TEES VALLEY COMBINED AUTHORITY

TEES VALLEY STRATEGIC ECONOMIC PLAN

The Industrial Strategy for Tees Valley

2016-2026

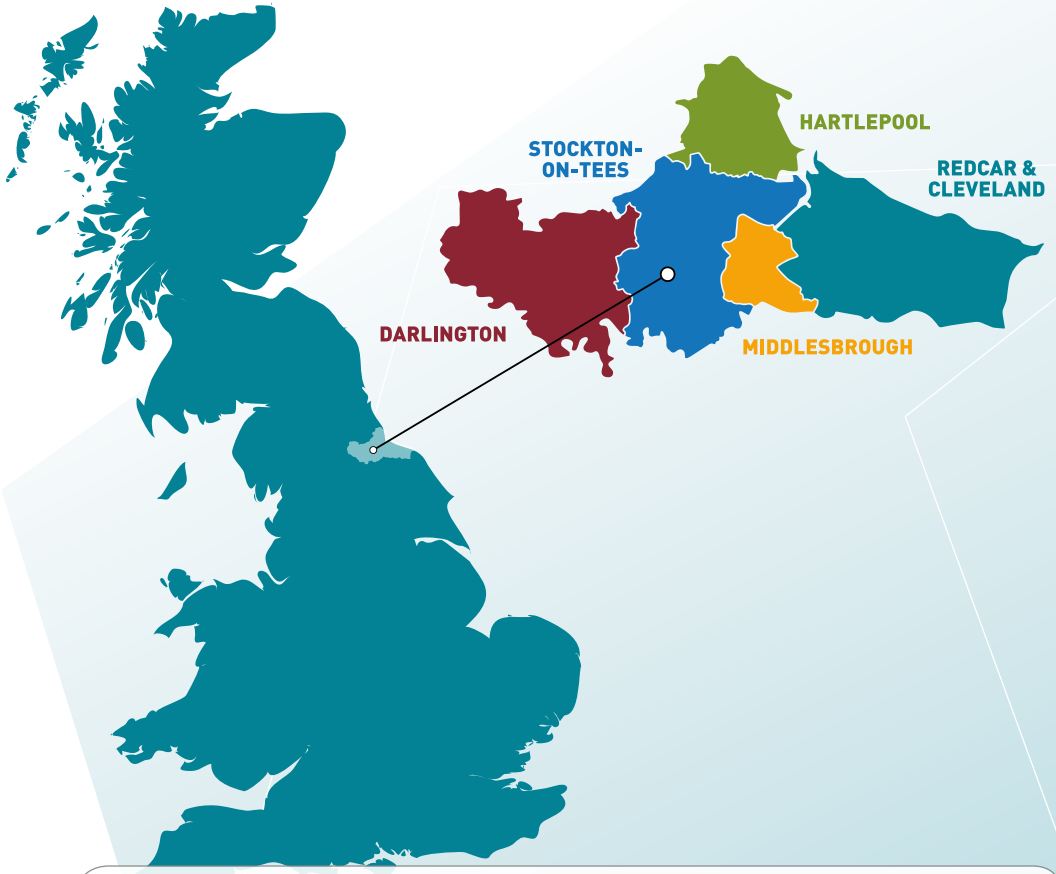
FOREWORD

"The refreshed Strategic Economic Plan is a key driver to unlocking the economic potential of Tees Valley. It builds on the sound investment and robust working relationships developed under the previous economic plan and focuses on the area's competitive advantages, emerging opportunities and also pinpoints what challenges could hinder growth and what needs to be done to overcome them. The devolution deal will bring key decision making powers and budgetary control to Tees Valley. This will play a significant role in the delivery of the SEP and the future economic success of the area."

Mayor Dave Budd, Chair of the Tees Valley Combined Authority

"The Strategic Economic Plan is a clear mandate for businesses, partners and stakeholders, which can be used to encourage the delivery of shared goals and be used to attract investment. It sets out the main priorities of the Local Enterprise Partnership and Combined Authority, and the key focus for investment for both the public and private sector. The Tees Valley has a significant role in the Northern Powerhouse economy with strengths in the prime and supporting capabilities"

Paul Booth, Chair of Tees Valley Unlimited, the Local Enterprise Partnership for Tees Valley



WHAT WE WILL DELIVER:

By 2026:

- **25,000 additional jobs**
- **Extra £2.8 billion into the Tees Valley economy**
- **Tees Valley will be the demonstration region for the circular economy in England**
- **Increased return on investment to £1:£8; and**

By 2040:

- **Tees Valley will contribute 10% of the total GVA growth target for the Northern Powerhouse (with only 4% of the population)**

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INTRODUCTION

This is the refreshed Strategic Economic Plan (SEP): The Industrial Strategy for the Tees Valley. The refresh coincides with the establishment of the Tees Valley Combined Authority and the associated new powers and funding, and takes account of the achievements and changes locally and nationally since the first SEP was published in 2014.

The plan sets out the growth ambitions and priorities for the Tees Valley over the next ten years to 2026 and is now being refreshed to create an Industrial Strategy that includes all of the latest priorities to improve, diversify and accelerate growth in the local economy to benefit businesses and residents.

