent government announcements to invest £9m for a key scheme at Port Clarence and Greatham, which will protect both residents and businesses, £1.2m towards a scheme at Lustrum Beck, Stockton where houses were badly hit during the Autumn 2012 floods and funding for key flood alleviation schemes in East Cleveland at Skinningrove, Fleet Beck and Tees Dock Road. Existing defenses against fluvial flood risk are generally robust, but there have been recent incidents of flooding. We will work with our Ministerial Flood Envoy to find solutions to flood risk areas in the Tees Valley.

### Broadband

There is a good high speed broadband network serving the more densely populated areas in the Tees Valley conurbation and our main towns with Tees Valley average speeds faster than Leeds, Manchester and Birmingham and superfast availability reaching an average of 87% across the Tees Valley<sup>7</sup>. Our EZ sites and parts of our town centres are being covered under the Tees Valley BDUK roll-out programme and will take the coverage of superfast broadband to 90%.

### Energy

The Tees Valley is a world class centre for petrochemicals, energy, bio-resources, steel and advanced manufacturing. Infrastructure to support these sectors includes nationally important strategic energy generation assets, such as Hartlepool nuclear power station, the integrated Wilton International chemical complex, a deep water port, extensive pipeline and storage infrastructure and the Central Area Transmission System (CATS), bringing in North Sea gas. There are a range of opportunities to deliver strategic energy projects in the Tees Valley, including industrial carbon capture and storage to further integrate the process industry, reducing costs and boosting competitiveness, district heating networks making use of industrial process heat, and an accelerated programme of energy efficiency building retrofit.

<sup>7</sup> - Ofcom, Broadband Statistics, 2011

## Develop and Provide Infrastructure - Enabling Infrastructure

### Barriers to Growth

- Difficulty of funding business accommodation:** There is a particular need for intervention given the market failure in business accommodation in Tees Valley; in the majority of cases, rents achievable are unable to provide a commercial return on the investment costs of development, particularly for incubator space and small business units. Tees Valley also has a number of out of date industrial premises and an oversupply of lower grade office accommodation. This includes a large amount of vacant office space in our town centres and empty space in business parks, such as Teesdale Business Park in Stockton. Furthermore, lenders are reluctant to provide finance for the conversion and reuse of the large number of empty offices in Tees Valley's town centres. Therefore alternative mechanisms need to be considered to bring these buildings back into use and encourage investment. That is why our ask of government through the Growth Deal is to **transfer ownership of £10m of local HCA assets and £10m from the HCA land programme to create a Tees Valley Evergreen Fund**. This can spur new investment and build on the momentum generated from new investment, such as that occurring via the Department for Education and Business Growth Hub in Darlington.
- Investment needed in infrastructure to secure resilience against flooding:** The Tees Valley's main industrial and manufacturing area is centred on the Tees Estuary, in areas subject to tidal flood risk. Therefore, parts of the Tees Valley remain at risk from coastal, fluvial and surface water flooding. Recent events, locally as well as nationally, have exposed weaknesses in infrastructure to some natural hazards, particularly flooding and further protection and investment is required to reduce the risks, even based on the current level of development. Whilst new development should occur in areas of low flood risk wherever possible, there are a number of strategic projects and investment that will be required to reduce the risk of flooding at new strategic housing and employment sites, in order to underpin the perception of Tees Valley as a location for inward investment and development. Tees Valley has recently experienced significant flooding in East Cleveland, Middlesbrough and Port Clarence, the latter the worst tidal surge in more

than 150 years. This impacted upon businesses, residents and infrastructure. Existing defenses against fluvial flood risk are generally robust, but some major employment areas, strategic housing development sites and critical infrastructure, including gas and electricity assets, rail routes and highways, could potentially be adversely impacted.

- Lack of high speed broadband:** Coverage, particularly in rural areas and at some key business sites and industrial locations, is only slowly improving or is very poor. A range of work is being carried out to address issues of poor coverage and through the delivery of BT commercial roll-out, BDUK funded improvements and potential future funding from the Rural Community Broadband Fund, the majority of the Tees Valley will have good broadband coverage. Such connectivity is vital for Tees Valley businesses, particularly to allow SMEs to export and market their goods and services and for the growing digital sector. However, there are still gaps in provision and we need to ensure that our superfast broadband capability in Tees Valley keeps pace with our competitors across the globe in order to retain and enhance our competitiveness. **We ask that government include Tees Valley in future 'Super Connected Cities' and other superfast broadband funding competitions as for every £1 invested in broadband by government, the UK economy benefits by £20<sup>8</sup>.**

<sup>8</sup> - SQW, UK Broadband Impact Study, 2014

## Our Focus - To Provide The Infrastructure To Enable Economic Growth, Particularly In Land Property

Our vision is for a Tees Valley whose water and power supplies, and fast telecommunications systems, will be readily available to meet the requirements of new and expanding businesses and be resilient to climate change. It is a vision where our quality business accommodation offer attracts investment and where our enabling infrastructure provides the backbone to support the growth of our industries.

Our SEP priority is to provide the infrastructure to enable economic growth, particularly in land and property, therefore we will provide site development and business accommodation to provide suitable places from which businesses can grow. Alongside this, the Tees Valley Strategic Infrastructure Plan sets out our short, medium and long term specific priorities:

- Work with utility providers NGN, Northern Powergrid and NWL to give as much notice as possible of new development proposals to allow for the planning of new supplies and possible diversions
- Work with NWL and EA to better understand the surface water sewerage network and its impacts on critical infrastructure, as well as general culvert flood problem areas across the Tees Valley.
- Work with key partners to invest in flood risk management schemes which unlock and protect strategic sites and infrastructure
- Work with Government to develop the business model, cost and investment mechanism for industrial Carbon Capture and Storage
- Maximise opportunities for de-centralised heating and energy schemes, and energy efficiency programmes (including maximising the opportunity for the Financial Engineering Instrument for the retrofitting of social housing), across Tees Valley
- Ensure the delivery of investment to secure high speed broadband in Tees Valley's Enterprise Zones, town centres and rural areas
- Further roll-out high speed digital networks and technologies to ensure that businesses can meet their future needs and the Tees Valley can compete with other areas of the UK

Further details are set out in the Enabling Infrastructure Section of the Economic Evidence Base and the full Tees Valley Strategic Infrastructure Plan is attached in the Technical Annexe (both in Appendix 1).

## Attract and Retain Wealth



### Priority 6

*“Attract and retain wealth creation by establishing the Tees Valley as a preferred location to live, work and spend time at leisure”.*

# Introduction

## Alison Thain – Place Group Chair

“For the Tees Valley to be successful, we must attract more people, more visitors, more learners, more businesses and more investors to the area.

Key to doing so is collaborative working. As a Local Enterprise Partnership we place particular value on engaging with our local authorities, registered providers and our private, voluntary and community sector to promote our area and encourage investment. Tees Valley offers unbeatable quality of life with house prices more affordable than many other areas of the UK, a growing arts and culture reputation, stunning countryside and coastline and nationally-recognised visitor attractions.

Retaining such investment within Tees Valley will not be easy but is essential to make the transition to a more inclusive and diverse economy where the proceeds of wealth are distributed more equally. Yet we are realistic about the challenge ahead of us. We have many pockets of disadvantage and high rates of unemployment in Tees Valley. This makes supply side measures, particularly providing employability and financial inclusion support for our residents, particularly key.

Generating jobs is essential to increasing wealth and our SEP reflects this. Only by focusing on jobs, alongside improving our housing offer, adapting our town centres, maximising our cultural assets and boosting the competitiveness of our rural SMEs, can we reduce our high levels of disadvantage and enhance the lives of our residents.”



**Alison Thain OBE**  
Chief Executive

Fabrick Housing Group  
Tees Valley Leadership Board

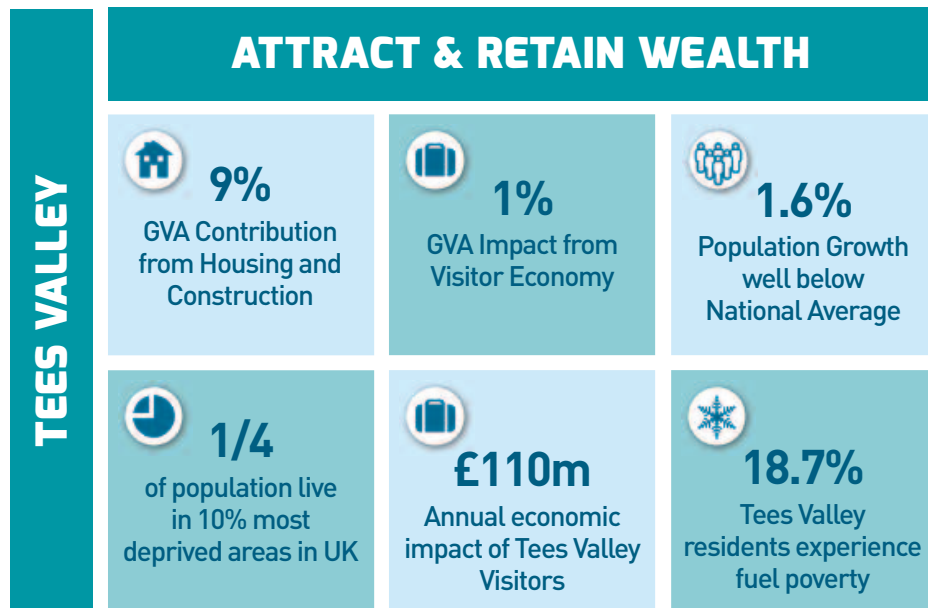


# Attract and Retain Wealth





## Attract and Retain Wealth



Key Challenges	Local Growth Funded Priority Projects	Impact
Reduce high levels of disadvantage and increase visitor spend.	<ul style="list-style-type: none"> <li>■ Jackons Landing (Hartlepool) re-development as a sub-regional mixed use facility including retail, leisure and residential</li> <li>■ A sustainable future for Kirkleatham Estate (Redcar)</li> </ul>	<p>£4.8m additional GVA</p> <p>250 Houses</p> <p>300 Total Jobs</p>
Ensure an appropriate housing offer is available to retain and attract residents		
Ensure cultural, retail, arts and leisure facilities provide a high quality environment to attract people to live, work and spend in Tees Valley		

\*NOTE: All figures are gross figures



# Attract and Retain Wealth

## The Evidence

To enable all of our residents to benefit from sustainable and inclusive economic growth, we must attract and, crucially, retain wealth in Tees Valley. We will do this by developing the quality of our area as a place to live, work and visit; ensuring that our housing, town centre, retail, rural and visitor economy offers are compelling, combating social exclusion and recognising our environmental assets. Our economy must provide opportunities for residents across Tees Valley, regardless of location, background, gender, religion, ethnicity or sexuality. We will particularly focus upon supporting those furthest from the labour market and those in disadvantaged communities.

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>Major investment in Tees Valley town centres</li> <li>Affordable house prices relative to national average</li> <li>Nationally significant natural assets and visitor attractions</li> <li>Vibrant civic society and voluntary and community sector</li> <li>Strong rural community with a network of villages</li> <li>Strong BME network</li> <li>Sense of community spirit across Tees Valley and in individual communities</li> <li>Strong rural business base</li> <li>Growing independent retail, arts and leisure offer</li> </ul>	<ul style="list-style-type: none"> <li>Some of the highest levels of disadvantage, unemployment and benefit dependency in the UK</li> <li>High numbers of people with significant barriers to work</li> <li>Poor connectivity to outlying industrial estates and business parks</li> <li>Lack of executive housing and outdated stock</li> <li>Housing affordability for local residents</li> <li>High rates of fuel poverty</li> <li>Poor town and village centre environments</li> <li>Some strategic housing development sites unviable without intervention</li> <li>Day visitor economy with lack of overnight stays</li> </ul>

Opportunities	Threats
<ul style="list-style-type: none"> <li>Broadband investment and commercial roll-out</li> <li>Access new employment opportunities in growing sectors</li> <li>Build on strong partnerships established by voluntary/community sector</li> <li>Join up projects under European Structural Funding</li> <li>Opportunities for the rural economy in the low-carbon economy and other sectors</li> <li>Grow the visitor economy</li> <li>Good land supply for housing development</li> <li>Attract aspirational population through improved housing offer</li> <li>Attract footfall to our town centres through independent retail, arts, heritage and culture</li> </ul>	<ul style="list-style-type: none"> <li>Slow growth in the economy leading to continued squeeze on household budgets</li> <li>High rates of unemployment</li> <li>Falling funding to community networks for those most in need</li> <li>Move to digital public services excluding older people and rural communities</li> <li>Threats to rural businesses as our economy adapts</li> <li>Ageing population changing the needs of the housing market</li> <li>Changing face of the high street due to online retail and other issues</li> <li>Continued competition from North Yorkshire and South Durham as housing destinations for high wage earners</li> </ul>

## Attract and Retain Wealth

### Population and disadvantage:

663,600 people reside in Tees Valley, with the area having witnessed two decades of a net fall in population, followed by net population growth since the millennium <sup>1</sup>. This increase has been driven by natural change and net inward international migration, predominantly from EU Accession and Southern Asian countries, which has offset a net outward migration trend among residents to other parts of the UK.<sup>2</sup> Tees Valley is thus home to a small BME community.<sup>3</sup> Whilst overall economic conditions have improved across the Tees Valley, we have high levels of severe disadvantage <sup>4</sup> linked to access to employment, public health, poorer neighbourhoods and shorter life expectancy.

### Housing:

We currently have 283,100 households <sup>5</sup> of all types, with large areas of terraced housing and council housing built in and around town centres and industrial areas, with prosperous modern developments predominately on the outskirts. Tees Valley benefits from some of the lowest housing prices in the UK, where quality detached houses can be bought for a fraction of the cost of London and the South East. Although we have seen a significant decline in new housing completions over recent years, Tees Valley private housing starts, according to 2013 data, have recovered from their low point of 2008, boosting our construction sector <sup>6</sup>. Housing construction makes a major contribution to our economic performance and recent research indicates that construction as a whole contributes 8% towards the Tees Valley's GVA and employs around 7% of our workforce <sup>7</sup>, offering significant growth opportunities.

### Town centres, retail and leisure:

For the Tees Valley, in addition to our industrial base in the North and South Tees area, the economic 'pull' of the area remains our urban centres. 597,000 (90.1%) of the Tees Valley population live in urban areas <sup>8</sup> and our main town centres (Darlington, Hartlepool, Middlesbrough, Redcar and Stockton), along with a network of smaller towns and villages, are key drivers of our economic distinctiveness. They serve a number of functions, from leisure and culture to retailing and professional

services. Significant investment has been made in recent years across all our town centres, through flagship schemes such as the Pedestrian Heart in Darlington, mima in Middlesbrough, Hartlepool Marina, Redcar Seafront Improvements and the current Stockton town centre regeneration. Wholesale, retail and related service industries continue to be a key source of jobs in the Tees Valley, employing some 53,100 people <sup>9</sup>.

### Culture:

Culture has a significant part to play in realising the strategic goals of Tees Valley. These can be described within three key areas:

- **Business Growth:** Digital/Creative is a growing Key Sector within Tees Valley (see more under Business Growth), with over 10,000 people employed. Significant growth has occurred in our digital and engineering design industries, supported by Teesside University's strength and specialism in this field.
  - **Digital industries – Over 300 digital firms <sup>10</sup>,** supplying services to market leaders such as Google and Sony, have been created in recent years. Growth has been driven by DigitalCity, a major Tees Valley partnership initiative, and Teesside University's digital expertise, putting it in the top 20 places in the world for studying animation.
  - **Culture, arts and heritage businesses -** Tees Valley has a growing culture, arts and heritage sector employing over 4,000 people<sup>[1]</sup>, with firms ranging from established creative businesses to sole traders. Key assets include, Darlington Civic Theatre, Preston Hall Museum, Hartlepool Maritime Experience, the Middlesbrough Institute of Modern Art (mima), Kirkleatham Museum and the ARC.

1 - ONS, mid-year population estimates, 2012

2 - Demographic Update and Key Migration indicators for the Tees Valley, 2012

3 - ONS, Census, 2011

4 - Index of Multiple Deprivation, 2010

5 - TVU, Economic Impact of Registered Providers, 2013

6 - DCLG, Live Tables on House Building, 2014

7 - ONS, Regional GVA 2011 and BRES 2012

8 - Tees Valley Rural Community Council, 2011

9 - ONS, Business Register and Employment Survey, 2012 SIC Sections G,I

10 - Visit Middlesbrough, 2014

## Attract and Retain Wealth

- **Creating the conditions for investment and growth:** Culture contributes to and shapes the quality of a place - together with other factors including transport, higher education and housing – shaping perceptions, making a place more attractive to people to live, work and study there. Our museums, collections, theatres, art galleries, libraries, music and other cultural and heritage assets are part of the offer for recruitment and retention, and draw visitors to Tees Valley. Major events, such as the Stockton International Riverside Festival, Middlesbrough Mela, and Darlington Festival of Thrift are attracting national attention and promote a positive brand.
- **Strengthening and extending the workforce:** Arts and culture are recognised as an effective means of engaging with hard to reach communities or individuals and supporting them to move closer to the labour market. Arts led social inclusion programmes including volunteering can support improvements in wellbeing, self-esteem and employability. The value and effectiveness of these projects are increasingly recognised by partners such as Health & Wellbeing Boards who are starting to take a partnership role in commissioning. There is also significant arts-led work to re-engage with young people who are NEET or at risk of becoming NEET in both education settings and in the community across Tees Valley.

### Natural Assets:

The Tees Valley's natural assets are impressive; to the east, the Tees Valley is bounded by a coastline that supports a diverse mix of coastal settlements, port activities, recreational pursuits and natural habitats. Between our main towns, we have expanses of rural countryside, incorporating the northern edge of the North York Moors National Park. The range of rural and coastal assets adds to our sense of place and is a significant contributor to our quality of life and residential appeal. Tees Valley is home to Teesmouth and Cleveland Coast Special Protected Area, Salholme Reserve and Teesmouth National Nature Reserve (NNR), 30 Local Nature Reserves (LNRs) and 22 Sites of Special Scientific Interest (SSSI). Maintaining our biodiversity and environment, through our natural assets and habitats, indigenous wildlife and unusual species, is of major importance to the Tees Valley.

### Rural Economy:

While the majority of our population are based in urban areas, the Tees Valley land mass is predominately rural, with large numbers of rural villages and rural fringe, encompassing 65,700 people (9.9% of our total population <sup>11</sup>), principally within Redcar & Cleveland and Darlington. <sup>12</sup>Rural communities play an immensely important role in our economy and way of life. We have significant coastal, natural and heritage assets in our rural areas, providing opportunities to create and retain wealth. The Tees Valley Rural Economic Strategy <sup>13</sup> identifies a number of opportunities to build on, including; SME creation and expansion in sectors such as creative and digital, the natural environment, food, equestrian and the visitor economy; farming for a better climate to support carbon reduction; renewable energy production; local food production; and the development of heritage, wildlife and environment.