The refreshed SEP aims to contribute to the narrative of the emerging UK Industrial Strategy outlined by the Prime Minister. The refreshed SEP highlights the needs and ambitions of those sectors which are not just a priority for Tees Valley, but are strategically important to the UK economy. The SEP has been designed to equip our local enterprises in priority sectors to compete in national and international markets, the emerging UK Industrial Strategy must provide a trading environment which supports the creation of a competitive international trading environment in which raw materials, capital and labour can be sourced and key export markets targeted.

Background

Since 2011, Tees Valley and local partners have secured **£223 million** which is set to deliver:

- 11,620 jobs; and
- £1.47 billion of public/private investment (including £773 million of capital investment in the enterprise zones).

This includes £169.8 million of funding from the European Commission through the European Structural Investment Fund. Tees Valley was designated as a Transition Area recognising the low level of Gross Value Add (GVA) compared to other regions in Europe. This funding is vital to the development of skills, both to support individuals into work and to up skill the workforce and to provide support for business start-up, growth and innovation. Without this support it will be extremely challenging to achieve economic growth in the area and it will be essential that replacement resources are available for Tees Valley.

The £223 million of investment secured will provide a return on investment of **£1: £6.50** and has to date been used to address the challenges of job losses in the industrial economy, issues of high unemployment and social exclusion and the difficulties of a local housing market and town centres affected by historical under investment.

With a £12.3 billion economy and world class expertise and critical mass in chemicals, energy, health innovation and advanced manufacturing, Tees Valley already makes a major contribution to th UK economy. Previous investment has ensured that Tees Valley is a:

Highly productive region:
Overall GVA is low, but GVA[1] per employee in the production sector (£86,000 in 2014) is well above the Local Enterprise Partnership (LEP) average (£76,800) and other major LEP geographies such as Leeds, Manchester and Birmingham.

Highly innovative region:
The fourth highest proportion of businesses undertaking product or service innovation in the UK.

Export intensive region:
Part of the only continuous net exporting region of goods in the UK with additional opportunities to pursue.

Region with growth potential to be unlocked:
3rd place in the UK for business expansion of existing companies, and business start-up rates continue to outperform the UK average. However, there is a need to develop more indigenous SMEs with high growth ambition and to attract more Foreign Direct Investment in priority sectors.

As well as continuing to improve our productivity, innovation and exports, the area needs to create more and better jobs as levels of unemployment are relatively high. To unlock future growth we also need:

- To be better connected
  There is a need to improve road and rail connectivity for the region, in order to ensure Tees Valley firms can access UK and European supply chains, particularly in the Northern Powerhouse and that Tees Valley residents can benefit more fully from emerging job opportunities;
- A workforce that is fit for purpose
  We need to replace an ageing workforce in priority sectors and we also need to ensure that our people have fit for purpose skills for both existing and emerging sectors; and
- A supportive business environment
  Start-up, growth and inward investment companies need access to appropriate advice and support that is both coordinated and simple to access. There is a need to further diversify the economic use of existing town centres to attract and retain the vital knowledge intensive business sector. Both place and culture must be used to create a Tees Valley proposition in which people will want to live, work and visit.

The refreshed SEP aims to further develop the Tees Valley growth narrative:

- By targeting support on Foreign Direct Investment and indigenous SMEs with high growth potential in internationally competitive key sectors such as **chemicals, health innovation, energy and advanced manufacturing**, whilst encouraging further diversification into new sectors and technologies (including **logistics, digital & creative, culture & leisure** and **business & professional services**); and
- By ensuring a fit for purpose labour force which also recognises the lifetime opportunities of all our residents.

This can be translated into two transformational ambitions:

- Enhance productivity in those high growth firms which have the greatest potential to create jobs; and
- Improve lifetime opportunities, particularly in relation to post primary education and links to business.

In response, the refreshed SEP will create:

- **25,000 jobs; and**
- **£2.8 billion of additional Gross Value Add (GVA) (at 2016 prices)**

Tees Valley believes that the local economy has strong foundations and is confident that through targeted interventions and the use of innovative approaches to economic development can guarantee the doubling of our targets in the refreshed SEP and with a higher return on investment of **£1:£8**.

1 Gross Value Add: measures the economic contribution of businesses and people within a particular geography, whilst GVA per employee is focused solely on those employed in a specified area.

As the overarching economic plan and Industrial Strategy for the Tees Valley, the refreshed SEP will provide a framework for economic development to deliver our six growth generating themes:

1. Business Growth:

Further increase jobs and business density through targeted support to create and attract new companies and to grow businesses and sectors with high growth potential;

2. Research, Development, Innovation & Energy:

Further enhance productivity in all core sectors through the commercialisation of knowledge;

3: Education, Employment & Skills:

Ensure a labour market which meets the needs of local business and supports the lifetime opportunities of all our residents;

4: Place:

Promote the Tees Valley as the preferred location in the UK for energy intensive indigenous firms and Foreign Direct Investment and create the conditions necessary to attract businesses and individuals with a focus on vibrant town centres;

5: Culture:

Change the external perceptions of Tees Valley through the arts, cultural and leisure offer, create places that attract and retain businesses and business leaders and make the area an attractive place to live, work and visit; and

6: Transport & Infrastructure:

Facilitate local, regional , national and international road, rail and broadband connectivity through collaborative investment in physical infrastructure.

The Tees Valley Combined Authority

The five Tees Valley Local Authorities (Darlington, Hartlepool, Middlesbrough, Redcar & Cleveland and Stockton-on-Tees) have worked jointly with public and private sector partners on Economic Development, Transport, Infrastructure and Skills at a strategic level for almost 20 years, most recently through Tees Valley Unlimited (TVU). Building on the strong partnership with the five Tees Valley Local Authorities, a Combined Authority has been created to formalise this joint working and allow devolution of significant funding and powers from Government.

Tees Valley residents and businesses supported the creation of the Combined Authority when consulted in December 2014. The Combined Authority came into effect in April 2016, with proposals for a Tees Valley Mayor to be elected by May 2017.

TEES VALLEY COMBINED AUTHORITY

Devolution

Following detailed negotiations between the Tees Valley Local Authorities and Government, a devolution deal worth £450 million over 30 years was signed in October 2015. Equivalent to an additional £15 million per year, the deal also provides for the transfer of significant powers for employment and skills, transport and investment from Central Government to the Tees Valley. A new fund (the Single Pot) has been created to deliver a programme of investment in the region over the 30 year period, and the establishment of a Mayoral Development Corporation.

The proposals set out in the Tees Valley Powerhouse Plan, which served as the framework for devolution discussions with Government, are now fully incorporated into a number of the thematic areas of intervention in the refreshed Strategic Economic Plan.

Devolution Growth Enablers:

- New powers for the Combined Authority related to (Adult) Education, Housing and Regeneration and Transport and opportunities arising from the Mayoral Development Corporation;
- Critical mass of the Combined Authority, means it can better influence national policy development and delivery of more strategic large scale interventions; and
- Single Funding Pot, creates the potential for greater financial leverage.

Funding Sources

Tees Valley works in conjunction with a broad range of partners and funding opportunities to deliver the SEP including:

Growth Deal and the Local Growth Fund

The Tees Valley Growth Deal has been designed to boost economic growth in the Tees Valley and provide key investments in transport, infrastructure, skills, innovation and business support projects, further supporting the success of the area's priority sectors. The Growth Deal focusses on three key priority areas as identified in the LEP's original Strategic Economic Plan:

- Driving skills and innovation
- Building more effective transport and infrastructure; and
- Creating the environment for business growth

Tees Valley has secured over £96 million through the first two rounds of the Local Growth Fund (LGF) to support economic growth in the area. This funding is now included in the Single Capital Pot. It will lever in at least £100 million of additional investment from local partners and the private sector. This will result in a total investment package of over £190 million for the Tees Valley area, and is expected to create 5,000 new jobs and 1,500 new homes by 2021. Although LGF is included in the devolved Single Capital Pot, the area must bid for further rounds of Growth Deal Funding including Growth Deal 3 covering the period 2017/18 – 2020/21 for which an ambitious bid was submitted by Tees Valley in July 2016.

GROWTH DEALS

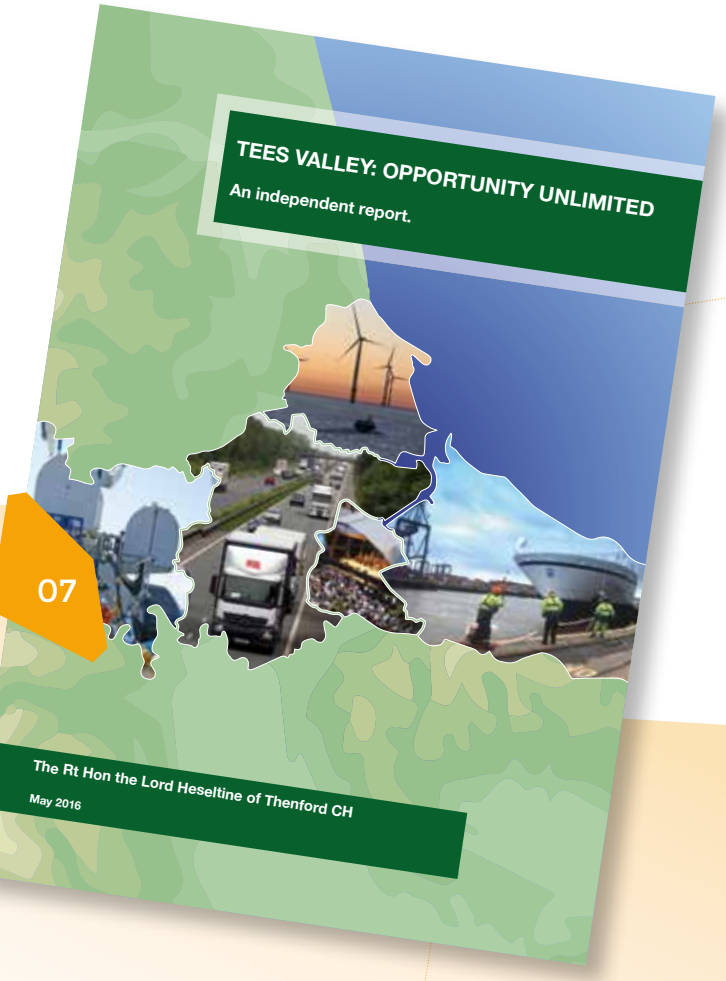
European Structural and Investment Funds (ESIF) 2014-20