<sup>11</sup> - Tees Valley Rural Community Council, 2011

<sup>12</sup> - ONS, Census 2011

<sup>13</sup> - Tees Valley Rural Community Council, Rural Economic Strategy for the Tees Valley, August 2013

## Attract and Retain Wealth

### Barriers To Growth

Tees Valley faces a number of obstacles which are restraining our ability to create and retain wealth and thus ensure growth is sustainable and equitable:

- **Disadvantage:** Our levels of disadvantage and unemployment are hindering our economic growth and causing suffering to our residents. A quarter of the small areas in Tees Valley are within the most disadvantaged 10% in England.<sup>14</sup> Recent evidence suggests that, with growth, the overall levels of deprivation in Tees Valley dropped, but the gap between the most affluent areas and the poorest areas increased, suggesting unequitable growth.<sup>15</sup> 27% of Tees Valley workers earn less than the living wage, including 34% of women and over 50% of those working part time, rates above the national average.<sup>16</sup> Fuel poverty is also high, with 53,900 households in Tees Valley (18.7%) experiencing fuel poverty compared to 14.6% in England.<sup>17</sup>
- **Social Exclusion:** Social exclusion is a barrier to employment and therefore wealth creation. Tees Valley faces a number of challenging issues, including levels higher than the national average of obesity, smoke-related deaths,<sup>18</sup> indebtedness,<sup>19</sup> looked after children<sup>20</sup> and households with no one working,<sup>21</sup> Particular groups at risk of exclusion include lone parents (the Tees Valley has a higher proportion than nationally<sup>22</sup>), households without a car (30.5% in Tees Valley compared to 25.6% nationally<sup>23</sup>), people with disabilities and ex-offenders. Tees Valley also has an issue around female employment, with 18% of female full time workers not earning the living wage (compared to 9% of male equivalents) and 34% of female workers failing to do so, compared to 26% nationally<sup>24</sup>. This makes improving employability, training and access to work, boosting public health, encouraging healthy lifestyles, ensuring financial inclusion and breaking down gender stereotypes key measures to overcome social exclusion.
- **Lack of high quality housing and affordability issues:** Tees Valley suffers from a lack of high quality housing to attract people and investment, affordability issues for local residents (with house price increases having outstripped

earnings) and high levels of outdated stock. Better quality housing, to overcome fuel poverty and meet the needs of our ageing population, and more executive homes to attract the future aspirational population, are critical. We recognise the need for further housing regeneration and development, addressing particular issues such as low-demand older housing areas, brownfield sites, empty homes and the need for major schemes and improvements to the quality of place to attract investment. In the absence of large scale public funding to remedy these problems, innovative community-led approaches are beginning to emerge in the Tees Valley.<sup>25</sup>

- **Housing development sites unviable without public intervention:** Low housing development values in Tees Valley, combined with the costs of associated infrastructure, mean that certain key housing development is unviable without public sector intervention. Securing the right development is a key attractor for potential visitors and home-buyers, generating significant economic impact through direct and supply chain multipliers, so this is a major barrier to our growth. Allocated brownfield sites with or without existing sub-standard houses awaiting clearance have low value end costs and high development costs making them unviable. Furthermore, servicing land with infrastructure that does not put pressure on highways, amenities and public services is a major challenge, increasing the importance of unlocking development sites through new or improved transport infrastructure to enable wealth creation and retention.

14- ONS, IMD 2011

15- Tees Valley Economic Assessment, 2013

16- ONS, ASHE, 2013

17- 2006 based estimates, DECC

18- Public Health England, Public Health Observatories, 2013

19- Insolvencies rate in Tees Valley was 27.6 per 10,000 in 2012, compared to 24.5 in England and Wales.

20- DfE, 2012

21- HM Treasury 2010

22- ONS, Census, 2011

23- ONS, Census, 2011

24- ONS, ASHE, 2013

25- The potential of Community Led Initiatives and CLTs as an Approach to Regenerate Older Housing Areas TVU 2013

## Attract and Retain Wealth

- **Changing town centres and retail environment:** The traditional model of town centres that provide retail, commercial, civic and service functions is under threat from the growth of online shopping and out of town retail parks. This has led to a rise in the number of empty units on our high streets and a drop in footfall. Although 3,000 jobs were lost in Tees Valley between 2010 and 2012, the ongoing regeneration of our town centres provides opportunities to reflect changes in shopping habits, with a larger focus now placed upon independent retail, arts, cultural and leisure activities. Some of our smaller towns and villages have a poor public realm, hindering our ability to attract people and investment.
- **Rural and visitor economy challenges:** Our rural areas face a range of often interconnected barriers to growth, particularly the need to increase employment opportunities, grow the SME base (we have a lower proportion of businesses per head than the national average for rural areas; 669 per 10,000 working age population compared to 999<sup>26</sup>) and ensure access to employment and public services. Rural SMEs face obstacles to access new markets and increase productivity, particularly poor broadband availability, a lack of transport connectivity, absence of business support networks and increased costs of service delivery.<sup>27</sup> Residents in rural areas suffer from a lack of public transport connectivity and sustainable transport options, holding back access to employment. Our visitor economy is dominated by domestic day visitors, with low levels of overnight stays by visitors to the area, and an overall impact, of 1% of our GVA, which is low.<sup>28</sup>

26- Tees Valley Rural Community Council, Rural Economic Strategy for the Tees Valley, August 2013

27- <http://www.jrf.org.uk/sites/files/jrf/minimum-income-standards-rural-summary.pdf>

28- ONS, Regional Value of Tourism 2011, Feb 2014



## Attract and Retain Wealth

### Our Focus

**Our SEP priority is to create and retain wealth by developing the Tees Valley as a place to live, work and visit.**

This will allow the Tees Valley to move towards a more inclusive, sustainable and balanced economy, building on our competitive advantages and helping us to realise our Statement of Ambition. It will reduce levels of disadvantage, unemployment, benefit dependency, poverty and poor public health, which are all too high, and boost social mobility and coherence through the following priorities.

What we will do:

- Create a housing offer which serves the needs of our current and future population, increasing availability and affordability, through working in partnership with our Registered Providers, the HCA, the private sector and our local authorities to reduce barriers to housing-led growth. Each local authority in Tees Valley has their own housing strategy in place (details in Technical Appendix)
- Darlington Borough Council is the only local authority in Tees Valley with a Housing Revenue Account and will submit proposals to Government when the opportunity as described in the Autumn Budget Statement comes forward.
- Provide a high quality retail and leisure offer, led by our town centres, that is an attractive location for residents and businesses. We will work to provide the investment to enable private sector development in our town centres to take place.
- Maximise the use of our arts, cultural, heritage, rural and natural assets to attract more visitors to the Tees Valley. Culture in particular can help to create places that attract and retain businesses and business leaders to the area, create direct jobs and provide the skills and confidence for residents to participate more fully in the labour market.

- Tackle fuel poverty by maximising current initiatives, such as Warm Up North, and exploring the retrofitting of social housing through our European programme.
- Provide holistic and bespoke support for individuals and communities who are furthest away from the labour market to improve their prospects for employment. Our European Programme focuses upon reducing poverty and social exclusion, particularly through employability and financial inclusion measures.
- Support our vibrant voluntary, community and social enterprise sector (VCS) – which comprises 2,000 organisations with a combined turnover of over £100m, over 3,000 staff and over 30,000 volunteers<sup>29</sup> – to engage those communities hardest to reach.
- Provide bespoke support to encourage the growth of Social Enterprises. A Social Enterprise Fund is currently being considered under Tees Valley's European programme.
- Improve the competitiveness of our rural SME base by providing dedicated business support, increasing access to employment and removing barriers to growth, such as poor broadband and transport connectivity. These are the focus of our European Agricultural Fund for Rural Development and the LEADER programme in Redcar and Cleveland.

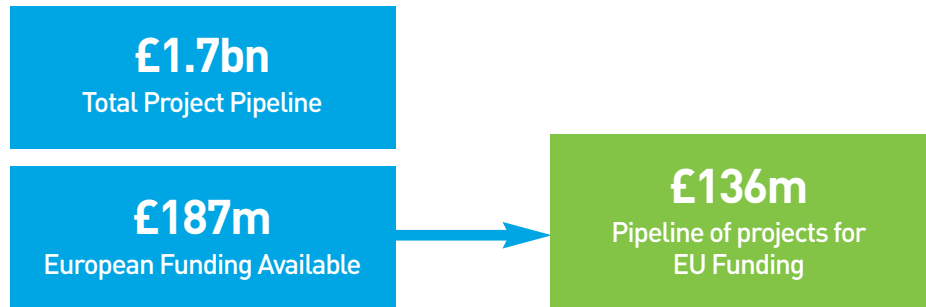
**Further details are set out in the 'Attract and Retain Wealth Section' of the Economic Evidence Base (Appendix 1).**

<sup>29</sup>- Tees Valley LDAs, 2013

## Our Investment Plan

**Our Investment Plan**

“Our Investment Plan, which includes public and private, local, national and European Funding, will stimulate and catalyse private sector growth, creating transformational change in our economy.”



The Tees Valley is a world class centre for petrochemicals, energy, bio-resources, steel and advanced manufacturing. Our industries sit at the centre of the UK’s move towards a high value, low carbon economy having attracted significant investment over recent years and developed a reputation for green excellence, and we are also seeing significant growth in the digital/creative as a growing Key Sector within Tees Valley.

It is therefore not surprising that the Tees Valley has seen significant private sector investment in recent years – estimated to be over £2 billion. This includes:

- £434m investment secured on our successful Enterprise Zone, including investment by Lotte Chemicals in Redcar and by Air Products at Stockton – soon to be one of the world’s largest energy from waste plants using advanced gasification

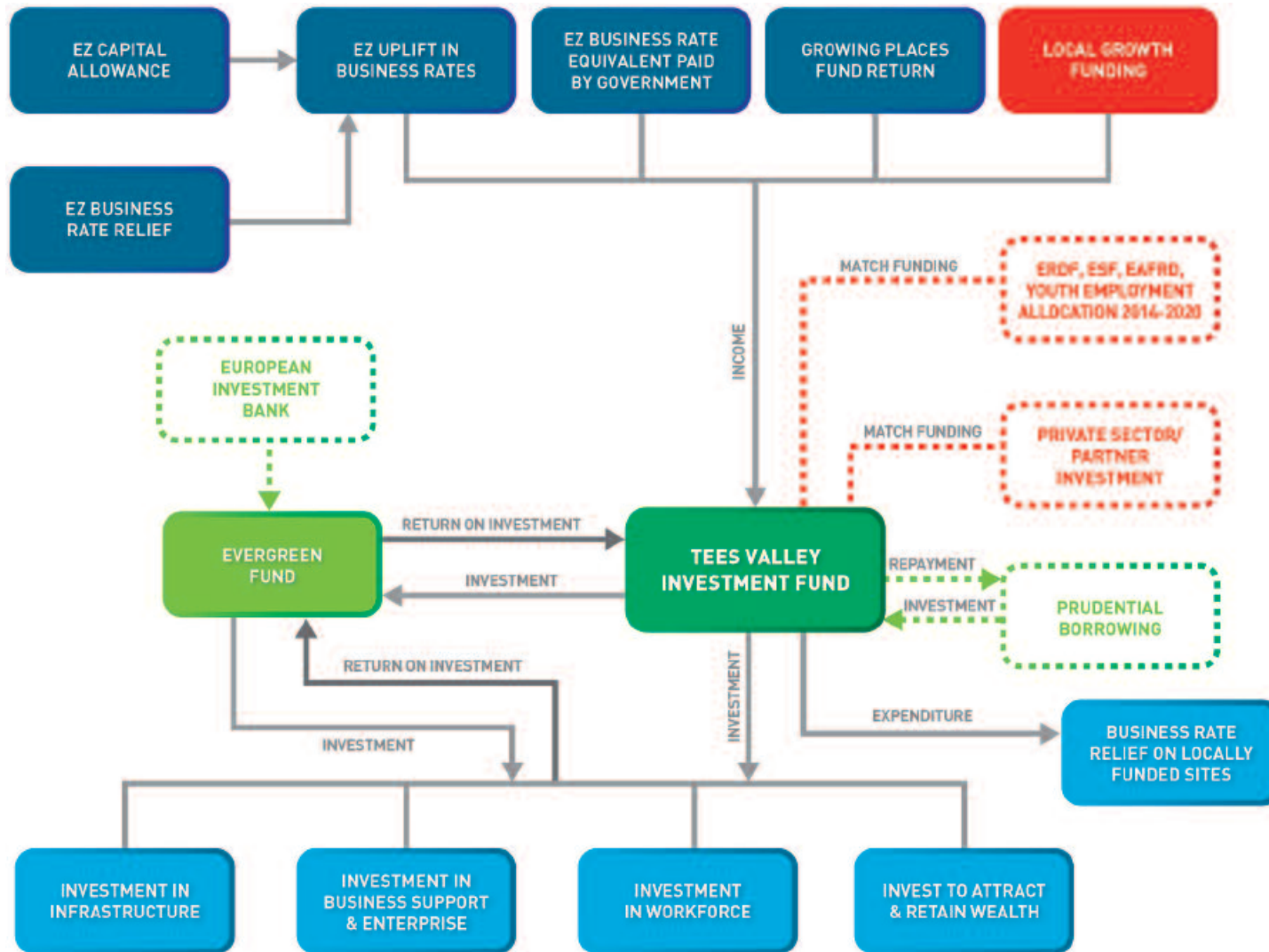
Our Investment Plan has been developed with our partners, both in the private and public sectors and seeks to understand the local investment landscape and address barriers to growth through targeted investment, enabling growth.

**Our plan is cohesive and focussed on delivering our strategic priorities, helping us to achieve our target to become a low carbon, high value economy and to deliver 25,000 new jobs and £1 billion extra into the economy over the next 10 years. We are committed to work with partners to ensure a cohesive approach to future investment to utilise our funds to deliver transformational change in our economy.**





# The Tees Valley Investment Fund Approach



The Tees Valley Investment Fund, or Fund of Funds, is an approach that has been in development for several years and continues to evolve. Our aspirations for the fund accord with the principles of the Single Pot proposition put forward by Michael Heseltine in "No Stone Unturned", particularly with regard to local determination of priorities for investment, the opportunity to maximise investment through a variety of investment partners and with returns on investment being recycled in the Fund.

The diagram opposite illustrates how the Fund will work. At present a variety of sources of income feed into the Fund with individual elements operating on the terms that their source requires. Where at all possible, returns on investment, will be channelled through the Investment Fund model. The Local Growth Fund offers the potential to not only support some of the key projects required to deliver our SEP but to feed into the Investment Fund model thereby achieving longer term and more sustainable investment in the area's economic growth.

# Invest in Innovation and Sector Development

	Local Growth Funding <sup>1</sup>	ERDF <sup>2</sup>	ESF <sup>3</sup>	EAFRD <sup>4</sup>	TVIF <sup>5</sup>	Public Sector	Private Sector
	£171.2m	£79.7m		£1.1m			
<b>INNOVATION</b>	<b>£102.2m</b>	<b>£25m</b>					
Direct research support to businesses							
Direct commercialisation support to businesses							
Support collaboration projects improving competitiveness							
Create, develop and enhance open access technology centres							
Establishment of world leading training centres							
<b>LOW CARBON</b>	<b>£59m</b>	<b>£15.6m</b>					
Invest in carbon capture and storage and district heating schemes to improve industry competitiveness							
Invest in retrofitting of housing stock through the Evergreen Fund (see 'Invest in Infrastructure' section)							
Support SMEs to develop, produce and create efficient use of low carbon energy, resources & reduce carbon emissions							
<b>BUSINESS SUPPORT</b>	<b>£10m</b>	<b>£39.1m</b>		<b>£1.1m</b>			
Provide specialist business support activities for SMEs							
Ensure a flexible mix of finance available for SMEs through a new JEREMIE fund and a social enterprise fund							
Provide incentives for employers to take on apprentices			See Invest in workforce section				
Provide appropriate business accommodation and infrastructure	See Invest in Infrastructure section						
Develop and support entrepreneurship as a route to self-employment / social enterprise creation (wraparound support with ESF)			See Invest in workforce section				
Invest in roll-out of digital infrastructure							

1 - Notional Local Growth Funding requirements based on pipeline investment identified in March 2014  
 2 - ERDF: European Regional Development Fund

3 - ESF: European Social Fund  
 4 - EAFRD: European Agricultural Fund for Rural Development

5 - Tees Valley Investment Fund – funding allocations to be determined across themes to ensure the right mix of projects are prioritised for funding.

# Invest in Innovation and Sector Development

## Invest in Innovation

**The most important driver behind the transformation of our economy is innovation;** the Tees Valley is already benefiting from the deployment of innovation in sectors such as steelmaking, chemicals and new green technologies such as waste to energy. Much of this has been driven by organisations such as the Tata Steel Teesside Technology Centre situated in Redcar (soon to be called the Materials Processing Institute), The Welding Institute at Teesside Advanced Manufacturing Park in Middlesbrough, the Centre for Process Innovation at Central Park and at Wilton, and by our Universities.

Our future investments need to support innovation and address the barriers to growth to stimulate private sector investment. We have therefore identified key sources of funding that will be instrumental in supporting innovation and sector development over the next 10 years.

Whilst our innovative SMEs and larger firms supply products and services to major key supply chains around the globe, rates of exporting and enterprise are low in Tees Valley. We must invest in projects that provide the right facilities to house our innovating businesses, as well as investing in offering the right support to commercialise products/processes and services, encouraging exporting and significant GVA growth.

The following projects will provide the vital Open Access facilities required by businesses to innovate and will complement existing facilities specialising in other sectors/subsectors; they have the potential to enable transformation change in the Tees Valley:

- **The Materials Processing Institute** (formerly know as Tata Steel Teesside Technology Centre)
- **Teesside Advanced Manufacturing Park** – Offshore Wind Validation Centre and the Research Centre and Workspace
- **Central Park Darlington** – National Horizons Centre and Biotherapeutics: Factory of the Future linked to National Biologics Centre

All of these projects are seeking Local Growth Funding in 2015/16. Further details can be found in the Local Growth Fund Bid section of the main report. We also have a pipeline of innovation projects worth £175m for the Tees Valley, of which £65m is earmarked for Local Growth Funding, £30m private sector, and £80m from a range of other funding sources. These proposals have been put forward primarily by industry leads, such as TATA, CPI and Teesside University and offer exciting opportunities to deliver innovation led growth in the Tees Valley.

Our pipeline projects are focussed on offering bespoke business support to provide the appropriate means for innovating businesses to develop their products, from concept through to design and market readiness, and on to commercialisation. Much of this support will be through Tees Valley Business Compass – the Business Growth Hub for the Tees Valley. In addition we have worked with our partners to establish other supporting projects that would be important to achieve our plans for growth through innovation, our pipeline will be reviewed regularly.

## Invest in Low Carbon

Our ambition is to become a high value, low carbon economy; by increasing the integration of our production and processing complexes, our businesses will be well equipped to rival global competitors, such as Rotterdam and Singapore, through the exploitation of innovation in new feedstock produced from biological sources to replace oil, efficient uses for waste heat and large scale industrial Carbon Capture and Storage. We are working with Government to deliver these as part of our agreed City Deal and we are accessing funding sources, such as those offered by the Heat Network Distribution Unit, to undertake outline feasibility studies on the proposals.

The next steps require much more intensive investment to prepare the projects for a start on site. Consequently we are seeking Local Growth funding in 2015/16 to support the development of the South Tees District Heating Scheme.

## Invest in Innovation and Sector Development

Further details can be found in the Local Growth Fund Bid section of the main report. Future funding will be required in 2016/17 for industrial Carbon Capture and Storage, which has the potential to reduce carbon emissions from industry by 50%, and for the North Tees District Heating Scheme. Other priorities for investment will be utilising European Structural funding to deliver the following:

- **Support SMEs to become energy efficient & to exploit low carbon technologies** - utilising European Regional Development Funding (ERDF) to encourage SMEs to develop, produce and create efficient use of low carbon energy and resources.
- **Retrofitting of housing to improve Tees Valley housing stock** – undertaken through our proposed Evergreen Fund with ERDF support. Further details can be found in the Local Growth Fund Bid section of the main report.

### Other Investment in Innovation and Sector Development

Our innovative SMEs and larger firms supply products and services to major key supply chains around the globe in a multitude of sectors, but rates of exporting and enterprise are low in Tees Valley and access to finance, business support, appropriate accommodation and contracts remain barriers to growth. Our future investments therefore need to address the barriers to growth to stimulate private sector investment. We have therefore identified key sources of funding that will be instrumental in supporting sector development and enterprise over the next 10 years:

- **Existing National Programmes, such as Growth Accelerator, Manufacturing Advisory Service and UKTI** - will be at the heart of the advice and support given to businesses and we will work with Government to ensure the right offer is provided for our local businesses. However, where there are bespoke local needs or gaps in current provision we will provide locally the appropriate means by which to supply direct support, funding and expertise to businesses. This joined up approach is encapsulated by our two priority projects below; both projects offer large numbers of jobs and a significant increase in GVA, both locally and for UK Plc.

- **Tees Valley Business Compass, the Business Growth Hub for the Tees Valley** – is a five year programme will build upon the successful RGF bid with Lancaster University for business growth support and will offer a range of services to local businesses and include a Fund to provide capital and revenue grants to new start-up businesses and SMEs to stimulate their growth. Further details can be found in the Local Growth Fund Bid section of the main report.
- **Access to Finance** – building on the success of the existing JEREMIE model in the North East, it is our intention to work collaboratively with the North East LEP to set up a £160m JEREMIE 2 Fund, of which the Tees Valley share of this will be 25%. This collaborative project will be a five year fund which will utilise ERDF, a loan from the European Investment Bank, plus legacy and private sector funding. This collaboration will deliver greater economies of scale and complements existing structures for the region. JEREMIE 2 will deliver 1,500 new jobs and safeguard a further 850 jobs. We are also planning to provide access to finance through a tailored investment for early stage start-up businesses that are commercialising research and development, and a Social Enterprise Fund that will provide access to low cost credit for business start-ups and social enterprises in disadvantaged areas.
- **Other projects** – we will also provide incentives to employers to create new jobs and provide appropriate infrastructure to meet business needs. Further details can be found in the Local Growth Fund Bid section of the main report.

### Project Pipeline 2016/17+

The majority of direct support to businesses will be coordinated through Business Compass – either directly or indirectly. However, due to the nature of the funds that will drive investment often being matched with ERDF, we expect activities will mainly be commissioned /delivered through open calls in accordance with EU rules and procedures.

## Invest in Innovation and Sector Development

### Impact

Our aim is to catalyse growth to create 25,000 new private sector jobs and £1 billion growth in GVA, to facilitate this growth we have set ourselves a challenging target to create 3,200 more enterprises by 2025 – a 25% increase in real terms which will bring us up to the national average for enterprise density. Collectively our Local Growth Projects, alongside JEREMIE 2 and our Social Enterprise Fund, are expected to deliver the following results for the area and will help us achieve our goals.

	Innovation & Sector Development Local Growth Fund 2015 2016 Projects	JEREMIE 2 & Social Enterprise Funds	TOTAL
GVA Impact	£531.6m	TBC	-
Total Jobs Impact	4,630	2,350	6,980
Direct	1,283	1500	2,783
Safeguarded	447	850	1,297
Enabled	2,900	-	2,900
Enterprises Supported	5,237	375	5,612
New Products to Firm / Market	105	TBC	-
Houses Enabled (through supporting infrastructure)	180	<b>*NOTE: All figures are gross figures</b>	
<b>INNOVATION SKILLS:</b>			
Level 2	350	-	-
Level 3	700	-	-
Level 4	3,200	-	-
Apprenticeships	900	-	-
Carbon Reductions	50% reduction in industrial carbon emissions	-	-

Further activity will take place utilising ERDF which will deliver more results for the area. However, it is difficult to separate what 'additionality' ERDF will bring as it is anticipated that a large proportion of this fund will be used as match to Local Growth Funding to facilitate the delivery of our key programmes for the Tees Valley (outlined above); we have therefore been prudent in our anticipated outcomes to minimise double counting.

## Invest to Develop The Workforce

A skilled workforce that meets the needs of current and future businesses is essential to facilitate job creation over the next decade and to meet replacement demand created by natural wastage from an ageing workforce. **Our Skills Strategy** sets out our key areas of focus and our investments will develop

appropriate skills infrastructure from which to deliver first class training, provide direct support to business to encourage take up, support young people and the unemployed into employment, and increase overall skills levels to meet the needs of businesses. The table below details the focus of our investment.

	Local Growth Funding <sup>1</sup>	ERDF	ESF	TVIF <sup>2</sup>	Public Sector	Private Sector
	£22.4m	£7.4m	£82m			
Develop & maintain further education facilities to meet skills needs						
Invest in a Skills Hub to coordinate and provide the following: <ul style="list-style-type: none"> <li>■ Join up existing activity across the Tees Valley</li> <li>■ Support new and targeted provision under a common brand</li> <li>■ Improve and coordinate labour market information and careers advice (linked to Growth Deal Asks)</li> <li>■ Provide financial incentives to businesses to create additional jobs and apprenticeships</li> </ul>						
Provide support to our young people from education through to sustainable employment with training to increase youth employment rates						
Develop and support entrepreneurship as a route to self-employment / social enterprise creation						
Provide support for individuals and communities furthest away from the labour market						

1 - Notional Local Growth Funding requirements based on pipeline investment identified in March 2014

2 - Tees Valley Investment Fund – funding allocations to be determined across themes to ensure the right mix of projects are prioritised for funding.

# Invest to Develop The Workforce

## Development of Skills Establishments

We will invest in appropriate further educational establishments to develop and maintain existing and future provision that meets our skills needs.

We recognise that for our economy to grow we must be able to meet employers' needs for a well-educated and highly skilled workforce capable of continuous learning. We will build upon our generally excellent educational and training infrastructure of universities, colleges and specialist providers to strengthen the links between employers, these organisations and local schools. At the heart of this is the creation of facilities that offer access to the most up-to-date equipment/processes for future workforces to gain the necessary skills that will keep Tees Valley and the United Kingdom at the forefront of global competitiveness.

In 2015/16 we have three projects that seek to utilise Local Growth Fund Skills Capital:

- **Cleveland College of Art and Design** - Redevelopment of Hartlepool Campus
- **Redcar and Cleveland College** - Expansion to provide an Oil and Gas Academy
- **Middlesbrough College** - Provision of an Advanced Skills Centre and purchase of specialist training equipment

The National Horizons Centre, although categorised under 'innovation' due to its specific focus on delivering innovation skills needs, will also offer a significant focus on developing a national centre for skills, leadership and innovation in the enabling and industrial technologies that are vital for the future of a successful UK economy.

In 2016/17 we have two projects that seek to utilise Local Growth Fund Skills Capital:

- Cleveland College of Art and Design: Green Lane campus refurbishment
- Stockton Riverside College and Stockton Council: Building Skills Capacity for the future

Further details can be found in the Local Growth Fund Bid section of the main report.

## Provide Skills Revenue Support

We will maximise job creation through our Skills Hub Programme. **The Tees Valley Skills Hub** is a five year programme that will utilise European Funding, Local Growth Funding and most importantly private sector march funding to ensure that there is coordination of Labour Market Information data and careers information, a flexible skills and support fund to help individual's access employment and a skills and apprenticeship programme providing financial incentives for employers to create additional jobs. The project will enable the identification and coordination of provision to ensure that scarce funding can be targeted to meet the needs of employers particularly those in our key sectors. This approach will mean that individuals will have the skills needed to access the jobs that will be created through growth and replace the substantial numbers of vacancies that will arise through natural wastage due to the high average age of our workforce in key industries. Employers themselves can be confused by the range of provision available and the project will assist them by 'hiding the wiring'. Further details can be found in the Local Growth Fund Bid section of the main report.



# Invest to Develop The Workforce

## Utilising European Funding

To realise our growth ambitions, the Tees Valley needs a labour market and a skills system that works for young people and adults by raising aspiration and achievement levels, and helps to provide pathways to sustainable employment within the area. We also must support employers by providing qualified ready-for-work staff that brings new ideas and innovation, increasing business productivity. This system must be underpinned by a wide range of expert training provision geared towards the Key Sectors and growth industries that the Tees Valley economy is currently built upon and is aiming to develop further. Targeting EU resources will help us to address the high rates of youth unemployment and low rates of employment, low achievement rates and skill levels, an ageing workforce in key sectors and the difficulty faced by some employers in recruiting and retraining skilled labour.

Our vision is to become a more inclusive and balanced economy and society, reducing levels of deprivation, benefit dependency and poverty and boosting employment levels, social mobility, social coherence and, consequently, economic competitiveness. We believe new opportunities should be accessible to all in an equitable manner, with a buoyant labour market providing jobs across all sectors, clear pathways to employment for young people and adults, including those with significant barriers to employment.

Our **European Structural and Investment Fund** provides more detail on the type and nature of activities we will undertake. Here is a summary:

For Employment we will work alongside existing SFA/DWP mainstream provision and supplementary provision; for example Big Lottery Talent Match, to provide additional services that are not already available. Examples of programmes we are already thinking about include:

- **Innovation funding** - to support disadvantaged 14-15 year olds through transitional mentors and a small flexible fund to meet specific individual needs. The scheme could easily be scaled up to meet a wider age group or other specific priority groups.

- **Specialised training for those outside mainstream education** - An example could include smaller class sizes of around 10 from a range of backgrounds /ages (but based on ability) working together to study mainstream qualifications, using a virtual teaching group /video conferencing facilities and qualified teachers to study mainstream qualifications on a remote basis. This model has already been trialled in Stockton with good results.

**For Skills** we will build on our Skills Strategy to invest in education, skills and lifelong learning. Alongside the Tees Valley Skills Hub (see above) our activities will cover the following:

- Support Individuals to gain postgraduate skills for research and innovation in key industries
- Support individuals to gain new skills to respond to opportunities arising and increase the availability of intermediate, advanced and higher apprenticeships leading to graduate opportunities in key and supporting sectors
- Support activities to increase the number of Tees Valley enterprises engaged in workforce planning/providing training to develop new/ higher level skills in their staff
- Develop activities to bring together skills initiatives and partnerships with employers/entrepreneurs stimulating employer-led skills delivery and new delivery partnerships
- Provide a coherent and consistent offer of Skills, Employment and Enterprise information and support to individuals, employers, providers and practitioners in Tees Valley (alongside ERDF)

**For Social Inclusion** we will provide bespoke support for individuals and communities who are disadvantaged/furthest away from the labour market to improve their prospects for employment and encourage positive engagement by employers with local communities.

## Invest to Develop The Workforce

### Pipeline Projects

Through partnership collaboration we have identified a pipeline of projects which is encouraging since a total of £13.87m has been allocated to this area of activity. Whilst it is likely that Big Lottery will be used to pre-match any social inclusion funding, the depth and breadth of projects coming forward can help shape the strategy and investment focus for the area. Consequently we are working with partners through task and finish groups to establish the future investment focus for the 2014-20 ESF programme.

### Impact

The area has set a target by 2025 to create 25,000 new private sector jobs and increase level 3 and level 4 skills by 14,500. Collectively our Local Growth Fund Projects, alongside our European Social Fund, will help to bring about this transformation by delivering the following results for the Tees Valley:

	Develop the Workforce Local Growth Fund 2015 2016 & 2016 2017 Projects	ESF Related Support
Number of People Receiving Support	-	42,286
GVA Impact	£437.4m	-
Total Jobs Impact	6,936	-
Direct	3,799	-
Safeguarded	1,191	-
Enabled	1,946	-
<b>SKILLS:</b>		
Level 2	1,640	-
Level 3	5,505	-
Level 4	2,442	-
Apprenticeships	819	-
Enterprises Engaged	500	-

\*NOTE: All figures are gross figures

## Invest in Infrastructure

Effective Infrastructure is crucial to the future development of the Tees Valley as it will stimulate and support economic growth. Our Infrastructure Plan sets out the Tees Valley's infrastructure strengths, barriers to growth and the major projects to be delivered over the short, medium and long term.

We have also identified the major sources of investment that will be instrumental in delivering our infrastructure needs over the next 10 years:

Up to 2021/22		Local Growth Funding <sup>1</sup>	ERDF	LSTF <sup>2</sup>	TVIF <sup>3</sup>	Public Sector	Private Sector	Highways Agency	Network Rail	HCA
		£348.4m	£15.9m	£7.5m						
Road	Road Capacity improvements									
Sustainable Transport	Provide more sustainable transport opportunities (Linked to Growth Deal Ask 4)		£1m	£7.5m						
Rail	Improve Tees Valley Rail Network									
	Electrification Northallerton – Middlesbrough rail line									
	Track, signalling and platform improvements									
	Explore the freight infrastructure requirements									
	Implement full programme of rail loading gauge improvements									
Port	Widen and deepen channels to Tees Dock and Hartlepool Dock and develop port infrastructure					£20m	£220m			
Airport	Infrastructure improvements at Durham Tees Valley Airport									
Flood	Flood risk mitigation and adaption		£2m							
Energy - Nuclear	Invest in long term future of Hartlepool Nuclear Power Station									
Other Enabling Infrastructure	Provide services to access Broadband		£3m							
	Tees Valley Evergreen Fund / Provide appropriate business accommodation and infrastructure		£10.9m							

1 - Notional Local Growth Funding requirements based on pipeline investment identified in March 2014

2 - Local Sustainable Transport Funding – Dependent upon future availability of investment and bids for funding

3 - Tees Valley Investment Fund – funding allocations to be determined across themes to ensure the right mix of projects are prioritised for funding.

## Invest in Infrastructure

Our Infrastructure Plan also established key projects to be delivered over the short, medium and long term by type of infrastructure. However it is important to note that this Plan is an evolving document and will be updated regularly to reflect

the changing infrastructural needs across the Tees Valley. In 2014 the following projects were identified:

Project	Key Agencies	2015 16	2016 17	2017 21	2021 25	2025+
ROAD						
LOCAL MAJORS: MIDDLEHAVEN DOCK BRIDGE						
A689 WYNYARD IMPROVEMENT						
DTVA - ROAD TO OPEN UP SOUTHSIDE						
CENTRAL PARK - ENABLING INFRASTRUCTURE						
SUSTAINABLE TRANSPORT; ACCESS TO EMPLOYMENT						
INGLEBY WAY / MYTON WAY DUALLING						
STRATEGIC MAINTENANCE: A66 / TEESSIDE PARK INTERCHANGE						
LOCAL MAJORS: A66 YARM RD / MORTON PALMS	Highways Agency					
LOCAL MAJORS: WEST STOCKTON IMPROVEMENTS	Highways Agency					
LOCAL MAJORS: A1046 PORTRACK INTERCHANGE						
A19 SHERATON BRIDGE JUNCTION IMPROVEMENTS						
STAINTON WAY WESTERN EXTENSION						
A19 SECOND ACCESS TO WYNYARD						
GREYSTONES EASTBOUND CORIDDOOR	Highways Agency					
A66 DARLINGTON BYPASS	Highways Agency					
EAST MIDDLESBROUGH TO PRISSICK LINK						
A19 NORTON TO WYNYARD WIDENING	Highways Agency					
A174 SWANS CORNER / ORMESBY BANK						
A66/A1 IMPROVEMENTS (ACCESS TO DURHAM TEES VALLEY AIRPORT)						
A19 ACTIVE TRAFFIC MANAGEMENT	Highways Agency					
OTHER STRATEGIC MAINTENANCE SCHEMES						
OTHER ROAD SCHEMES						

## Invest in Infrastructure

Project	Key Agencies	2015 16	2016 17	2017 21	2021 25	2025+
<b>RAIL</b>						
BANK TOP RAILWAY STATION IMPROVEMENTS	Network Rail					
REPLACEMENT OF LIFE EXPIRED ROLLING STOCK FOR LOCAL RAIL SERVICES	DfT					
WIDEN RAIL GAUGE CLEARANCE ON THE TEES VALLEY NETWORK TO CATER FOR THE LARGEST (W12) CONTAINERS	Network Rail					
ELECTRIFICATION FROM NORTHALLERTON TO MIDDLESBROUGH	Network Rail					
TRACK CAPACITY & SIGNALLING IMPROVEMENTS AT DARLINGTON TO SALTBURN LINE	Network Rail					
TRACK CAPACITY & SIGNALLING IMPROVEMENTS TO HARTLEPOOL TO NUNTHORPE LINE AND AT MIDDLESBROUGH STATION	Network Rail					
A NEW STATION AT DURHAM TEES VALLEY AIRPORT AND NUNTHORPE PARKWAY	Network Rail					
<b>PORT</b>						
DEEPEN ENTRANCE TO TEES DOCK & WIDEN CHANNEL AT HARTLEPOOL DOCK	PD Ports					
TEESPORT ACCESS IMPROVEMENTS	PD Ports					
UPGRADE INTERMODAL SERVICES	PD Ports					
<b>AIRPORT</b>						
ROAD TO OPEN UP SOUTHSIDE	DTVA					
NEW RAILWAY STATION (SEE ABOVE)	Network Rail					
<b>OTHER INFRASTRUCTURE</b>						
EVERGREEN FUND FOR INFRASTRUCTURE TO UNLOCK EMPLOYMENT SITES AND PROVIDE SUITABLE BUSINESS ACCOMMODATION	HCA / Government					
FLOOD ALLEVIATION SCHEMES	Environment Agency					
HARTLEPOOL NUCLEAR POWER STATION	Government / EDF					

## Investment in Infrastructure

### Invest in Roads

It is important that we continue to invest in our road network to retain our links to key cities, open up sites for development and to tackle congestion. Most of our prioritised road projects are seeking Local Growth Funding as it is the only source of major public funding available to deliver such schemes up to 2020/21. Many of these projects have been formally recognised by the Department for Transport as important projects to deliver in the area.

#### 2015/16 Priority Road Projects

The following road projects have the potential to unlock 1,700 jobs and 3,170 houses in the Tees Valley:

- Middlehaven Dock Bridge (formerly a Local Majors project known as Manhattan Gate Bridge)
- A689 Wynyard Improvements
- Durham Tees Valley Southside
- Ingleby Way/Myton Way Dualling
- A66 / Teesside Park Interchange

All of these projects are seeking Local Growth Funding in 2015/16. Further details can be found in the Local Growth Fund Bid Section.

#### 2016/17 and Pipeline Road Projects

We have a robust pipeline of projects lined up for delivering in 2016/17. These include three projects that were previously included in the Local Majors transport priority list – A66 Yarm Road / Morton Palms, West Stockton Improvements (formerly known as A66 Elton Interchange) and A1046 Portrack Interchange. Over the longer term other road priorities include A19 second access to Wynyard, Greystones Eastbound Corridor and the capacity improvements at key junctions on the A66 Darlington bypass.

Therefore we will be seeking £27m of funding in 2016-17 from the non competitive LGF to support our major transport projects (formerly known as 'Local Major Schemes').

### Road Maintenance

We have also established the need for ongoing support for smaller schemes, which particularly open up sites for development, and the need to fund road maintenance projects – approximately in the order of £2.5m per annum. Central Government funding for these types of project no longer exists unless it is through the Local Growth Fund. Therefore we will be seeking future funding for prioritised road maintenance projects on an annual basis.

### Working with the Highways Agency

It is important that we work with the Highways Agency to ensure our investment priorities feature in their Route Based Strategy (due later this year). We are also keen for the Highways Agency to extend the fibre optic cable link to existing devices on the A19 to allow control of this vital route; we will complement this with our own localised urban traffic management control system to maximise traffic flows and ease congestion to, from and within the Tees Valley.

### Invest in Sustainable Transport

Opening up new routes to employment is a key priority in the Tees Valley and we have proposed a five year sustainable transport programme to help to deliver against our aims. This project is linked to our Growth Deal Ask 4 to work with Government to determine suitable approaches to enable growth through sustainable transport, helping to reduce carbon emissions, increase employment and provide travel to work solutions for the area. Further details can be found in the Local Growth Fund Bid Section.

# Investment in Infrastructure

## Invest in Rail

Our connections on the East Coast Main Rail Line (with its direct link from Darlington to London and Scotland) and the Transpennine rail routes to Leeds and Manchester are vital for the area, with Darlington acting as a critical rail “gateway” into and out of Tees Valley. However, much of the rail investment is likely to come from outside direct LEP control; therefore we are seeking to play a key role in influencing future rail franchises and railway investment programmes to sustain and enhance existing railway assets as part of our Growth Deal asks of Government. We want to strengthen trade links, improve journey times and open up key freight growth markets in containers and energy from waste.

Consequently, we are seeking funding from the Local Growth Fund in 2015/16 to fund a study into Bank Top Station at Darlington to inform future rail investment. **Further details can be found in the Local Growth Fund Bid Section.**

Over the next 10 years we need to see significant investment from Network Rail and the Northern Transpennine and East Coast Franchises, including improvements to **Darlington Bank Top Station, the electrification from Northallerton to Middlesbrough**, and capacity improvements on the **East Coast Main Line**. Over the medium to longer term (2017-25) we need to see track capacity and signalling improvements to Darlington and Saltburn line, Hartlepool to Nunthorpe line and at Middlesbrough Station.

## Invest in Port

**Teesport** is an international asset and is the largest exporting port by tonnage in England, exporting 18% of England’s total cargo and plays a crucial role in supporting our key sectors that rely upon the international transport of goods. In the medium term (2017/20) we seek to deepen the channel to Tees Dock and widen the Channel at Hartlepool Dock to increase port capacity; it is anticipated the cost of these project is around £250m – most of which will be funded by the private sector.