The Tees Valley has a total ESIF allocation of £169.8 million for the period 2014-20, consisting of £94.3 million European Regional Development Fund (ERDF) and £64 million European Social Fund (ESF), alongside £10.4 million of Youth Employment initiative and £1.1 million European Agricultural Fund for Rural Development (EAFRD).

The Tees Valley ESIF strategy sets out how the area will maximise the opportunity presented by the allocated funding to support growth in the region. National and European funding have been critical to unlocking private sector investment in the area to date.

Tees Valley was designated as a Transition Area recognising the low level of GVA (74% of the EU 28 average by NUTS 2 region) compared to other regions in Europe. This funding is vital to the development of skills, both to support individuals into work and to up skill the workforce and to facilitate business start-up, growth and innovation. Without this support it will be extremely challenging to achieve economic growth in the area and it will be essential that replacement resources are available for Tees Valley.

European Structural and Investment Funds Growth Programme for England (2014-2020)



Lord Heseltine's independent report on the Tees Valley economy

In response to the SSI steel work closure at Redcar, Lord Heseltine has undertaken a comprehensive review of the Tees Valley economy. Many of the recommendations made by Lord Heseltine are reflected in the priorities and opportunities of the refreshed SEP. His proposals to create the conditions for the area to prosper include the following growth enablers:

Growth Enablers:

- The Combined Authority becoming the source for ambitious, visible and determined leadership to transform education and skills across the Tees Valley;
- Highways England, Transport for the North, Network Rail and Government to seriously consider Tees Valley's strategic transport priorities; River Tees Crossing, A66 east-west improvements, Darlington Station upgrade and the major upgrade of the rail line from Northallerton-to-Teesport;
- Establishing the South Tees Development Corporation promptly; and
- Combining all business advice and support – currently offered by several local bodies – into one service (Tees Valley Business Compass).

The Northern Powerhouse

Government and the Northern City Regions have given their full backing to increasing the economic contribution of the North to the national economy. The creation of the Northern Powerhouse will involve improving connectivity within the North and to national and international markets, and the reconsideration of Government investment to allow the Northern Powerhouse area to reach its full economic potential.

The Independent Economic Review concluded that:

"With business and Government backing, the Northern Powerhouse has potential for greater growth and could contribute more to the UK economy. **Independent analysis suggests that there is an ambitious but credible 'transformational' scenario that could add £47 billion of GVA** to the North's economy by 2040, above and beyond what might have happened anyway. This requires both increases in the economic output of high value businesses and job growth."

The independent analysis shows that across the Northern Powerhouse there are four prime 'capabilities' that have global significance and are pan-Northern - distinctive specialisms where the North can compete and be successful in a global market. The capabilities represent industries and businesses that are growing and forecast to continue to do so, taking account of global trends and likely disruptive technologies of the future. The analysis shows that many of the capabilities are inter-related and interact in a way that drives new opportunities and business.

The four Northern Powerhouse primes of advanced manufacturing, energy, digital and health innovation are the core of the Tees Valley economy. A successfully integrated Tees Valley, focused on these four primes will ensure a better performing Northern Powerhouse.

If Tees Valley plays a full part in the development of the Northern Powerhouse it has the potential to generate:

- 60,000 additional jobs, 20,000 of which will be at NVQ Level 4 in the four primes; and
- GVA of circa £17 billion (up from £12 billion).

By 2040, Tees Valley has the potential to add 10% of the Northern Powerhouse's transformational GVA target of £47 billion, with only 4% of the population.

Growth Enablers:

- Increased connectivity within Tees Valley and the rest of the Northern Powerhouse area;
- Increased sectoral linkages/supply chain integration; and
- Tees Valley providing a highly skilled workforce across the four primes.

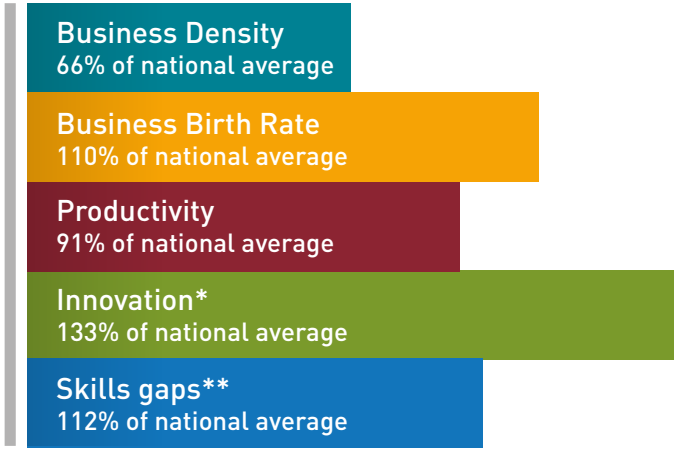
BUSINESS PROFILE

Since the 1970s, the Tees Valley economy has experienced major economic re-structuring with a shift away from some traditional manufacturing activities to high growth service sectors. While heavy industrial sites remain prominent, change is evident across the area with the development of digital and creative sectors, low carbon technologies, logistics and advanced manufacturing and engineering.

The Tees Valley has a total population of 667,500 and offers over 303,500 jobs across some 16,500 businesses and through self-employment. The economy generates gross value added (GVA) of over £12.3 billion per annum. (See Annex 1 of this document for a detailed geographical profile of Tees Valley.)

Tees Valley is a competitive region and as the chart below illustrates the region has key strengths and weaknesses.

Tees Valley Business Performance



* Enterprises introducing either a new or significantly improved product or service during the period 2010-2012

** Tees Valley has a 16.6% skills gap compared to national 14.6%

This comparison with national indicators shows that while Tees Valley performs well with regard to innovation and business birth rates, there are challenges around productivity, business density and skills gaps.

The challenge for Tees Valley is to increase productivity across all sectors (mainly service) and raise the overall number of people in work in high growth firms.

Key Sectors

The Tees Valley has world class expertise in a number of key sectors which are vital to the health of the northern and wider UK economies. The area has a particular concentration of employment in process, chemicals and the energy sector where employment levels are more than double the national average, as well as in the larger advanced manufacturing and healthcare sectors, where employment levels are at least one and a half times the national average. These specialisms are critical within the four primes of the Northern Powerhouse and the Smart Specialisation agenda.

While some sectors, such as logistics, business and professional services, and culture and leisure are under-represented when compared with the national average, they provide a significant number of employment opportunities and are all sectors which are forecast to experience strong growth nationally over the next ten years. There is potential for Tees Valley to build upon niche specialisms within these sectors to capture a larger share of growth and boost overall employment levels.

Taking account of the current composition of the Tees Valley economy, including existing employment specialisms and the potential for growth, seven priority sectors have been identified:

- **Advanced Manufacturing;**
- **Process, chemicals and energy;**
- **Logistics;**
- **Health and biologics;**
- **Digital and creative;**
- **Culture and leisure; and**
- **Business and professional services.**

Developing these sectors is critical to boosting competitiveness and diversification, improving economic resilience and providing the range of jobs needed to ensure that growth is both widespread and inclusive. In particular, a more balanced and resilient economy will support the Tees Valley to respond to shocks such as the recent closure of SSI. (See Annex 2 of this document for detailed analysis of emerging trends and SWOT analysis for Tees Valley).

SECTORAL PROFILE

Tees Valley Advanced Manufacturing

The area has a rich industrial heritage and is renowned for its process, power, steel and engineering industries. This legacy has nurtured the advanced manufacturing sector and attracted strategically important multi-national companies to the area. Large employers include: Caterpillar, Darchem Engineering, Henry Williams, Jacobs and Whessoe Engineering.

As a high productivity sector, and one of four Northern Powerhouse prime strengths, Tees Valley advanced manufacturing is expected to make an important contribution to the future economic prosperity of the area and the wider North, building on close links with the North East manufacturing base in key subsectors such as engineering design and subsea technologies.

Advanced Manufacturing Sector: Key Points	
Scale	c. 20,000 jobs
Structural composition	Firm size varies considerably: whilst many large firms are based in Tees Valley, 94% of businesses employ fewer than ten people Average firm size = 6.25 workers
Ownership structure	Some multi-national companies; many locally owned supply chain organisations
GVA per job	c. £90,000
Emerging opportunities	Advanced materials; low carbon; engineering design; offshore industries
Links to innovation ecosystem	Teesside University research institutes, including the Technology Futures Institute and Digital Futures Institute The Welding Institute (TWI) Centre for Subsea Technology, Awareness, Training and Education (C-STATE)

Tees Valley Process, Chemicals and Energy

The Tees Valley is home to the largest integrated chemical complex in the UK and the second largest in Western Europe in terms of manufacturing capacity. The area is home to key clusters in the chemical sector including refining, petrochemicals, speciality and fine chemicals, plastics, biotechnology and pharmaceuticals.

The Tees Valley is also one of the key centres for offshore industries in the UK, producing 70% of the oil platforms and heavy engineering for the North Sea. The sector employs 7,800 people and includes major employers such as Chemoxy, Johnson Matthey, Huntsman, Lotte Chemical, Lucite International, Sabic Petrochemicals and Tracerco.