## Invest in Airport

**Durham Tees Valley Airport** has an important role in contributing to the competitiveness and prosperity of the Tees Valley, particularly through its regular services to the Amsterdam Schiphol hub and to Aberdeen, important routes for Tees Valley businesses, particularly in the oil and gas sectors.

As part of our Local Growth Fund bid in 2015/16 we are seeking £5m of funding to open up the south side of Durham Tees Valley Airport to develop aviation related business growth. **Further details can be found in the Local Growth Fund Bid Section.**

## Invest in Other Infrastructure

**Energy: Hartlepool Nuclear Power Station**, whose life has been extended until 2024, has capacity to supply electricity to 1.5m homes. Investment should be made in the medium term (2017-20) to work up detailed proposals to construct a new nuclear power station at Hartlepool, together with accompanying infrastructure. This will safeguard the existing 700-strong workforce (and 3,000 during the construction phase) and a contribution of £40m per year to the local economy.

**Flood Risk and Surface Water Management** - We will work alongside the Environment Agency and other key partners to implement proposals in the Environment Agency’s Tidal Flood Risk Strategy, which provides for the management of flood risk from the river Tees. The area affected includes up to 500 commercial properties, residential properties, a chemical and process sector of national importance, including 20% of the UK’s oil and gas supply. Options also need to be explored to prevent tidal flooding at North Ormesby and Billingham, and fluvial flood risks at Darlington Town Centre fringe and Yarm.

# Investment in Infrastructure

## Impact

**Other Enabling Infrastructure** - Our proposed **Tees Valley Evergreen Fund** will provide the financial support to provide office, industrial, research and development/innovation space that a modern thriving local economy needs. Given the strength of our key sectors and vibrant manufacturing environment we see a clear path from investment in infrastructure and new purpose-built premises to the stimulation of a more dynamic economy more than capable of creating 18,000 net new private sector jobs over the next decade.

	Transport Local Growth Fund 2015 2016 Projects	Enabling Infrastructure Local Growth Fund 2015 2016 Projects
GVA Impact	£175.3m	£938m
Total Jobs Impact	4,357	18,000
Direct	-	-
Safeguarded	1,060	-
Enabled	3,297	18,000
Houses Unlocked	3,170	-
Business Premises Developed	-	TBC*
Site Infrastructure Developed	-	TBC*

\*NOTE: All figures are gross figures





## Invest to Attract and Retain Wealth

We recognise that for our economy to grow and prosper we need to ensure that Tees Valley offers a quality of life that attracts entrepreneurs and businesses. Of great importance is the area's ability to attract and retain an aspirational population that is highly skilled and can meet the ever changing demands of successful businesses/sectors. Underpinning this is an improved housing offer that provides a range of homes and infrastructure such as retail and leisure to

make people want to live, work and visit the Tees Valley. We have some superb natural physical assets and ready access to others such as the North Yorkshire Moors on our doorstep together with underutilised buildings/sites of significance to our heritage. Much work on place shaping is being led by our local authorities and partners such as the Registered Providers and the private sector house-builders. The table below details the focus of our investment.

	Local Growth Funding <sup>1</sup>	ERDF	TVIF <sup>2</sup>	Public Sector	Private Sector	Registered Providers
	£43.2m	£10m (within Low Carbon theme See Invest in Innovation & Sector Development)				
Provide housing and accommodation that meets the future needs of the Tees Valley						
Invest in town centre development to create a strong retail / leisure offer for visitors						
Invest in our natural assets and visitor and cultural attractions						

Most investment to attract and retain wealth will be driven by the private sector but often this is enabled through pump priming from the public sector. We have two key projects seeking Local Growth Funding in 2015/16:

- Jacksons Landing** - The project involves the redevelopment of the Jacksons Landing site and wider waterfront area in Hartlepool by providing a sub-regional leisure attraction and accompanying new retail/eating facilities. It will also facilitate the development of the adjacent Trincomalee Wharf site and will complement the development of the neighbouring key visitor attraction of Hartlepool Maritime Experience (incorporating the HMS Trincomalee), which is currently working toward partnering with a visitor organisation of national significance.

- Kirkleatham Estate** - this project involves the production of a feasibility study to identify the opportunities and maximise the impact of this regionally-significant site (recognised as such by the Prince of Wales). The site contains many buildings that lend themselves following sympathetic restoration treatment to house start-up businesses, workshops, leisure facility and training opportunities and the study will complement an 'Enquiry by Design' activity to be led by the Prince's Charities that will produce a framework for the development. It will also shape the interaction between business and education/young people and to train for the skills required locally in sectors such as tourism, cultural, heritage, horticultural and catering.

Further details can be found in the Local Growth Fund Bid section of the main report.

1 - Notional Local Growth Funding requirements based on pipeline investment identified in March 2014

2 - Tees Valley Investment Fund – funding allocations to be determined across themes to ensure the right mix of projects are prioritised for funding.

## Invest to Attract and Retain Wealth

### Local Growth Fund 2015/16 Impact

	Attract and Retain Wealth Local Growth Fund 2015 2016 Projects
GVA Impact	£4.8m
Total Jobs Impact	300
Direct	-
Safeguarded	50
Enabled	250
Houses Unlocked	250

\*NOTE: All figures are gross figures

Working with our partners we have established a project pipeline for the area – the majority of which are housing related and will be led by the private sector, many in partnership with Local Authorities. These projects will seek to deliver a housing offer that will meet the future needs of the Tees Valley population. Our two Local Growth Funded projects in 2015/16 will unlock 300 jobs and 250 houses.

## Local Growth Fund Overview

### Priority Projects

“Our Priority Projects will play a pivotal role in catalysing transformational change in the Tees Valley. They are designed to create the right conditions to enable private sector growth and deliver against our Growth Plan target of 25,000 new jobs and £1 billion extra in the economy by 2025. With partnership collaboration and shared expertise at the heart of delivery, these projects demonstrate local partnership working at its best. All projects have been assessed through a robust framework and are deemed to be strategically important, deliverable and offer good value for money. **Collectively they form the cornerstone of our ambitious Investment Plan**”

### At A Glance

		£m	GVA	JOBS
LGF BID	LGF for 2015 - 2016	66.5	£2bn	34,223
	LGF Skills Capital 2016 - 2017	5.04		
	LGF bid total for completion of 2015 - 2016 projects (and 2016-2017 skills capital projects)	127.7		
	Leverage of other investment	311.3		
	Total Investment for completed projects 2015 - 2016 (and 2016 - 2017 skills capital projects)	439		
PIPELINE LGF	Known Pipeline Projects requiring LGF support post 2015 - 2016 (and post 2016 - 2017 skills capital)	460.5		
	Likely Pipeline Leverage	346.3		
TOTAL	Total Investment up to 2024	1.2bn		

Set out in our Local Growth Fund (LGF) bid are the detailed projects and programmes that we are seeking funding support for from Government in 2015-2016 (and 2016-2017 for Skills Capital Projects). As requested our requirements have been set against short, medium and long term timescales. However our emphasis is very much on what can be delivered in 2015/16 to maximise the achievement of growth locally in the Tees Valley. All projects have been through our assessment framework which has been independently verified by Arup and classified as robust; initial feedback by Government stated it was a strong framework. More details on this and on each project can be found in Appendix 2 and in the completed Government template.

We fully understand that the LGF is predominantly capital funding. However, alongside capital projects there is a critical need for revenue activity to help transform the local economy and to address the needs and opportunities of our businesses. These projects include the Tees Valley Skills Hub and the Business Compass - our Business Growth Hub for the Tees Valley; these projects are detailed under the relevant themed sections. We are also seeking core funding of at least £500k in 2015/16 to be matched by £2m local authority contributions. We ask for continued funding at this level matched by local authority contributions of £2m per year up to 2020/21.

**Collectively our Local Growth Fund bid presents a compelling investment proposition underpinned by strong attributes of the Tees Valley LEP.**

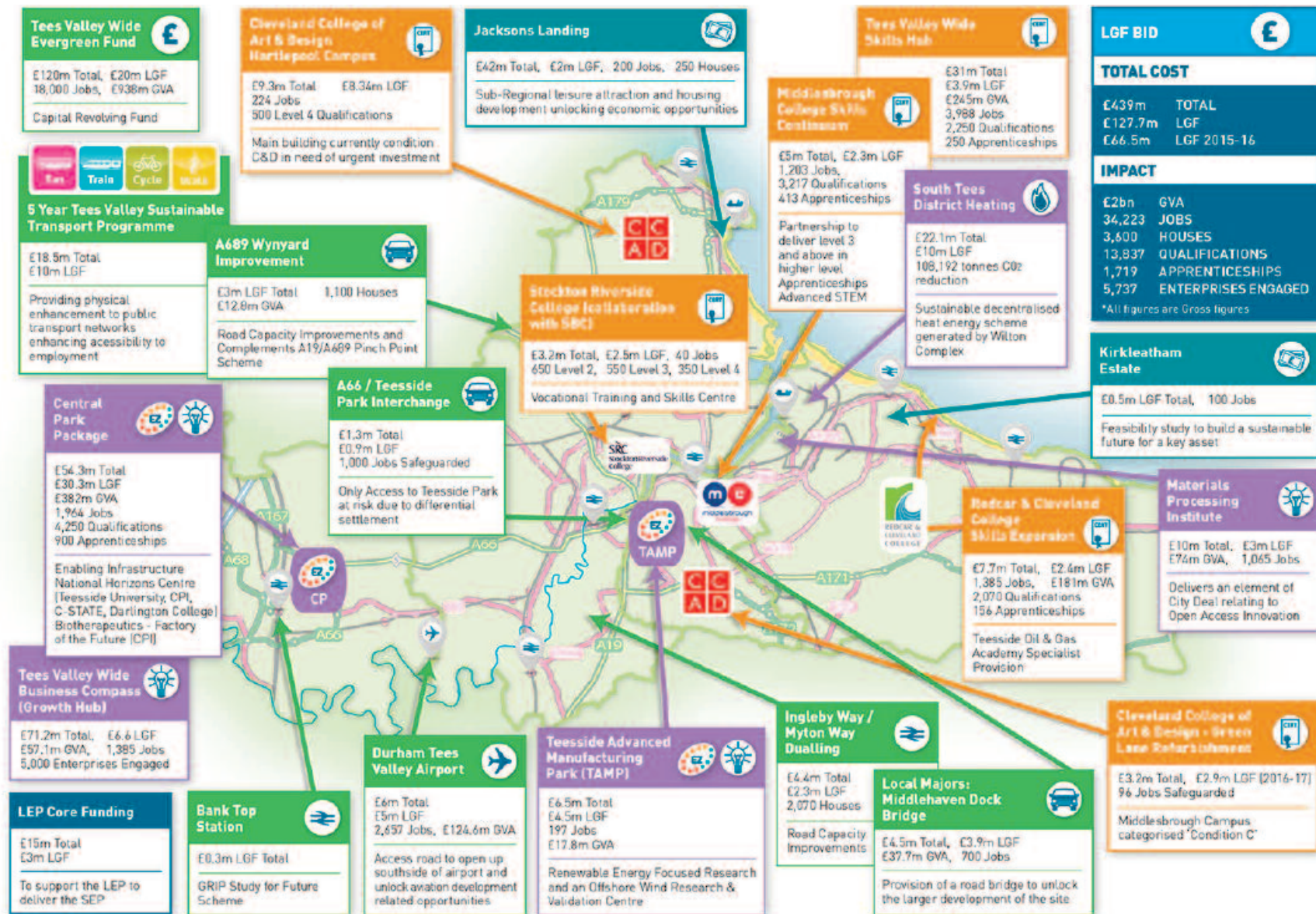
### We Offer A Compelling Investment Proposition

- Well-designed strategy with a sound evidence base for projects/ programmes
- Established track record for delivery
- Builds on City Deal
- Will deliver jobs and increase in GVA
- Represents excellent value for money
- Will help transform the economy and future growth prospects
- Strong commitment from partners and other LEPs where relevant

### Our Investments Are Underpinned By Strong LEP Attributes

- Experienced and successful LEP with a strong local partnership
- Expert knowledge of local economy and the barriers to growth
- Pragmatic but innovative approach, focussed on delivery

# Local Growth Fund Priority Projects



# Local Growth Fund Priority Projects

Theme of Project or Programme	Project or Programme Name & Brief Summary	Total Project Cost	LGF <sup>3</sup> 2015-16	LGF <sup>3</sup> (2016-17 Skills Capital Projects)	IMPACT <sup>1</sup>						
					Jobs	GVA (£m)	Houses	Qualifications	Apprenticeships	Enterprises Engaged	Reduction in CO2 Emissions (Tonnes)
INNOVATION & SECTOR DEVELOPMENT	<b>Innovation:</b> Manufacturing Processing Institute	£10,000,000	£1,500,000		1,065	£74.3					
	<b>Innovation:</b> Teesside Advanced Manufacturing Park (TAMP)	£6,450,000	£2,125,000		197	£17.8				57	
	<b>Innovation:</b> Central Park	£54,290,168	£11,490,168		1,964	£382.3	180	4,250	900	180	
	<b>Low Carbon:</b> South Tees District Heating	£22,174,200	£2,000,000		19						108,192
	<b>Business Growth (Revenue):</b> Tees Valley Business Growth Hub	£71,229,995	£1,260,000		1,385	£57.1				5,000	
	<b>TOTAL</b>	<b>£164,144,363</b>	<b>£18,375,168</b>		<b>4,630</b>	<b>£531.5</b>	<b>180</b>	<b>4,250</b>	<b>900</b>	<b>5,237</b>	<b>108,192</b>
DEVELOP THE WORKFORCE	<b>Skills Capital:</b> Hartlepool Campus Redevelopment	£9,342,000	£2,500,000		224	£10.5		500			
	<b>Skills Capital:</b> Skills Expansion Project	£7,658,000	£1,918,000		1,385	£181		2,070	156		
	<b>Skills Capital:</b> The Skills Continuum - A Collaborative Approach To Advanced & Higher Level Skills	£5,000,000	£2,300,000		1,203	£0.6		3,217	413		
	<b>Skills Capital:</b> Green Lane Campus Refurbishment	£3,190,000		£2,540,000	96						
	<b>Skills Capital:</b> Building Skills Capacity For The Future	£3,150,000		£2,500,000	40			1,550			
	<b>Skills (Revenue):</b> Tees Valley Skills Hub	£31,000,000	£780,000		3,988	£245.2		2,250	250	500	
	<b>TOTAL</b>	<b>£59,340,000</b>	<b>£7,498,000</b>	<b>£5,040,000</b>	<b>6,936</b>	<b>£437.3</b>		<b>9,587</b>	<b>819</b>	<b>500</b>	
DEVELOP AND PROVIDE INFRASTRUCTURE	<b>Transport:</b> Darlington Bank Top Station	£300,000	£300,000								
	<b>Transport:</b> Middlehaven Dock Bridge	£4,533,366	£3,933,366		700	£37.7					
	<b>Transport:</b> A689 Wynyard Improvement	£3,000,000	£3,000,000			£12.8	1,100				
	<b>Transport:</b> DTVA Southside development	£6,000,000	£5,000,000		2,657	£124.6					
	<b>Transport:</b> Sustainable Access To Employment	£18,500,000	£3,200,000								
	<b>Transport:</b> Ingleby Way / Myton Way Dualling	£4,390,000	£2,260,000				2,070				
	<b>Transport:</b> A66 / Teesside Park Interchange	£1,300,000	£900,000		1,000	<sup>2</sup> £27.7					
	<b>Enabling Infrastructure:</b> Evergreen Fund	£120,000,000	£20,000,000		18,000	£938					
<b>TOTAL</b>	<b>£158,023,366</b>	<b>£38,593,366</b>		<b>22,357</b>	<b>£1.1bn</b>	<b>3,170</b>					
ATTRACT AND RETAIN WEALTH	Jacksons Landing	£42,000,000	£1,000,000		200	£4.8	250				
	A Sustainable Future For Kirkleatham Estate	£500,000	£500,000		100						
	<b>TOTAL</b>	<b>£42,500,000</b>	<b>£1,500,000</b>		<b>300</b>	<b>£4.8</b>	<b>250</b>				
LEP	LEP Core Funding	£15,000,000	£500,000								
	<b>TOTAL</b>	<b>£439,007,729</b>	<b>£66,466,534</b>	<b>£5,040,000</b>	<b>34,223</b>	<b>£2bn</b>	<b>3,600</b>	<b>13,837</b>	<b>1,719</b>	<b>5,737</b>	<b>108,192</b>

<sup>1</sup> All figures quoted on impact are gross figures

<sup>2</sup> Safeguarded GVA

<sup>3</sup> Refers to spend in the specified year

# Innovation and Sector Development Projects

## The Priorities to be Achieved

### Innovation

As highlighted in the Strategic Economic Plan we consider innovation within and across sectors to be the most important driver behind the transformation of our economy into one that achieves sustainable growth and prosperity.

Whilst innovation is a crosscutting theme that should be at the heart of all economic activities we are submitting individual and grouped projects that will not only transform our local economy here in Tees Valley but play an important part in positioning the UK at the forefront of new industries/processes.

Tees Valley is already benefiting from the deployment of innovation in sectors such as steelmaking, chemicals and new green technologies such as waste to energy. Much of this has been driven by organisations such as the Tata Steel Teesside Technology Centre, The Welding Institute and Centre for Process Innovation supported by our Universities. Each of these organisations have come forward with projects that will create Open Access Technology Centres to encourage more innovation and enterprise by providing businesses (particularly SMEs) with the opportunity to transform their product base and process of delivery.

Another vital part of this transformative process of investing in commercialisation is to ensure that research turns into production in the area and sales within and beyond Tees Valley, particularly exporting opportunities. All too often products invented in the UK are manufactured abroad and then imported back through a lack of investment into the commercialisation stage of development. We believe our approach will stem this flow and boost not only our economy locally through greater production/exporting but that of the UK.

The Centres will identify and exploit synergies between and across sectors that will result in greater competitive advantage. Research undertaken by Sir Andrew Witty highlights the role that collaboration between the University

sector and organisations within the Catapult network can play in driving forward the UK's economy as it competes in the global market. With the proven expertise of the organisations based in Tees Valley we are confident that with LGF support we can make a real contribution to this initiative.

All of the projects are of vital importance to the transformation of our economy and therefore our approach is to categorise them as having equal priority ranking for LGF support.

### Low Carbon

Industry on Teesside in the Tees Valley produces a substantial amount of heat that currently has no economic value or use. As part of our approach to reduce our carbon footprint and make the best possible use of heat generated we have identified a number of schemes that are fundamentally linked to ensuring our industries remain competitive in a global market moving forward; these schemes are also linked to the delivery of our City Deal. Our Industrial Scale Carbon Capture and Storage scheme is set to reduce industrial carbon emissions on Teesside by 50%, and our proposed District Heating Schemes will reduce the cost of energy to its users significantly, making them more energy efficient and reducing their carbon footprint.

### Business Growth

Our innovative SMEs and larger firms supply products and services to major key supply chains around the globe in a multitude of sectors; however our rates of exporting and enterprise are low. Our businesses need to have the right business support and access to finance support in place to deliver growth. Our proposed business growth revenue project will develop and nurture an enterprise culture and help small businesses in particular to grow, export and increase their workforce numbers.