Process, Chemicals and Energy Sector: Key Points	
Scale	c. 8,000 jobs
Structural composition	120 major companies Hundreds more in the supply chain and supporting industries Largest average firm size of all the priority sectors – only 59% are microbusinesses Average firm size = 66 workers
Ownership structure	Many multi-national companies; many key clusters represented
GVA per job	c. £125,000
Emerging opportunities	Sustainable chemicals, energy from waste polymers and hydrogen Bio refining, formulation and industrial biotechnology Carbon capture and storage
Links to innovation ecosystem	Centre for Process Innovation, part of the High Value Advanced Manufacturing catapult Innovation Accelerator at Wilton Centre Materials Processing Institute Applied Graphene Materials

As a high productivity sector and a major contributor to UK exports, the process, chemicals and energy sector will continue to provide UK manufacturing industries with base products as well as supporting new approaches to waste polymers and the use of hydrogen as a sustainable fuel, working with Cities and City Regions across the North.

Tees Valley Logistics

The logistics sector is supported and driven by the transport assets and infrastructure within the Tees Valley, including Teesport which provides direct routes across the globe, Durham Tees Valley Airport which offers freight services and has a direct link to Amsterdam, and excellent rail and pipeline infrastructure. Recent investment in logistics infrastructure has supported the existing industrial base and attracted large scale distribution centres. The sector now employs 17,400 people and includes large employers such as Clipper Logistics, Aldi, DHL, AV Dawson, Bulkhaul, Tesco and Asda.

Logistics Sector: Key Points	
Scale	17,000+ jobs
Structural composition	900 logistics enterprises Both large and small businesses, three-quarters are microbusinesses, but 5% employ 50+ Average firm size = 19 workers
Ownership structure	Some major employers present in Tees Valley but many smaller, locally owned firms
GVA per job	c. £40,000
Emerging opportunities	Changing shopping patterns leading to increased demand for logistics support Expanded trade between countries – port expansion across the north
Links to innovation ecosystem	Links to digital and low carbon eco-system

The importance of logistics and the east-west transport corridor is now recognised by the Northern Powerhouse, with an increased emphasis on using transport investment to strengthen the UK's import and export routes to global markets. Teesport is a major gateway to northern Europe for exports and to northern England and Scotland for imports.

Teesport in the East will complement the new opportunities being developed in the West through Liverpool SuperPort to allow the Northern Powerhouse to offer a truly global route to the trade markets in Europe, Asia and the Americas.

Tees Valley Health and Biologics

The Health and Biologics sector is diverse and forms a vital part of the Tees Valley, and wider UK economy. The NHS in the Tees Valley is comprised of three Foundation Hospital Trusts (North Tees & Hartlepool, South Tees and County Durham and Darlington), a Mental Health Trust and five Primary Care Trusts, which all have excellent reputations.

The area is also home to world-leading biologics manufacturers and rich sub-clusters of companies in biological reagents, assistive technology, health informatics and pharmaceuticals, working in national and international markets and which have high levels of productivity. Local employers include: FujiFilm Diosynth Biotechnologies, Fine Organics and Johnson Matthey. The sector also benefits from having the expertise of both Teesside University and Durham University; with a complementary focus on health and health-related research.

Health and Biologics Sector: Key Points	
Scale	5,000+ jobs
Structural composition	Firm size varies considerably High proportion of medium-sized employers (50-249 workers), only 51% are microbusinesses Includes both public and private sector employment
Ownership structure	Range of public and privately owned organisations
GVA per job	c. £90,000
Emerging opportunities	Biologics and biopharmaceuticals Digital care and assistive technology
Links to innovation ecosystem	Centre for Process Innovation, part of the High Value Manufacturing catapult, including the National Biologics Manufacturing Centre and the Biotherapeutics Factory of the Future Centre for Integrated Healthcare research, Durham University Centre for Translational Research in Public Health (Fuse) South Tees Institute of Learning, Research and Innovation

Health innovation, as one of four Northern Powerhouse prime strengths, provides the opportunity for local organisations to address the health and care challenges facing local communities (particularly an ageing population) and to develop new products and services for a rapidly growing global health market.

Tees Valley Digital and Creative

The Tees Valley accommodates a wide range of Digital and Creative enterprises, including businesses that specialise in media and games development, mobile application and web development, IT support for the advanced manufacturing sector, IT consultancy and business application development. The sector employs 6,800 people and large employers include Capita, Lygo International, Webworks Internet, Onyx, Double Eleven, Visualsoft and Northgate.

Teesside University is one of the leading universities in animation and computer gaming and hosts the annual international Animex conference. The University and Digital City also provide mentoring and support entrepreneurs to accelerate the start-up rate of new companies and to maximize their growth potential.

Digital and Creative Sector: Key Points	
Scale	c. 7,000 jobs
Structural composition	Many firms are microbusinesses (93%) and the number of sole traders is high, with very few medium or large businesses Average firm size = 7 workers
Ownership structure	Some large employers represented in Tees Valley, many other firms are small and locally owned
GVA per job	c. £40,000
Emerging opportunities	Animation, computer gaming, stimulation and visualisation Solutions for advanced manufacturing, healthcare and process
Links to innovation ecosystem	Digital City Digital Catapult Centre North East and Tees Valley

Tees Valley has a well-recognised and growing business base in digital industries, with fast growing companies now providing the employment opportunities which are allowing local, well qualified young people to find good quality employment, with excellent career progression and enterprise opportunities.