## Innovation and Sector Development Projects

		£m	GVA	JOBS	OTHER OUTPUTS		
LGF BID	LGF for 2015 - 2016	18.4	£531.5m	4,630	Qualifications - 4,250	Apprenticeships - 900	Enterprises Engaged - 5,237
	LGF bid total for completion of 2015 - 2016 projects	54.5					
	Leverage of other investment	110.0					
	Total Investment for completed projects 2015 - 2016	164.1					
PIPELINE LGF	Known Pipeline Projects requiring LGF support post 2016 - 2017	116.8	*NOTE: All outputs are gross figures				
	Likely Pipeline Leverage	203.0					
TOTAL	Total Investment up to 2024	484.0					

Set out below are the three innovation projects that we are seeking LGF support for:

- Materials Processing Institute
- Teesside Advanced Manufacturing Park
- Central Park, Darlington

# Innovation and Sector Development: Innovation Projects

## Materials Processing Institute

The project involves the creation of an open access centre at the Materials Processing Institute (MPI) formerly known as the Tata Technology Transfer and Research site. The needs of companies in the technology area are much more comprehensive than are currently available and include:

- Access to fully flexible laboratory, pilot and demonstration spaces that can grow with the company and do not come with significant upfront costs for customisation and installation of specialist services.
- Access to a broad range of technical expertise, specialist expertise in technologies of interest and process engineering and design to turn scale up ideas into practical reality. Such a multi-disciplinary team is beyond the reach of most developing companies. Often a company will be required to contract with a range of consultancies, which stretches the capability of an organisation in terms of project management. MPI will be able to provide all of this expertise, including project management as a 'one stop shop' for the company.
- From the first day of development, companies need to be talking to potential investors about ongoing financing options for the current and future stages of the business. MPI will be able to make introductions to commercial, private and venture financiers, with opportunity for expert mentoring, depending on the technology areas under consideration. This greatly reduces the time and effort to secure the necessary financing to accelerate a business.
- Small and growing companies need to be able to quickly access a range of business services including: intellectual property, health and safety, publicity and marketing. MPI will give support on accessing all of these services, including a comprehensive in-house library and information facility.
- Options for location of the first full production factory, geographically close to the accelerator facility, to ease the transition from incubator to the open market. The availability of industrial enterprise parks seamlessly connected via local agencies to the accelerator facility removes the risk of companies becoming 'stuck' and unable to fully commercialise.

- Location in the vicinity of the open access innovation centre also ensures that the business can access continued support, even after the first factory has been built. This supports the introduction of new products, process efficiencies and continuous improvement.

### LGF monies will be used for the following elements:

- Construct a characterisation and analysis suite, to provide in-situ analysis and feedback on materials and products. Facility to include:
- Wavelength dispersive spectroscopy for determining trace concentration of light elements.
- Electron back scatter diffusion to examine the crystallographic orientation and elucidate the texture and preferred orientation of crystalline and polycrystalline materials.
- Fully equipped environmental impact facility, to support the sustainability requirements of newly developed products and materials. Upflow percolation, gas pynchometry simultaneous thermal analysis, laser flash photolysis and ICP-OES will be included.
- Creation of flexible multi-scale pilot areas. Various demonstration areas of differing sizes will be created in a modular fashion, so that the facility can be allowed to grow around the needs of the client. Each area will be fully serviced with required utilities, disposals and environmental controls. This ensures that the barrier to entry and expansion is reduced to an absolute minimum.
- Develop fully flexible demonstration facility. This is often the most difficult part of up scaling, with no equivalent facilities available in the UK for significant new plant and bulk manufacturing. The opportunity to design and operate a demonstration scale plant greatly reduces the engineering and financial risk associated with up scaling and so increases the chance of successful commercialisation. Large scale flexible demonstration areas will be created that will allow a smooth transition from the pilot scale and a stepping stone to full commercialisation.



## Innovation and Sector Development: Innovation Projects

This centre will support the attraction to and development of technology intensive companies in Tees Valley. Designed to support the acceleration of companies into the high value manufacturing sector, the centre will provide access to high capital intensive characterisation and pilot facilities that would ordinarily not be available to developing companies. In addition to the provision of expertise the centre will provide a business package for companies including access to private finance, intellectual property support and a range of business services.

Both Tees Valley and the UK are acknowledged as suffering from a lack of support and scale up facilities for technology intensive companies. Whilst there are many incubator and accelerator facilities available in reality much of this provision amounts to little more than serviced office space with some consultancy support. As a result companies find it difficult to grow and move on to different locations leaving the incubator 'blocked' to new entrants.

Total Cost £	LGF Cost £	LGF Ask 2015	2016 £
£10,000,000	£3,000,000	£1,500,000	
Total Jobs Impact		GVA £	
1,065		£74,360,849	

## Innovation and Sector Development: Innovation Projects

### Teesside Advanced Manufacturing Park

There are two elements to the project for the Teesside Advanced Manufacturing Park. First the project will build upon the joint Middlesbrough Borough Council and The Welding Institute's initiative to construct an **Offshore Wind Validation Centre (OWVC)** at Teesside Advanced Manufacturing Park in Middlesbrough. The Centre has received funding from both ERDF and Growing Places Fund and this project will enable the facilities to provide not only an expansion of services to the offshore wind sector but also open up other opportunities within the key sectors of oil and gas, sub-sea and nuclear industries.

The project facilities will provide research and validation services for offshore wind tower manufacturers and in addition it will enable The Welding Institute to relocate its specialist sub-sea training services including welding and inspection courses for the oil and gas sector. Their new facility will house a purpose built water tank which will enable the Centre to carry out research and validation services in an underwater environment. This will enable companies to test new fabrication methods, structures etc. underwater. This service is not currently available anywhere in the UK, other than in a Scottish Loch (however, this does not provide the ability to control the environment, given its natural setting), and therefore would provide a facility that would be new to the UK and indeed Europe.

The facilities would enable the expansion of services to the offshore wind sector, but also open up other opportunities within the oil & gas, subsea and nuclear industries, i.e. the facility and its services could be utilised for research into structures, etc., for these industries. It will also significantly increase the research capability in the Tees Valley in its key sectors and dissemination of the research undertaken will assist local companies to become more competitive and gain a greater share of this growing and lucrative market.

In addition it will expand and enhance the training facility which already has a worldwide reputation and therefore foster greater opportunities for UK companies to join global supply chains.



Proposed Offshore Wind Validation Centre

# Innovation and Sector Development: Innovation Projects

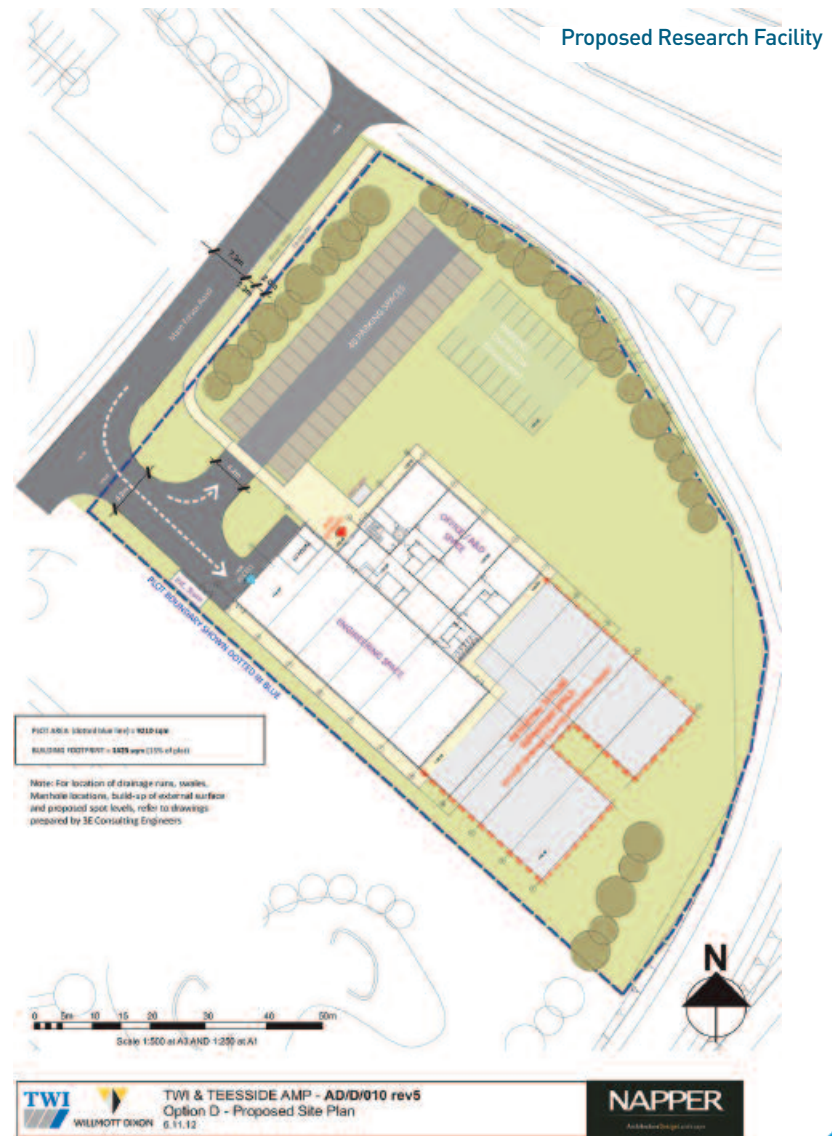
The second element represents Phase II of the Teesside Advanced Manufacturing Park and involves the establishment of a **renewable energy focussed research facility**, a supply chain integration centre and fast start workspace.

Key to its success is the colocation of University staff, with private sector industry research teams carrying out Technology Readiness Levels 6 – 9 development work for leading manufacturing companies. This closer working relationship between academia and industry specific supply chains will provide our manufacturing companies with a competitive advantage through the development of new products and techniques.

Benefits will accrue not just to companies in the Tees Valley but more generally for UK manufacturing companies and help the Government’s policy of rebalancing the UK economy. It will give further impetus to the new trend of ‘reshoring’ manufacturing previously lost abroad by boosting the attractiveness and competitiveness of the UK and Tees Valley in particular. The provision of fast start workspace for advanced engineering companies is a gap in the market and will provide opportunities for research based spin out companies to grow and collaborate. This will give a significant boost to our already strong advanced manufacturing sector and cement our position as one of the most vibrant industrial bases in the UK.

A letter of support from TWI for these projects can be found in Appendix 2: Local Growth Fund.

Total Cost £	LGF Cost £	LGF Ask 2015	2016 £
£6,450,000	£4,500,000	£2,125,000	
Total Jobs Impact		GVA £	
197		£17,799,508	



## Innovation and Sector Development: Innovation Projects

### Central Park, Darlington

Development of Central Park is based on the exploitation of new and emerging technologies and their central role, linked directly to the **HVM Catapult**, in the delivery of UK industrial strategy and the growth of jobs and GVA. Central Park, one of the Tees Valley's three innovation developments of sub-regional importance, has the advantage of a location by the East Coast Main Line with excellent access and connectivity. With the decision by the Centre for Process Innovation (CPI) to locate the new **National Biologics Manufacturing Centre (NBMC)** on Central Park, the site now becomes one of national significance.

Three interlinked developments, delivered through a unique collaboration, will now build on the NBMC and other significant investments already made in Central Park – over £100m to date – to address the national innovation and skills gaps in the new and emerging technologies identified in Government industrial strategies. Meeting current and future skills requirements for these high-value sectors is critical to the growth of the UK economy and its global competitiveness. As a central component of the Central Park 10-year strategy, they will have a national impact, triggering supply chain job creation, attracting new investment from elsewhere and significantly increasing GVA.



## Innovation and Sector Development: Innovation Projects

**The New Horizons Centre** - a National Centre for Innovation and Skills will deliver provision in biologics, industrial biotechnology, subsea engineering and digital manufacture and design. This facility is driven by both industrial demand and industrial need for the future, and will create a platform of high-value, integrated support for companies in innovation and commercialisation, and training programmes from level 2/3 up to postdoctoral level. The UK subsea sector, at the forefront of this globally important industry, needs to employ a further 10,000 people in the short term to meet growth demands. Biologics and industrial biotechnology, nationally important growth sectors, are challenged by significant skills shortages.

By integrating activities with the NBMC and the newly established C-STATE – a state of the art sub-sea training facility on Central Park led by Modus on behalf of the sub-sea private sector companies - the centre will provide concentrated expertise to unlock growth and earning potential not only for Tees Valley but also for the UK as a whole.

**C-STATE** launched in February 2014 and has already provided training to a number of high profile companies in the sector including Technip, Bibby, DeepOcean and Marine Platforms, with repeat bookings already secured. Such is the demand, C-STATE is attracting attendees on a regional, national and international scale with groups travelling in from Aberdeen, London and West Africa.

C-STATE is a member of and has the support of NOF Energy the regional supply chain representative body, and the executive board of Subsea North East which represents the interests of the subsea industry is holding its next board meeting at C-STATE in order to place the initiative firmly on the subsea agenda. Discussions for collaboration are on-going with a number of world leading subsea technology manufacturers; SMD, Forum Subsea Technologies and Schilling Robotics, two of whom are based within 40 miles of C-STATE. The Crown Estates are actively supporting C-STATE and are teaming up to produce an innovative web-based introduction to C-STATE aimed at secondary schools. This development is being sponsored by The Crown Estates. Additionally, links

have been established with the Armed Forces to seek to establish a training package to support leavers moving into the subsea industry.

This project is truly transformational in providing both our local economy and the UK with the opportunity to generate new products and processes through the application of new skills in emerging technologies that will revolutionise existing sectors.

**The Biotherapeutic Factory of the Future** - is of strategic importance to the UK and is critical to the next phase of development in the rapidly growing biologics industry. The Factory of the Future will take existing investment in the National Biologics Manufacturing Centre (NBMC) to the next level of commercial reality and will develop the process technologies and facility designs to deliver personalised medicines via conventional and ultimately synthetic biology routes. This is in line with UK's Eight Great Technologies for the Future (Synthetic Biology) and Industrial Strategy (Life Sciences). The Factory of the Future also fits with UK Manufacturing Medicines Industry Partnership direction, which is Government and industry sponsored.

The UK Government has identified personalised medicine as of strategic importance to the UK. The health economics case, against a backdrop of an aging demographic, is compelling. Health care payers, providers and patients are all demanding that drug discoverers switch their development strategies to deliver diagnostic tools to stratify patients and personalised medicines to treat them.

## Innovation and Sector Development: Innovation Projects

The number of Biologic medicines in development has increased by 70% since 2009 with the largest growth being in personalised medicines. Inevitably such medicines need to be manufactured in small batches and the establishment of the Factory for the Future will provide the means by which such batches can be produced economically and therefore profitably. The facility will provide space for companies to fabricate modular small scale medicines manufacturing units. These units will house small scale biotherapeutic manufacturing which is seen as the next stage in the expansion of the health sector. Changes in the way that health products/medicines are produced to meet more the needs of groups of patients or even individuals will significantly affect growth and competitiveness in this market. This project will enable the development of small scale contained process technologies that will be able to not only rapidly produce small lots of stratified medicines but have the flexibility to adapt to ever changing patterns of need/demand.

This is a truly transformative project involving an open access centre that will enable innovators to demonstrate and commercialise their research/ideas to become viable market products. It will not only benefit the Tees Valley and its companies but also provide the UK with access to a rapidly expanding and lucrative market of the future.

The current supply chain is at capacity serving current needs and lacks the ability or resource to develop a new manufacturing model to meet these future opportunities.

Any new industry changes rapidly in the early stages of its growth. If the UK is to keep pace with that growth and exploit the significant advances from the investment in biologics research made already, it will need to continue to develop its manufacturing processes. This will create value and bring benefits to the Tees Valley and the UK, through creating high value manufacturing jobs in a high value industry growing at 15% CAGR.

To achieve the development of the Central Park the site requires enabling infrastructure works to be carried out mainly on improving the Yarm Road Junction and the Haughton Road Junction together with the construction of a

spine road that opens up the site internally. Other elements of the enabling works include decontamination of parts of the site.

The Central Park project is supported by Centre for Process Innovation (CPI), Teesside University, Darlington College and private sector companies including Modus, Cummins and Fujifilm Diosynth Technologies. Letters of support can be found in appendix 2: Local Growth Fund.

Total Cost £	LGF Cost £	LGF Ask 2015	2016 £
£54,290,168	£30,290,168	£11,490,168	
Total Jobs Impact		GVA £	
1,964		£382,302,739	
Other Outputs			
Apprenticeships Completed 900 Increase in Level 2 Skills – 350 Increase in Level 3 Skills – 700 Increase in Level 4 Skills - 3,200 Houses unlocked by infrastructure - 180			

## Innovation and Sector Development: Low Carbon Project

### South Tees District Heating Scheme

Set out below is the single project that we are seeking LGF support under low carbon. The project involves producing a robust business case based on work up to RIBA Stage 3/4 to prove the benefit of capital investment in a district heating scheme.

This project will provide a secure and sustainable decentralised heat energy scheme for the South Tees area to reduce the cost of energy to a range of users including public buildings, residential and commercial premises. Heat generated from industrial processes located on the Wilton Complex in Redcar will be utilised. Not only will customers benefit from cheaper energy costs but a real contribution towards the reduction in carbon emissions will be achieved.

Phase 1 of the scheme will provide heating to some 43 buildings including the James Cook Hospital which will enjoy the greatest cost savings.

In addition the project will support growth in a wide range of sectors such as processing, energy, logistics and low carbon.

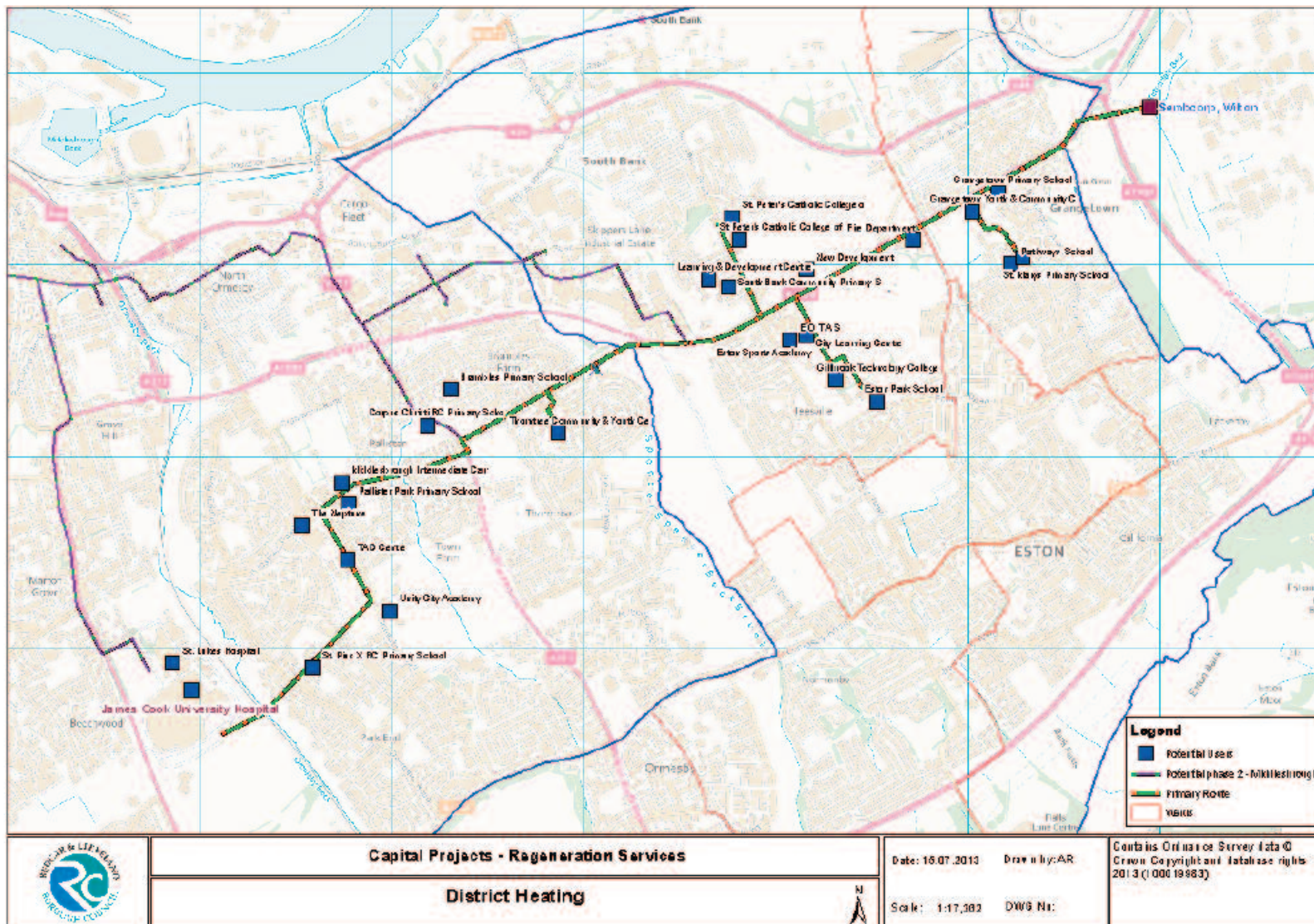
This project is supported by private sector companies such as Huntsman and Sembcorp. Leverage of other investment is at a similar amount to the LGF ask.

The diagram overleaf illustrates the proposed project pipeline.