Tees Valley Culture and Leisure

The Tees Valley is home to a number of flagship sports and cultural venues and attractions. This includes impressive historic venues such as Preston Park Museum and Grounds, an award winning gallery (Mima – the Middlesbrough Institute of Modern Art), the area's premier concert hall (Middlesbrough Town Hall with £8 million investment to create a more accessible and modern venue), Darlington Civic Theatre (which is currently being redeveloped) and a range of other theatres. The major High Street brands are well represented in the local area, this offer is strengthened by independent retailers, cafés and restaurants. The Tees Valley also boasts a range of out of town retail centres.

Culture and Leisure Sector: Key Points	
Scale	c. 18,400 jobs
Structural composition	Firm size varies considerably Relatively large number of small firms employing 10-49 (28%) Average firm size = 13 workers
Ownership structure	Mix of public and private employers, with some larger scale facilities and a large number of small, privately-owned supporting businesses
GVA per job	c. £32,500
Emerging opportunities	Increased global wealth creates new opportunities for culture and leisure Northern Powerhouse proposals create opportunity to develop a pan-Northern offer
Links to innovation ecosystem	Strong links to digital and creative innovation ecosystem

The area has a growing programme of weekly and specialist markets as well as an increasing reputation for hosting annual large-scale events which attract tens of thousands of visitors, such as Stockton International Riverside Festival (SIRF), Middlesbrough Mela, and the UK's first Festival of Thrift.

The varied landscape, with rolling hills, miles of beaches, acres of parkland, wonderful wildlife sites and several areas of special scientific interest, host a wide range of leisure pursuits. Areas such as Guisborough Forest and Saltburn beach provide opportunities for a range of outdoor-pursuits for everyone. The sector employs 18,400 people with a wide variety of hotels, restaurants and bars providing numerous employment opportunities across the Tees Valley.

Football League clubs Middlesbrough and Hartlepool United are also significant employers in the sector. The promotion of Middlesbrough to the Premier League will have a significant economic boost to the area in terms of international profile and increased spending in the economy. Indeed, when Swansea City was promoted to the Premier League in 2011 it was estimated to be worth £58 million to the city.

The perception and experience of place is an important factor in attracting new investment and skilled workers, many of whom have a choice as to where to work and live. Tees Valley needs to attract both new investors and a skilled workforce, and persuade existing companies to re-invest to meet its economic ambitions.

At the same time, perceptions of place influence how local residents, particularly young people, feel about their future prospects. Culture, leisure, sport and voluntary activities all contribute to creating the environment which supports the economic ambitions set out in this Plan.

Business and Professional Services

The business and professional services sector is a key source of employment in Tees Valley, with over 36,000 jobs (using the Tees Valley sector definition). As well as its importance in its own right, the professional and administrative services provided by the sector, support activity across the Combined Authority's key sectors. The sector includes a range of high value activities, such as legal and financial services, and generates a high level of GVA per job (c. £88,000). Tees Valley has a growing expertise in business process outsourcing activities, which presents a key opportunity for the sector, as well as providing employment opportunities at a range of qualification and skills levels.

Significant employers in the sector in Tees Valley include: RPMI and Lattimer Hinks in the professional and financial sector, and Santander, EE and Virgin Media in contact centres and business process outsourcing. Teesside University and Durham University produce a large number of graduates each year, providing valuable skills and expertise for the sector, including in leadership and management and accountancy.

Business and Professional Services Sector: Key Points	
Scale	36,000+ jobs
Structural composition	High proportion of microbusinesses (85% with 0 – 9 employees) Very few large employers
Ownership structure	Majority privately owned organisations
GVA per job	c. £88,800
Emerging opportunities	Increasing outsourcing of business activities Increasing exports to emerging markets
Links to innovation ecosystem	Teesside University Durham University South Tees Institute of Learning, Research and Innovation

The Productivity Challenge

While some Tees Valley sectors are more productive than their national counterparts, most sectors are less productive than the national average, and this structural weakness applies across the Northern Powerhouse.

Productivity is the key to higher wages and better household incomes. There is a need therefore to continually seek to improve business productivity and this applies to every sector and occupation.

Higher productivity is also central to re-investment and the sustainability of employment. This applies to both the service sector and to manufacturing employment, and to both high and low skilled occupations.

Tees Valley needs to provide a range of employment opportunities for its residents and therefore interventions in support of business growth and skills in particular, need to focus wherever possible on improving business productivity across all sectors of the economy. This productivity imperative is an underlying theme within the Strategic Economic Plan.