Total Cost £	LGF Cost £	LGF Ask 2015	2016 £
£22,174,200	£10,000,000	£2,000,000	
Total Jobs Impact		GVA £	
19		Not yet available	
Other Outputs			
<ul style="list-style-type: none"> <li>• Estimated Green House Gases reduction (tonnes): 108,192</li> <li>• Estimated energy cost saving benefit to heat user assuming 5% saving over 'business usual' price: £434,400</li> </ul>			

# Innovation and Sector Development: Low Carbon Project

## South Tees District Heating Scheme - Proposed Pipeline





# Innovation and Sector Development: Business Growth Revenue Project

## Tees Valley Business Compass - The Business Growth Hub in Tees Valley

This project will build upon the successful RGF bid with Lancaster University for business growth support. The project will offer a range of services to local businesses and include a Growth Fund to provide capital and revenue grants to new start-up businesses and SMEs to stimulate their survival and growth. Furthermore the project will improve access to services by sign-posting businesses to the most appropriate support for their needs dependent upon their size, sector, location and issue.

The project is vital to the transformation of our economy by joining up existing services for businesses and signposting them to the most appropriate support.

Key sectors will be assisted by the project and the financial scheme will replace the successful 'Lets Grow' Fund which ceases at the end of 2014.

In terms of impact the number of jobs to be delivered by the project is 1305 with an increase in GVA of £54m. 5000 businesses will be engaged by the project and it is supported by the Business Enterprise Group, Federation of Small Businesses and the North East Chamber of Commerce.

Leverage of other investment including private sector involvement will be at a ratio of 12:1.

Total Cost £	LGF Cost £	LGF Ask 2015 2016 £
£71,229,995	£6,660,000	£1,260,000
Total Jobs Impact		GVA £
1,385		£57,113,722
Other Outputs		
Number of Enterprise Engaged with – 5,000		

# Develop the Workforce Projects

## Our Bid

		£m	GVA	JOBS	OTHER OUTPUTS				
LGF BID	LGF for 2015 - 2016	7.5	£437.4m	6,936	Increase in Level 2 - 1,640	Increase in Level 3 - 5,505	Increase in Level 4 - 2,442	Apprenticeships - 819	Enterprises Engaged - 500
	LGF for 2016 - 2017	5.0							
	LGF bid total for completion of 2015 - 2016 projects (and 2016 - 2017 skills capital projects)	22.4							
	Leverage of other investment	36.9							
	Total Investment for completed projects 2015 - 2016 (and 2016 - 2017 skills capital projects)	59.3							
PIPELINE LGF	Known Pipeline Projects requiring LGF support post 2016 - 2017	0	*NOTE: All outputs are gross figures						
	Likely Leverage <i>*Zero pipeline due to 5 year programme being submitted in 2015 - 2016</i>	0							
TOTAL	Total Investment up to 2024	59.3							

## The Priorities To Be Achieved

We recognise that for our economy to grow we must be able to meet employers' needs for a well-educated and highly skilled workforce capable of continuous learning. The availability of such a workforce has been a key driver in our success in attracting substantial foreign direct investment most recently seen in the Air Products decision to locate their waste to energy plant (cap ex of £300m+) on Teesside. It also underpins our area's unique position of being the sole location in the country that has a positive balance of exports over imports.

However, we know that we need to do even better given our high levels of unemployment particularly amongst young people and our lower than average attainment levels. For successful growth we must ensure that our companies both foreign and indigenous can access the workforce they need. This is particularly true in the new sectors that are beginning to establish themselves in Tees Valley such as sub-sea, green manufacturing and technology, biologics and digital.

We will build upon our existing excellent educational and training infrastructure of universities, colleges and specialist providers. Strengthening the links between employers and these organisations and in particular local schools is a key task. At the heart of this is the creation of facilities that offer access to the most up-to-date equipment/processes for the workforces of the future to gain the necessary skills that will keep Tees Valley and the United Kingdom at the forefront of global competitiveness.

Furthermore, we will deliver a skills revenue project that will provide skills support to secure the improved skills needed by those employers to facilitate growth.

# Develop the Workforce: Skills Capital Projects

## The Projects

Set out below are the 5 Skills Capital Projects in priority order that we are seeking LGF support for.

1. Cleveland College of Art and Design – Redevelopment of Hartlepool Campus
2. Redcar and Cleveland College – Expansion to provide an Oil and Gas Academy
3. Middlesbrough College – Provision of an Advanced Skills Centre and purchase of specialist training equipment
4. Cleveland College of Art & Design – Green Lane Campus (2016/17)
5. Stockton Borough Council & Stockton Riverside College – Building Skills Capacity in the Future (2016/17)

Taking each of the Projects in turn:-

### Skills Capital Priority 1: Cleveland College of Art & Design - Redevelopment of Hartlepool Campus

This project involves the replacement of the main building of Cleveland College on Church Street in the town centre of Hartlepool. The Skills Funding Agency have confirmed that part of the estate which dates to the 1970s is in urgent need of repair (designated as Category D). The existing space of some 4,200 m<sup>2</sup> will be replaced in its entirety with the purpose built facilities being designed around the needs of students and the curriculum resulting in much improved utilisation of space and greatly reduced running costs. The project has the support of Hartlepool Borough Council as this dovetails into their strategic objectives of economic regeneration and their vision for growth of the town.

The main building is one of three occupied by the College which forms its Campus in Hartlepool from which all its HE provision is delivered.

In 2010 the College commissioned a Conditions Survey for the whole of its estate which concluded that over £1.3m would have to be spent merely to maintain the building in its current state. This project forms the first phase in the Property Strategy with subsequent phases involving investment in facilities at the Green Lane Campus in Middlesbrough from which all FE provision is delivered. Our understanding of one of the criteria to be applied when allocating LGF monies for Skills Capital Projects is that priority will be given to proposals that relate to upgrading sub-standard accommodation/facilities and this project would clearly satisfy this criteria.

Total Cost £	LGF Cost £	LGF Ask 2015	2016 £
£9,342,000	£8,342,000	£2,500,000	
Total Jobs Impact		GVA £	
224		£10,449,828	
Other Outputs			
Increase in skills to Level 4: 500			

### Skills Capital Priority 2: Redcar & Cleveland College - Expansion to Provide Oil and Gas Academy

This project involves development on the Corporation Road campus of the college in Redcar. The facility will provide specialist accommodation for an Oil and Gas Academy that will deliver specialist teaching for the sector, together with accommodation for several skills initiatives. The College are also in discussion with Redcar and Cleveland Council to identify a suitable location for building residential accommodation for students attending the Oil and Gas Academy on a full-time basis.

Despite the recent decline in North Sea Oil and Gas output, the Oil and Gas sector remains a key one for the Tees Valley since there is a continuing demand for skilled workers to replace older, retiring workers.

## Develop the Workforce: Skills Capital Projects

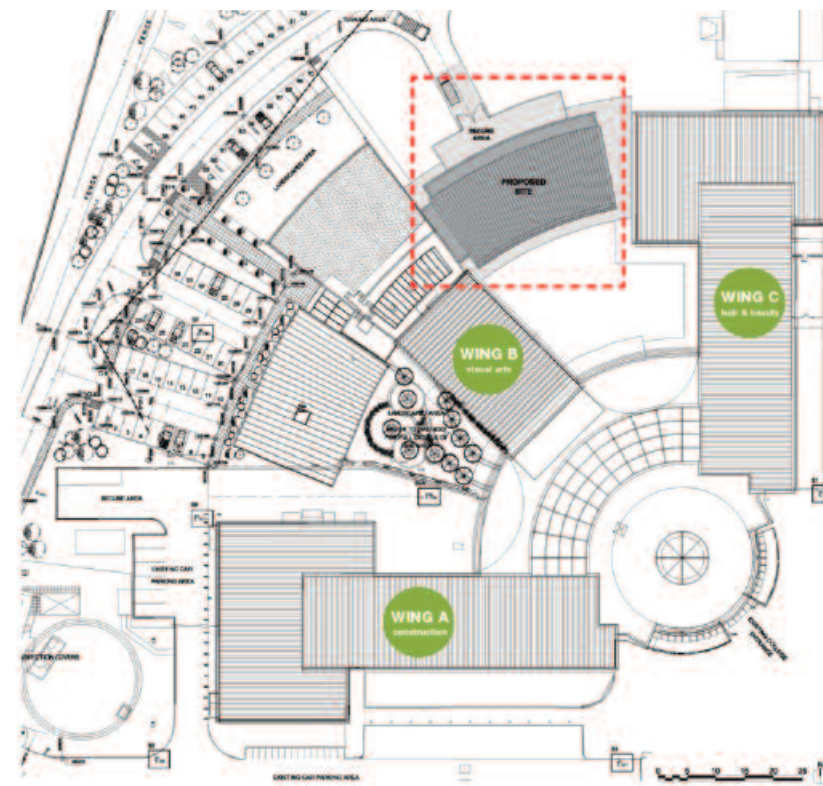
In recent times expansion of operations and the need to replace retiring employees means that most major oil and gas companies regard chemical and process companies in the Tees Valley as being a primary source of skilled labour. This project will provide training in the oil and gas industry, at a local level, thereby avoiding the need for local people to travel further afield to obtain the essential accredited training they require. This currently acts as a barrier to local residents interested in training for a career in the oil and gas industry. By creating a new pool of skilled labour, the project will also reduce the negative impact that a shortage of skilled workers in the oil and gas industry has on local businesses in the chemical and production industry.

By creating a world-wide centre of excellence for Oil and Gas Training, the project will increase Tees Valley's profile amongst global oil and gas operators and it is expected that this will lead to future collaborative projects being developed for the benefit of the wider Tees Valley area. In particular, it will offer opportunities for young people, and some people that are not currently in education, employment or training (NEET), to embark on a training course that will open up a potential career in the oil and gas sector. Since the training programme will focus on skills needed for the exploration and extraction of oil and gas both onshore and offshore. Courses will also encompass the skills need within the emerging fracking industry to ensure that the UK has sufficient trained personnel to meet the slightly different needs of this industry from both a technical and environmental perspective.

The need for such a training facility will therefore grow in importance as the UK seeks to exploit its known "unconventional" gas reserves. Preparing to meet the likely demand of this industry, so that the UK has a well trained workforce capable of exploiting such onshore resources and then process the products/by products in a safe and responsible manner means this a project has the capacity to become a project of national significance.

Support for this project from private companies operating in the oil and gas sector is strong and its anticipated that LGF monies would lever in other investment at a minimum ratio of some 3:1.

Total Cost £	LGF Cost £	LGF Ask 2015	2016 £
£7,658,000	£2,418,000	£1,918,000	
Total Jobs Impact		GVA £	
1,385		£180,977,277	
Other Outputs			
Increase in skills to Level 2: 490 Increase in skills to Level 3: 650 Increase in skills to Level 4: 930 Apprenticeships Completed: 156			



## Develop the Workforce: Skills Capital Projects

### Skills Capital Priority 3: Middlesbrough College - Provision of an Advanced Skills Centre and Purchase of Specialist Training Equipment

This project seeks investment for providing an Advanced Skills Centre that will focus on delivering education and training programmes at Level 3 and above including Higher Level Apprenticeships. Delivery of the programmes will be carried out by the College in collaboration with Teesside University and will enhance the capability and capacity of the College's recently funded facility i.e. its Science Technology, Engineering and Maths (STEM) Centre which has been supported by Skills Funding Agency.

LGF will be used to complete the fit out of the STEM centre with specialist equipment including a Crane simulator and industrial scale plastics processing equipment and will support training for the logistics sector.

The project is extremely important as it will provide the skills infrastructure needed to support our area's key sectors. There is already a shortfall of engineers to service these key sectors and it is essential that we encourage young people to gain qualifications in STEM subjects to equip them with the basis for careers in engineering and other related activities.

Private sector companies and other organisations including Sembcorp, Huntsman, Map Group Limited, Unionlearn, NEPIC and the National Skills Academy are all supportive of this initiative which will build on the area's traditional skill base. Indeed the proposal has been developed in consultation with local industry to ensure that it is driven by employer need.

Total Cost £	LGF Cost £	LGF Ask 2015	2016 £
£5,000,000	£2,300,000	£2,300,000	
Total Jobs Impact		GVA £	
1,203		£686,613 (further assessment of GVA impact required)	
Other Outputs			
Increase in skills Level 3: 2,805 Increase in skills Level 4: 412 Apprenticeships Completed: 413			



Proposed Advanced Skills Centre Building

## Develop the Workforce: Skills Capital Projects

### Skills Capital Priority 4: Cleveland College of Art & Design - Refurbishment of Green Lane Campus

Set for delivery in 2016-2017 this project involves the refurbishment of the College's Further Education Campus which is located off Green Lane in Middlesbrough. The existing buildings date back to the 1960s and comprise of approximately 7,000m<sup>2</sup> of teaching and support accommodation. A significant proportion of this is in the worst two categories for estate condition according to the Skills Funding Agency and is therefore in need of repair. This project will address this by replacing the electrical and water heating systems which in turn significantly improve the energy efficiency of the campus. This project will ensure the future as the only specialist provider of FE in the creative industries in the region.


### Skills Capital Priority 5: Stockton Borough Council & Stockton Riverside College - Building Skills Capacity for the Future

Set for delivery in 2016-2017 this collaborative project by Stockton Riverside College and Stockton Borough Council will create an aspirational vocational training and skills centre to train young people and young adults and further supporting full participation. The project will tackle youth unemployment by engaging disaffected young people aged 14-16 and above.

The project will improve the vocational skills and work readiness of Stockton and wider Tees Valley residents through targeted, key sectoral focused, practical employment related training and development. It will build on the economic strengths of Tees Valley by supporting key growth sectors through developing skills to support healthcare, digital/creative media, construction, engineering & management/financial & professional services.

Public investment is required to support the shaping of provision to support the replacement of demand for skills in advance of private sector/employer need. The development of the vocational skills centre in line with future employer need will facilitate the smooth transition into employment for replacement employees and the development of higher level skills to progress existing employees. The levels of youth unemployment demonstrate that there is a need to increase the participation of 16-24 year olds in learning and employment to improve the lives of individuals and also improve social mobility and stimulate economic growth.

Total Cost	LGF Cost	LGF Ask 2015 2016
£3,150,000	£2,500,000	£2,500,000
Total Jobs Impact		GVA £
40		Not yet available
Other Outputs		
Increase in skills Level 2: 650		
Increase in skills Level 3: 550		
Increase in skills Level 4: 350		

# Develop the Workforce: Skills Revenue Project

## Tees Valley Skills Hub

The Tees Valley Skills Hub was established recently as a result of a successful Round 4 RGF bid and the project will seek to build on this start by joining up existing activities across the Tees Valley to support new and targeted provision under a common brand providing a single point of contact for employers.

It will ensure that there is coordination of LMI data and careers information, a flexible skills and support fund to help individual's access employment and a skills and apprenticeship programme providing financial incentives for employers to create additional jobs.

The project will enable the identification and coordination of provision to ensure that scarce funding can be targeted to meet the needs of employers particularly those in our key sectors. This approach will mean that individuals will have the skills needed to access the jobs that will be created through growth and replace the substantial numbers of vacancies that will arise through natural wastage due to the high average age of our workforce in key industries.

Employers themselves can be confused by the range of provision available and the project will assist them by 'hiding the wiring.' An example of this is that only 13% of Tees Valley employers currently offer apprenticeships and we would see our project helping to increase this number substantially.

In terms of impact the job outputs would be 3988 and an increase in GVA of £245m. 500 enterprises will be supported and this would lead to 250 completed apprenticeships and an increase in skill attainments i.e. Level 2-500, Level 3-1500, Level 4 - 250.

The project is supported by Teesside University, local Colleges, Sembcorp and the North East Chamber of Commerce.

Total Cost £	LGF Cost £	LGF Ask 2015	2016 £
£31,000,000	£3,900,000	£780,000	
Total Jobs Impact		GVA £	
3,988		£245,237,971	
Other Outputs			
Number of enterprises receiving support – 500 Apprenticeships Completed 250 Increase in Level 2 Skills – 500 Increase in Level 3 Skills – 1,500 Increase in Level 4 Skills - 250			

## Develop and Provide Infrastructure Projects

		£m	GVA	JOBS	HOUSES
LGF BID	LGF for 2015 - 2016	38.6	£1,113m	22,357	3,170
	LGF bid total for completion of 2015 - 2016 projects	45.4			
	Leverage of other investment	112.6			
	Total Investment	158.0			
PIPELINE LGF	Known Pipeline Projects requiring LGF support post 2015 - 2016	303.0	*NOTE: All outputs are gross figures		
	Likely Leverage	98.2			
TOTAL	Total Investment up to 2024	559.2			

### The Priorities to be Achieved

We recognise that improving connectivity and capacity through the promotion and delivery of transport projects is one of the most effective methods of achieving economic growth and prosperity.

Our area with DfT's support has a successful track record in delivering schemes that make a real difference on the ground. Recent examples of this include the successful Pinch Point bids for schemes to improve the flow of traffic on the A19 one of our key major communication routes. The schemes put forward below either improve the strategic road network or unlock sites for development.

In addition we are playing a full part in the discussions on enhancing the capacity and performance of the strategic rail network including the East Coast Main Line and the Transpennine Rail Service.

Last but not least is our firm intention to retain international connectivity via Durham Tees Valley Airport. Although this asset has seen a steep decline in passenger numbers (charter flights) over the years of the downturn it has retained key flights to Schiphol and Aberdeen. These flights are very important to the growth of our economy particularly oil and gas, chemicals and steelmaking. Recently the owners/operators of the Airport have put forward a plan for expansion of aviation related activities that would help secure its future. Part of this plan involves the provision of enabling infrastructure in the form of an access road to facilitate the commercial development involved.

Furthermore, the Tees Valley suffers from an inability to fund infrastructure and business accommodation due to a longstanding market failure whereby returns on investment fall below those expected by the commercial sector. Whilst pre-lets are fundable by normal private sector commercial investment any attempt to put in place development or infrastructure that anticipates future demand/growth flounders because of this market failure.

Our project to create a Tees Valley Evergreen Investment Fund will help us transform this position by providing necessary support to upgrade our dated industrial premises provision, convert empty offices into residential accommodation and deliver much needed infrastructure.



## Develop and Provide Infrastructure: Transport Projects

### The Projects

Set out below are the 7 transport related projects in priority order that we are seeking LGF support for.

1. Bank Top Station Study
2. Middlehaven Dock Bridge (Local Majors Project)
3. A689 Wynyard Improvement
4. Durham Tees Valley Airport - Southside Access Road
5. Sustainable Access to Employment Programme
6. Ingleby Way/Myton Way dualling
7. A66 – Strategic Maintenance of Teesside Park Interchange

Taking each of the Projects in turn:-

### Transport Priority 1: Bank Top Station Study

Darlington's Bank Top Station is a key part of the Tees Valley rail network which serves residents, commuters, businesses and visitors. Current rail services bring around 600,000 visitors to the Tees Valley per year who spend £72m and support 1,400 jobs. Access to the East Coast Main Line through Bank Top Station is vital for our economy to grow with our direct route to London providing journey time benefits of £413m supporting £3.4m in GVA.

The station is an important catalyst for local and regional growth – plans for investment will remove constraints for both passenger and freight traffic. However, the current station layout is constrained and inefficient from an operational perspective with main line trains needing to divert at low speed to stop in the station building, local trains needing to cross the main line at different points creating timetable constraints and freight trains also required to undertake complex crossing manoeuvres.

Accessibility for passengers within the station is poor and linkages to the town centre and adjacent developments, particularly the strategically important Central Park Enterprise Zone site are also poor for such an important gateway. There are also significant opportunities to improve the retail and commercial offer around the station and enhance interchange with other modes of transport.

In order to address these issues TVU and its partners have developed proposals to re-model Darlington Station. The main outcomes of the scheme will deliver new platforms and a revised layout arrangement which will significantly benefit main line trains (reduced journey times, more capacity), local trains (improved timetables and better connectivity) and freight trains (more efficient routeing), will improve accessibility within the station and from its approaches and will open up the opportunity for the station to fulfil its commercial potential.



## Develop and Provide Infrastructure: Transport Projects

In order to achieve this we are seeking £300k to develop these proposals further through the Network Rail GRIP process. Network Rail's funding for ECML projects in CP5 (up to 2019) is already fully committed but the potential journey time/operational benefits of the Darlington proposals are recognised so we are now committed to develop the scheme further in order to ensure that it can become an early CP6 priority for Network Rail and also, critically, to maximise the opportunity of leveraging in private sector funding to deliver some of the potential wider commercial elements.

We are confident that the Study will show that the proposed improvements will not only provide a significant boost to Darlington's and the Tees Valley's wider economy but provide the much needed freeing of capacity on the East Coast Main Line required by HS2 for the published benefits for the whole of the North East to be achieved.

Total Cost £	LGF Cost £	LGF Ask 2015	2016 £
£300,000	£300,000	£300,000	

### Transport Priority 2: Middlehaven Dock Bridge (Local Majors Project)

Improved access to the Middlehaven area is vital in order to encourage further regeneration, aid the development of the businesses already within Middlehaven and attract additional inward investment. This project forms our non competitive element of the Local Growth Fund Bid, formerly known as Manhattan Gate Bridge under the Local Majors Scheme. The crossing will unlock approximately 15ha of brownfield land for development and employment, including the Able UK land, and greatly improve connectivity across the site and with the town centre. Land values at Middlehaven will be increased which will contribute to the growing investor confidence in the area.

The Middlehaven development is seen as being of sub-regional significance as well as providing much needed higher quality jobs for Middlesbrough itself. With one of the highest unemployment figures in the country (February Claimant count showed 8.7% against the national average of 3.9%) provision of an improved access to increase the attractiveness to potential occupiers is vital to maintain and accelerate the momentum that has begun to develop on the site.

The proposed bridge and associated infrastructure improvements will complete the strategic highway network serving Greater Middlehaven and Riverside Park, providing an east-west spine road running parallel to the A66 primary route and linking directly to it at either end. This will allow journeys to and from employment sites in Greater Middlehaven and Riverside Park to be made by the shortest possible route, reducing both journey times and the carbon footprint of the area.

## Develop and Provide Infrastructure: Transport Projects

The bridge will also reduce the need for local journeys to be made via the A66, which carries in excess of 75,000 vehicles per average weekday, thereby reducing the potential for congestion and delays to occur during the morning and evening peak periods when this key link to Teesport and the national Trunk Road network is operating close to capacity.

As well as improving vehicular access, the bridge will also provide the 'missing link' in the cycle route infrastructure, including Route 1 of the National Cycle Network, connecting Greater Middlehaven with the wider Teesside area, ensuring that access to existing and future employment and education opportunities from the surrounding residential areas is not restricted to those travelling by car.

The project is an approved Tees Valley Local Majors Scheme and is well known to DfT who have recognised the benefits that it would bring in mitigating future traffic growth and enabling future LGF proposals.

Total Cost £	LGF Cost £	LGF Ask 2015	2016 £
£4,533,366	£3,933,366	£3,933,366	
Total Jobs Impact		GVA £	
700		£37,755,209	



### Transport Priority 3: A689 Wynyard Improvement

This project complements the already committed Highways Agency Pinch Point scheme for the A19/A689 junction. It involves the signalisation and minor widening at five existing roundabouts along the A689 near to the A19. The Pinch Point scheme recognised the constraint on growth that needed to be tackled and this project carries on that vital work to ensure that growth in this area can proceed. In particular the project would enable the development of 1,100 residential properties that are currently under consideration and deal with the increased traffic movements for both visitors and staff to the proposed new hospital for North Tees and Hartlepool on Wynyard. Without this project journey times to existing and proposed significant employment sites will increase and impact upon growth opportunities.

Total Cost £	LGF Cost £	LGF Ask 2015	2016 £
Total Jobs Impact		GVA £	
		£12,892,493	
Other Outputs			
Enables the delivery of 1,100 Homes, and the potential to support a new hospital for North Tees & Hartlepool			

## Develop and Provide Infrastructure: Transport Projects

### Transport Priority 4: Durham Tees Valley Airport - Southside Access Road

This project bid has been put forward by Peel, the owners and operators of the Durham Tees Valley Airport and involves the construction of a new road to open up access to the Southside Business Park which already has planning consent for aviation-related activities. The bid for £5m of LGF should be viewed in the context of private sector investment of some £115m into the resulting development of the Business Park. Clearly this represents excellent value for money in terms of leverage of LGF monies.

The crucial contribution of the aviation industry to Tees Valley's economic growth is its facilitation of business connectivity and international trade and it is of crucial importance in attracting inward investment and supporting Tees Valley's critical mass of export-led businesses.

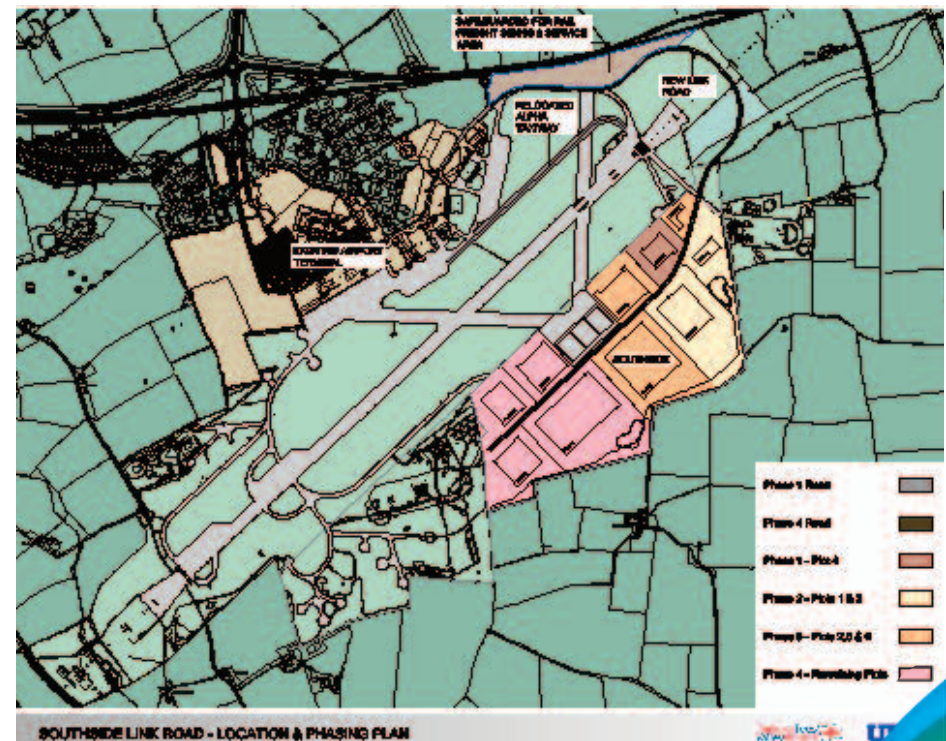
The Durham Tees Valley Airport site is unique to the Tees Valley economy; combination of airside infrastructure, rail access and direct highway links to the national highway network. The development of the site is focussed on the expansion of existing businesses within the airport estate and growth of new logistics businesses in the region.

The project is part of an Airport masterplan (launched in December 2013) to create a vibrant business and general aviation airport creating significant economic impact for the local economy. The masterplan was launched and supported by the local public and business community (over 70% of respondents backed the vision, while 90% supported the expansion of general and business aviation facilities at Durham Tees Valley Airport). Support has also been pledged by the North East Chamber of Commerce, Local Authorities and Tees Valley Unlimited.

The LGF project would achieve four things transformational for our economy:

- **Allow for the expansion of two fast growing and successful innovative businesses in Tees Valley:** Serco (international fire training centre with world leading expertise) and Sycamore Aviation (innovative aircraft recycling business start-up which has witnessed significant growth). It would start to cement Tees Valley's reputation for excellence in fire training and aircraft recycling, niche offers which very few other areas of Europe offer.

- **Help to create a general and business aviation business park of over 176,000 sq. m of business space (8,000 sq. m in 2015/16) which will create over 2,500 jobs and produce over £100m in GVA benefits.** The logistics and aviation-related industries require excellent infrastructure connectivity and providing a new link road and high spec warehousing and industrial units with airside access and apron space and easy access to the A67 would foster demand from major firms and innovative businesses. There are major opportunities to exploit in the logistics and freight markets (through exploiting links to Teesport, England's largest exporting port with a growing reputation in containers) and aircraft maintenance, overhaul and repair markets (there are expected to be more than 12,000 aircraft retired over the next two decades and the market is growing for MRO, particularly in Europe), as well as general and business aviation.



SOUTHSIDE LINK ROAD - LOCATION & PHASING PLAN

## Develop and Provide Infrastructure: Transport Projects

- **Safeguard the significant impact the Airport already makes to the Tees Valley economy**, supporting £37m of GVA and 600 jobs and hosting multinational firms such as Cobham Aviation and TNT.
- **Safeguard critical business flights to Aberdeen and Amsterdam**: these provide key business connections to Aberdeen (key hub for oil and gas and process, linked to our key sectors) and Amsterdam Schiphol, one of the world's largest hub airports (providing vital access to new markets for our firms in the Middle East, Asia and South America).

Total Cost £	LGF Cost £	LGF Ask 2015 2016 £
£6,000,000	£5,000,000	£5,000,000
Total Jobs Impact		GVA £
2,657		£124,667,784

### Transport Priority 5: Sustainable Access To Employment Package

We are determined to ensure that the growth can be achieved in our economy results in greater wealth and creation for all of our residents to benefit from. As a result of this we are tackling deep-seated barriers such as low educational attainment and skills that have led to our high levels of unemployment and in particular youth unemployment.

A further barrier is one of physical access to the locations where existing and future job opportunities are/will be available. For those furthest away in both a geographical and attainment level the lack of car ownership is a real barrier to accessing these opportunities.

This project is a five year programme that is designed to deliver a package of sustainable transport measures that would enhance accessibility to employment and essential services throughout the Tees Valley. It includes physical enhancements to walking, cycling, bus and rail networks and targeted marketing to raise awareness and provide encouragement for the use of alternative modes of transport to the car.

In order to support growth and provide the workforce in the numbers required we need to maintain and improve the capacity of the existing transport networks and increase the proportion of trips by train, bus, cycling and walking. This would have the added benefits of reducing congestion and carbon emissions.

Evidence of the success of such an approach can be found in Darlington which was a Sustainable Travel and Cycle Demonstration Town 2004 – 2009. Investment in cycle and pedestrian infrastructure combined with behavioural change resulted in a 10% reduction in car trips by local people over the 4 year period. We believe that the Tees Valley would benefit significantly from the package and show similar if not better results.

The project is our ask for Local Sustainable Transport Fund Capital funding via LGF, the only route for funding such schemes. Our separate bid for Local Sustainable Transport Fund revenue funding to DfT requires our commitment to investing in such a package of capital schemes through the SEP.

Total Cost £	LGF Cost £	LGF Ask 2015 2016 £
£18,500,000	£10,000,000	£3,200,000
Total Jobs Impact		GVA £
Not yet available		Not yet available
Other Outputs		
Not yet available		

## Develop and Provide Infrastructure: Transport Projects

### Transport Priority 6: Ingleby Way / Myton Way Dualling

This project would enhance the capacity of the road network in central Ingleby Barwick through a combination of dualling and junction improvements at key congestion points. Additional road capacity would allow the further development of approximately 2,070 homes in and around Ingleby Barwick. The project will see contributions from private sector developers through S106 agreements with future payments helping to repay a proportion of the LGF monies.

This project is located in Ingleby Barwick which is crucial to the delivery of new homes in the Tees Valley particularly Stockton Borough Council's 5 year housing supply target. Continued development of Ingleby Barwick is dependent on the improvements to its internal road network.

In addition to the housing consideration, there are employment locations at Teesside and Preston Farm Industrial Estates which are earmarked for significant growth. The project will help to facilitate such growth by absorbing the traffic impact generated on both Ingleby Way and Myton Way.

Total Cost £	LGF Cost £	LGF Ask 2015	2016 £
£4,390,000	£2,260,000	£2,260,000	
Total Jobs Impact			
2,070 Homes			

### Transport Priority 7: A66 - Teesside Park Interchange - Strategic Maintenance

This project involves carrying out remedial work to deal with continual differential settlement which creates significant level changes in the main carriageway on the only access to Teesside Park. The work would include a lighter fill of a section of the interchange, associated improvements to traffic signalling and gantry signs as well as landscaping improvements.

The importance of the work is underpinned by the fact that Teesside Retail and Leisure Park is the only one of its size in the Tees Valley and attracts customers from across the area and beyond. With over 1,000 employees and plans for further growth it is essential that this strategic maintenance scheme is carried out. Attracting over 6.5 million vehicles from over 10 million visitors per year the Park's continuing access problems caused by the differential settlement will lessen the attractiveness of the Park and could lead to job losses and no further growth which would have a detrimental impact on our economy.

Total Cost £	LGF Cost £	LGF Ask 2015	2016 £
£1,300,000	£900,000	£900,000	
Total Jobs Impact		GVA £	
		£27,758,697	

Detailed appraisal summaries for each of the transport projects are included in Appendix 2: Local Growth Fund Supporting Evidence

## Develop and Provide Infrastructure: Enabling Infrastructure Project

### Tees Valley Evergreen Investment Fund

This project involves the creation of a £120m investment fund from a variety of sources both local, national and European as well as private sector.

It would be operated on a revolving sustainable basis with investments providing returns offsetting those which are important for growth but are unable to provide a return. We anticipate that the Fund would be able to invest £938m over the next decade to achieve the transformation of our economy.

Principally the Fund would provide the financial support to provide office, industrial, research and development/innovation space that a modern thriving local economy needs. Given the strength of our key sectors and vibrant manufacturing environment we see a clear path from investment in infrastructure and new purpose-built premises to the stimulation of a more dynamic economy more than capable of creating 18,000 net new private sector jobs over the next decade.

Potential pipeline projects include the development of our Enterprise Zone sites, enabling private sector investment. For example at South Bank Wharf, where investment in enabling infrastructure would make it a more attractive proposition to bring to market. This site houses the only prime wharfage left on the River Tees, but it is heavily contaminated, making it unviable to the private sector at present. With support this site could unlock significant jobs and GVA creation particularly linked to the decommissioning of oil and gas rigs or offshore wind manufacturing. Other examples include Kirkleatham Enterprise Zone and Boho 7 linked to the digital cluster.

Total Cost £	LGF Cost £	LGF Ask 2015	2016 £
£120,000,000 (initial investment: £60m EIB, £20m LGF, £40m local partners)	£20,000,000	£20,000,000	
Total Jobs Impact		GVA £	
18,000		£938,000,000	
Other Outputs			
An Evergreen Fund would leverage £600m of private sector investment and create 284,000 m2 (3.16m sq ft) of high quality employment floorspace over the next decade.			

# Attract and Retain Wealth Projects

		£m	GVA	JOBS	HOUSES
LGF BID	LGF for 2015 - 2016	1.5	£4.8m	300	250
PIPELINE LGF	Known Pipeline Projects requiring LGF support post 2015 - 2016	40.6			
	Likely Pipeline Leverage	45.1			
TOTAL	Total Investment up to 2024	128.2			

## The Priorities to be Achieved

We recognise that for our economy to grow and prosper we need to ensure that Tees Valley offers a quality of life that attracts entrepreneurs and businesses. This will require investment in leisure, retail, culture and housing as well as investment in industrial and commercial projects. Such investment is an essential requirement if the Tees Valley is to attract and retain an aspirational population that is highly skilled and can meet the everchanging demands of successful businesses/sectors.

It is also an essential requirement for generating additional economic activity by encouraging our local residents to spend as much of their disposable income as possible in the local area.

Underpinning this is an improved housing offer that provides a range of homes and infrastructure such as retail and leisure to make people want to live, work and visit the Tees Valley.

We have some superb natural and physical assets within the Tees Valley and access ready to others such as the North Yorkshire Moors on our doorstep. Consequently we offer an excellent quality of life to residents and people moving into the area and this is something that we wish to build up. However, we also have a number of underutilised buildings/sites that are of considerable significance in terms of our natural and cultural heritage. Much work on place shaping is being led by our local authorities and partners such as the Registered Providers. Our two LGF projects are designed to support our place making efforts and complement the many other projects set out in our Growth Plan.



# Attract and Retain Wealth Projects

## The Projects

Set out below are the 2 Attract and Retain Wealth Projects in priority order that we are seeking LGF support for:

1. Jackson's Landing, Hartlepool
2. Kirkleatham Estate Redcar

Taking each of these projects in turn:

### Attract and Retain Wealth Priority 1: Jackson's Landing, Hartlepool

The project involves the redevelopment of the Jackson's Landing and wider waterfront area in Hartlepool through the provision of a mixed-use scheme.

At its heart will be a sub-regional leisure attraction and accompanying new retail/eating facilities.

Outcomes of the scheme will be provision of much needed employment opportunities in what is the Borough with the highest youth unemployment in the Tees Valley. Provision of new grade 'A' office accommodation within the scheme coupled with the new leisure and ancillary uses will provide some 200 new jobs.

It will also facilitate the development of the adjacent Trincomalee Wharf site that will provide up to 4,520m<sup>2</sup> of further retail space, 1,665m<sup>2</sup> of further leisure activities together with a 5,429m<sup>2</sup> Hotel and 18,600m<sup>2</sup> of offices.

The project will also complement the development of the neighbouring key visitor attraction of Hartlepool Maritime Experience (incorporating the HMS Trincomalee), which is currently working toward partnering with a visitor organisation of national significance.

Finally and as important will be the provision of 250 new houses of a quality that will attract and retain an aspirational population.

All areas of the Tees Valley need to grow in a sustainable way to ensure that prosperity reaches all parts of the area and this scheme offers an excellent opportunity to stimulate the local economy, reduce unemployment and retain and recycle the wealth created. The Waterfront area of Hartlepool provides a unique investment opportunity and will contribute to creating an attractive and varied Tees Valley offer.

Jackson's Landing has been vacant for several years and we believe that the time is right for a combination of LGF monies and other investment to unlock its potential.


## Attract and Retain Wealth Projects

### Attract and Retain Wealth Priority 2: Kirkleatham Estate - Redcar

The Kirkleatham Estate Project will provide an opportunity to attract a significant amount of private investment into a regionally-significant cultural and heritage regeneration project. The project will involve creating spaces for start-up businesses with business support, workshops, as well as a cultural facility (gallery and museum space) that is of regional (and possibly national) significance and a major visitor attraction. The project will also deliver skills development programmes for disadvantaged young people, linked to the hospitality, leisure, horticulture and construction sectors and tourist attractions and, together with the cultural facility.

The site already contains many of the required buildings and many listed structures, but these require redesign and renovation and some new build are required to create a sustainable centre. The Estate is currently owned by the Council but the Princes' Trust have agreed to lead a major Enquiry By design event in May 2013, to develop the framework for creating a sustainable development masterplan and business plan.

It is anticipated that the project will create over 100 direct jobs on the Estate and many training and apprenticeships will be created on site. The community benefits through this training, development and involvement in its transformation will therefore be significant.

However LGF funding will be required to create a sustainable development masterplan and business plan following the Enquiry by Design process. Considerable support for the project from local and national stakeholders, including HRH prince Charles and his various charities and allow them to engage in the site's redesign.

A commitment from the Prince's Charities to lead an "Enquiry By design Event" in May/June 2014, that would aim to produce a framework for creating a development plan (funded through LGF) that would ensure the sustainable development of the Estate by making Kirkleatham Estate:

- **A centre of excellence** for training young people in skills required by organisations, both private and public, operating in the heritage, cultural, tourism, horticultural and leisure industries

- **A visitor destination** of UK importance, as a result of new developments linked to the provision of a high quality art and cultural offering
- **A regional destination** for schools and youth organisations wishing to run residential training programmes for their pupils/members
- **A place where education can meet business** by providing school pupils with "virtual" experiences connected to the world of work and, in particular, the world class process and logistic industries located adjacent to Kirkleatham Estate.

Feasibility studies, a business plan and a master planning exercise, will follow the Enquiry by Design Event, to ensure concrete plans are generated realising the project through the attraction of a significant amount of private sector sponsorship and the continued personal involvement of HRH Prince Charles.

Total Cost £	LGF Cost £	LGF Ask 2015 2016 £
£500,000	£500,000	£500,000
Total Jobs Impact		GVA £
100		To be determined
Other Outputs		
50 ha infrastructure site development		



## Our Approach: Prioritising Projects for Local Growth Funding

TVU, working with Arup have designed an Assessment Framework for the consideration and prioritisation of projects for LGF. The framework considers strategic fit, deliverability and investment readiness, value for money, impact (jobs and GVA focussed), leverage, return on investment, and finally a portfolio balance assessment at the end to ensure there is the right mix of projects to deliver against our strategic priorities and catalyse the growth needed for the area. This included an evaluation of whether Local Growth Funding was the only source of investment for such projects – for example transport and skills capital projects.

**Only those projects that passed the key criteria of strategic fit, which could deliver in 2015/16<sup>1</sup>, and offered good value for money were considered in our proposals for Local Growth Funding. A detailed breakdown of the Assessment Framework is in Appendix 2: Local Growth Fund Bid.**

Our Assessment Framework builds on the work undertaken by Arup on our behalf in which they designed a framework to prioritise projects for the Tees Valley Infrastructure Plan. The new Framework widens the approach to incorporate other investment priorities in particular GVA.

Arup have also undertaken an independent evaluation of the Assessment Framework to ensure it is in keeping with the work of the 'What Works' centre – a body charged by Government to develop a tool that can be used by LEPs in the future to assess the impact and deliverability of projects. Arup are also working closely with 'What Works' on this task. Although the national approach to project assessment is still in its infancy, Arup have determined that the approach we have taken is fit-for-purpose and in keeping with the principles to be applied at the national level.

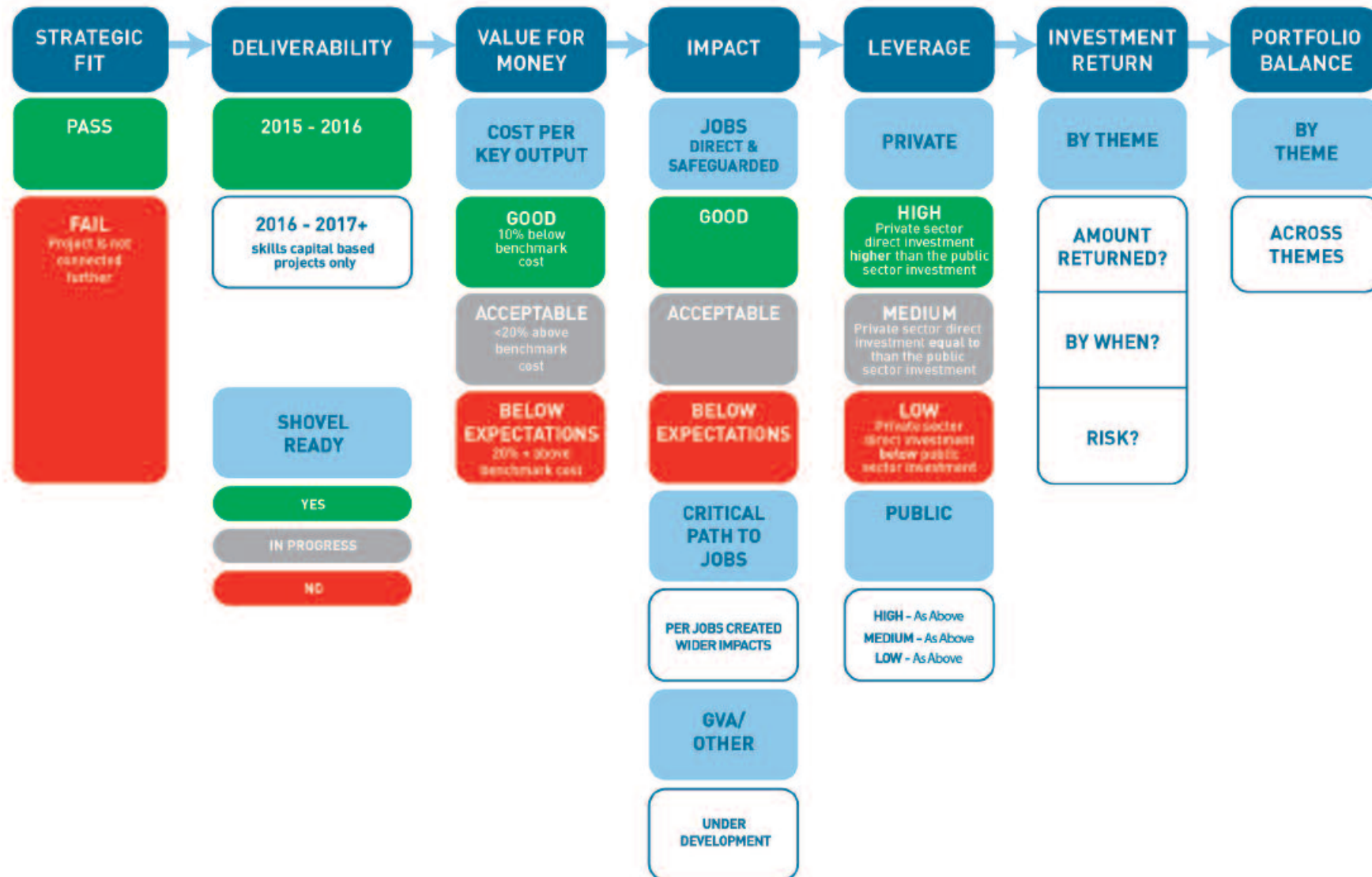
**Arup have determined our approach to be 'robust' (their findings can be found in Appendix 2: Local Growth Fund Bid).**

All projects were all individually assessed by a Project Assessment Working Group; these results were presented to the Tees Valley Investment Panel who then subsequently prioritised projects for funding under each theme and made recommendations to the Leadership Board. In March 2014 the Leadership Board approved the list of projects to be put forward to Government for Local Growth Funding within the SEP.

The proposed projects are classified as 'investment ready' for 2015-16 (and for 2016-2017 for Skills Capital Projects). There are also a number of other projects that have indicated they are deliverable in 2015/16 but have not yet provided sufficient evidence to demonstrate that this is the case. These are highlighted as 'pipeline' projects and will be encouraged to work up their proposals for consideration for future funding. Other pipeline projects include those that are due to be delivered in 2016/17 onwards.

1 - 2016/17 for skills capital projects

# Our Approach: Prioritising Projects for Local Growth Funding



# Tees Valley Unlimited – A Strong Track Record in Programme Delivery

TVU has a long track record of addressing strategic economic development, transport and housing matters in the Tees Valley. Since the formation of the Tees Valley Joint Strategy Unit (JSU) in the mid-1990's, the partnership has evolved to become a robust public-private partnership that drives forward economic growth, with strong leadership and steer from both our private and public sector representatives on our Leadership Board which formed in 2007.

The success of the partnership is based on the engagement of partners, strong governance, transparency and accountability. At TVU we continue to build a genuine working partnership that promotes a collaborative, cross boundary approach to tackling the major issues and opportunities in our area. Our role includes the LEP activities but also some strategic economic development delivery:

- **Determine the strategic vision for the area** - building on our extensive experience of strategy development and on our long term aims and ambitions,<sup>8</sup> we are currently developing our wider Strategic Economic Plan alongside our ESIFS, ensuring cohesion and alignment of priorities for investment to deliver our vision for the area.
- **Investment prioritisation and delivery** - managed through our established Investment Panel who advise the Leadership Board on proposed LEP related investments and oversee their management and delivery.
- **Deliver strategic economic support across the Tees Valley** - the five Tees Valley Local Authorities have pooled together to deliver certain strategic economic functions across the area, covering business engagement, economic strategy and intelligence, inward investment, skills, marketing and promotion, strategic transport, and investment planning.

Indeed, TVU has extensive experience of working with partners throughout the development and delivery of a wide range of externally funded capital and revenue projects and programmes. Between 2002 and 2012 it was responsible for the successful delivery of the £100m Tees Valley Single Programme Fund, with responsibilities covering the management, monitoring, reporting and auditing of Tees Valley projects, plus a £7 million ERDF business support package on behalf of 4 partners in the Tees Valley.

Furthermore, TVU has seen significant success with Regional Growth Funding, helping private sector firms to secure more than £150m to date, leveraging in a further £1bn private sector investment.

## Our Investment Panel

Building on our successful track record for investment management and delivery, the Investment Panel was established in May 2012 with the remit to advise the Leadership Board on investment opportunities and to aid decision-making on suitable future investments. Membership reflected the need to harness both public and private sector investment expertise, with membership consisting of the five Tees Valley Chief Executives plus local business representatives with particular experience in investment planning, management and delivery.

To date the Panel has successfully overseen the following:

- **The establishment, management and delivery of the Tees Valley Investment Fund** - which currently consists of Enterprise Zone income and Growing Places funding;
- **The establishment of the 'Tees Valley Catalyst' fund** - an innovative project funded through Regional Growth Fund which will provide extra financial security to SMEs to enable bidding for larger contracts, thus opening up new markets and opportunities; and
- **The development of new investment models to deliver growth** - including financial instruments and loan funds to maximise private sector investment leverage.

8 - Tees Valley Statement of Ambition: <https://www.teesvalleyunlimited.gov.uk/tees-valley-unlimited/aims-and-ambitions.aspx>



# Tees Valley Unlimited – A Strong Track Record in Programme Delivery

## Evolving Governance Arrangements

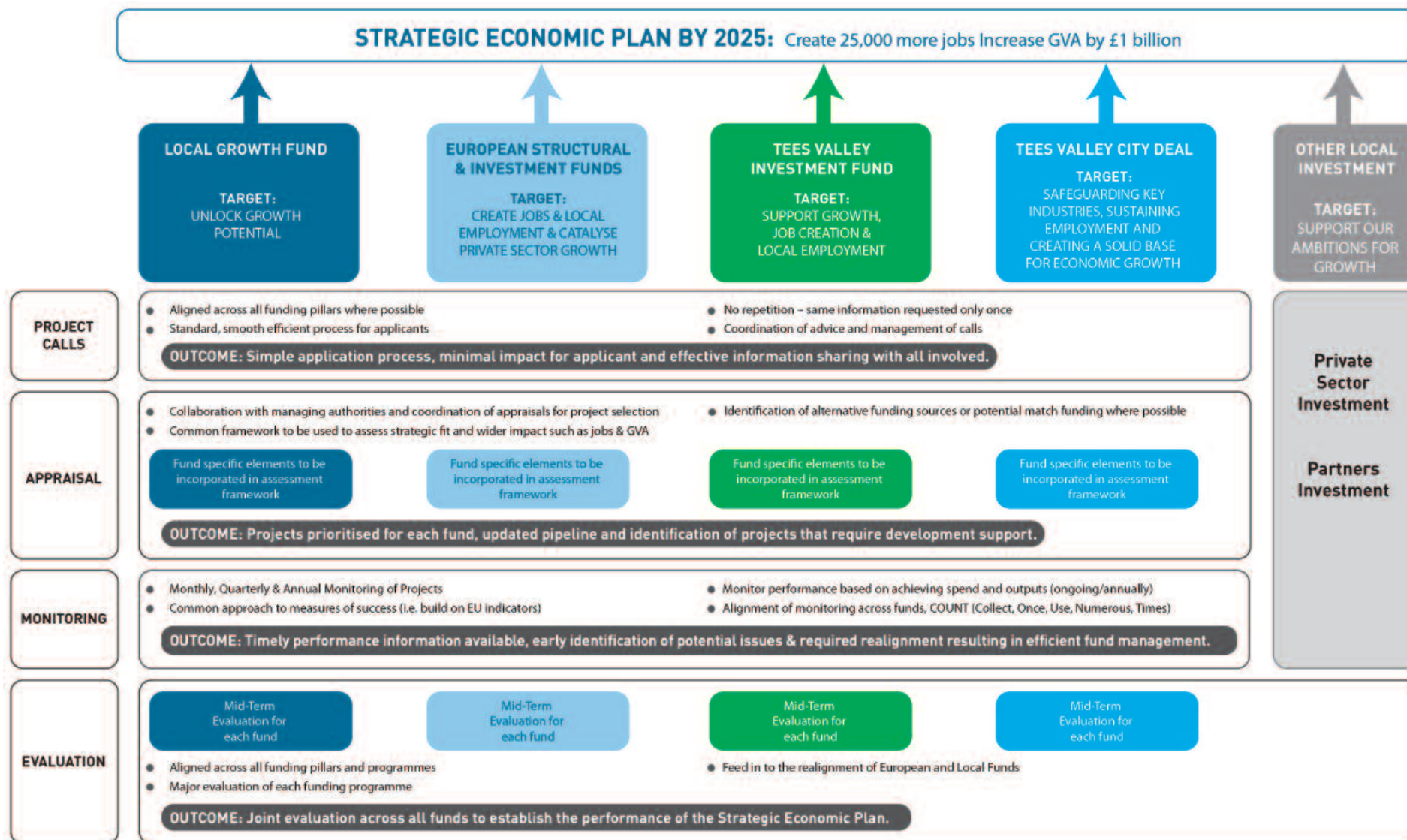
TVU currently operates as a voluntary public / private partnership with an Accountable Body (Stockton Borough Council) and a legal agreement binding the local authorities into the development and delivery of the Tees Valley Statement of Ambition and detailing the modus operandi for the partnership.

Looking to the future the Tees Valley partners have agreed to strengthen governance arrangements to give confidence to private sector partners and Government about the delivery of the City Deal and future local growth initiatives through the Strategic Economic Plan. To that end the five local authority Leaders and Mayors have agreed in principle to establish a Combined Authority, Joint Committee or similar formal structure to undertake the functions of economic development, transport and skills. The Tees Valley is currently developing proposals for such a model which ensures that decision-making is expedited and a strong private sector voice is maintained. Clearly, there will be a need to review the role, remit and membership of the Tees Valley Investment Panel and Leadership Board to ensure it is robust and fit-for-purpose. A thorough and detailed review of our governance arrangements will be considered and will ensure any future governance arrangements are fit-for-purpose to deliver our key strategies for growth.

However, prior to these arrangements being in place there is a need to make good progress with the development of our strategies and deliver our investments. Consequently we have put interim arrangements in place to oversee their development. We have recently expanded our Investment Panel membership to ensure the appropriate representative organisations are able to help shape our European Strategy. Our members include representatives from the Local Authorities, private sector, the Local Nature Partnership, Rural Community Council, Voluntary Sector, Higher Education, the Department of Communities and Local Government, plus the Department for Work and Pensions (for the European Social Fund). We acknowledge that membership may need to be considered further in light of developments around the management of both European Structural Funding and Local Growth Funding (which forms part of the funding used to deliver our Strategic Economic Plan).



# Our Proposed Approach to Programme Management



# Our Proposed Approach to Programme Management

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**Our proposed Programme Management Framework aims to work with fund managers to enable smooth and efficient business processes, from project call to evaluation. The diagram details our initial proposals for Programme Management; however we fully intend to adapt our approach to meet the needs of different funds.**

Our Programme Management Framework is relevant, consistent and useful. Our intention is to separately monitor and evaluate performance of our funds through a dedicated resource, reporting appropriately to the TVU Governance structures, the local community and directly to the fund managers. Wherever possible, we intend to implement a common, clearly defined approach to measures of success building on those that already exist, such as those defined through EU Structural funding.

Our intention is to actively support the development of projects and their ability to identify, source and access multiple sources of funding. This will involve the enhancement of existing support currently given through TVU, including the 'Cradle to Grave' support offered to ERDF projects and the direct support offered to private sector businesses.

Furthermore, our intention is to align all monitoring & evaluation requirements to work on the basis of COUNT (collect, once, use, numerous, times) and take a collaborative approach with fund managers, including the managing authorities of European Structural Funds.

## Our Approach to Viability and Risk Management

- **Securing Value for Money** - We are committed to ensuring all projects offer great value for money. Our intention is to work with potential applicants of European Structural Funding to ensure their project meets the requirements for 'value for money' set out by the Managing Authorities.
- **Managing Conflicts of Interest** - We have in place a robust 'Conflicts of Interest' procedure to eliminate potential conflicts of interest around strategic project level investment decisions (see technical annexe). Panel and Board members must declare if they have a direct or indirect interest in the project and, if their interest is direct, they must leave the room for the decision-making process. We believe these procedures have worked well to date; providing assurance of impartial decision-making.

- **State Aid, Income Generation and Procurement Advice** - These matters continue to be the main causes for clawback under the existing programmes and this needs to be addressed. It is clear that having access to existing national expertise that can help and advise on these matters would prove instrumental in reducing investment risk and encourage more projects to come forward; this in turn would increase programme spend and delivery. **We would welcome a national approach to meeting the requirement for help and advice on legal matters that can directly affect the development and delivery of projects;** this advice should cover funds in general whilst also being able to offer specific and technical advice.
- **Collaboration with Fund Holders & Other LEPS** - We recognise that the smooth and successful delivery of projects and programmes will be very much dependent on working closely with fund managers and particularly with neighbouring LEPs and those that share our sectoral focus. Consequently we are in ongoing dialogue with the NELEP and NYER LEP on major shared issues and are exploring the possibility of collaborating, where appropriate, with both on project administration, access to finance schemes and cross border project delivery. We will also work as part of our business support interventions with LEPs that share our priorities, including Coventry and Warwickshire LEP on Automotive, the Heart of the South West on Aerospace and 19 other partners in the Regional Growth Funded Business Growth Hub.
- **Sustainable Development, Equality & Social Innovation** - We fully support the promotion of sustainable development, equality and social innovation in line with UK and European regulations; we have considered such issues as part of our strategy development. In all cases, our focus will be on securing economic growth and value for money from the investments we make. Investments will need to offer a demonstrable and proportionate contribution to our European Strategy and Strategic Economic Plan objectives, including our jobs and GVA output targets.
- **A Commitment to Fund Programme Management** - There is a clear need to oversee the delivery of Projects and Programmes. Consequently we request from Government a commitment in principle to continue to provide LEP Core Funding of a minimum of £500,000 per annum over the term of the Plan (up to 2025), with a firm commitment to this funding for 2015/16. This will be matched locally with pooled Local Authority Budget Contributions to oversee and aid the management and delivery of our Strategic Economic Plan.



## Consulting on Our Plan

**Tees Valley Unlimited has engaged with a wide range of partners throughout the process of developing the first draft of the European Structural and Investment Fund Strategy and our Strategic Economic Plan.**

As part of our early preparations for European Funding, we produced an Interim Prospectus for 2014 – 2020 and used this as a basis to undertake initial discussions with key partners throughout April and June 2013. This included discussions with local authorities, rural partners, environmental interests, higher education, business representative organisations and civil society. To ensure that the input of our partners was fully captured in the development of the priorities for the draft Strategy, we invited a wide range of partners to attend a series of thematic Task and Finish Groups during August and September 2013. Due to the significant overlap between the Strategic Economic Plan for Local Growth and the Structural and Investment Funds Strategy, the Task and Finish Groups were used to consider priorities for both. The groups covered Innovation (Smart Specialisation), ICT, SME Competitiveness, Low Carbon Economy, Climate Change Adaptation & Environmental Protection, Sustainable Transport, Employment & Skills, Social Inclusion, and Place.

The thematic Task and Finish groups were used to map out existing and potential future activities, consider the prioritisation of the activities and the likely sources of match funding. The outcome of the facilitated sessions has been used to also inform the Strategic Economic Plan. A much broader, open approach was taken during October and November to seek formal feedback on our European Strategy; this feedback was combined with that from Government and further enhanced the final document for submission in January 2014. This has been further complemented with more themed task and finish group activities which pinpoint in more detail the future need for intervention and how these can be most suitably addressed through appropriate activities and delivery mechanisms.

### Our Strategic Economic Plan

We have been working with partners to establish a clear picture of the investment planned for the Tees Valley over the coming years and the added value this will bring. We have established from over 300 partners both committed and pipeline activities planned for the area and it is imperative that we continue to work with our partners to better understand their intentions for further investment. This will help us to develop and to evolve our understanding of the local investment landscape and to identify further need for investment to address funding gaps. Consequently our intention is to work intensively with our partners to ensure projects are 'investment ready' – particularly where they seek to access funds directed through the LEP.

To date we have opened up our draft Plan for consultation and have considered responses before submitting the final strategy to Government. Once submitted, we will open up the consultation to the wider business community and residents once again via our website and we will email partners to ensure they have been made aware of the opportunity to provide feedback.



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