ECONOMIC STRATEGY & THEMATIC BUILDING BLOCKS

Ambition

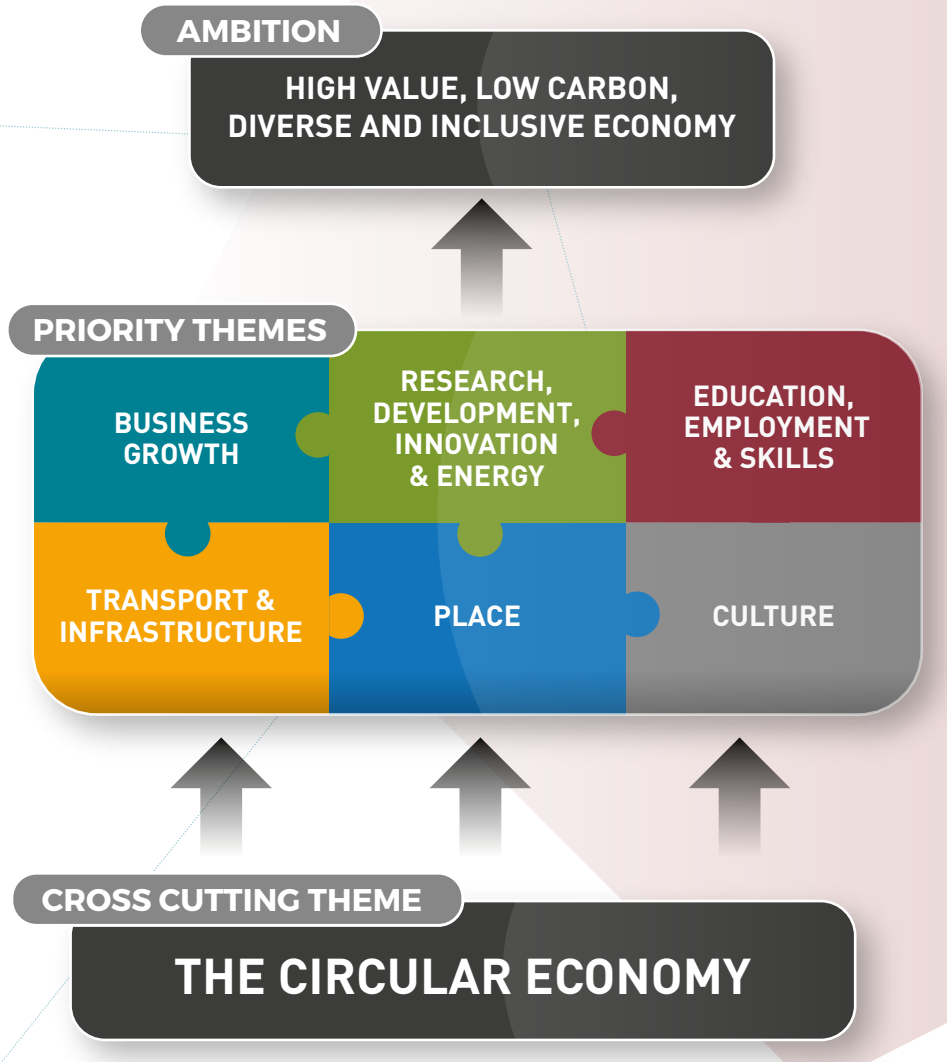
Our ambition is for Tees Valley to become a high value, low carbon, diverse and inclusive economy.

This ambition incorporates economic, social and environmental priorities and will allow all partners to work towards a sustainable and socially responsible Tees Valley.

Underlying this ambition is a commitment to improving the lifetime opportunities for local people, tackling some of the difficult challenges of social exclusion, providing opportunities across all of the Tees Valley including rural areas and disadvantaged communities, and thereby ensuring that all citizens are able to share in the benefits of economic growth.

The refreshed SEP is focused around six thematic building blocks which reflect the main priorities and areas of activities over the next ten years: business growth; research, development, innovation and energy; education, employment and skills; place; culture; and transport and infrastructure.

A cross cutting themes of the SEP is the application of the Circular Economy (which will be clarified later in the document).



Three of the six buildings blocks are the classic areas of intervention in economic development, with direct support targeted at business and sectoral employment and economic growth:

Business Growth will help diversify the economy, supporting more business start ups and developing growth sectors such as business services and digital and creative industries. Other sectors such as culture and leisure will provide jobs across the Tees Valley, particularly in rural areas, as well as entry level employment opportunities designed to increase economic inclusion.

Research, Development, Innovation and Energy is central to a more diversified economy, with health and digital innovation helping to create new opportunities in growth sectors; while research and development assets will be critical to the transition to a high value low carbon economy, maintaining Tees Valley's high value jobs and helping to introduce new processes and operational practices which reduce the carbon footprint of all industrial sectors.

Education, Employment and Skills is central to supporting a diversified and high value economy with a skilled workforce, while increasing lifetime opportunities for young people and older workers which will help ensure a more inclusive economy.

The three other thematic building blocks provide the everyday social and economic infrastructure which attracts investment and people to Tees Valley, makes it a great place to live, work and visit and underpins long term economic growth:

Place is now recognised as central to the creation of a diversified and inclusive economy, with vibrant town centres which attract and retain young people and families, housing which provides affordable and aspirational choices, and a commercial property market which provides the industrial and office development to support growth sectors and new investment.

Culture will contribute to diversifying the economy. It will provide new and varied employment opportunities many of which will be available to young people, boosting the visitor economy and changing external perceptions of potential inward investors and skilled workers, thereby helping to ensure new investment linked to growth sectors and the low carbon economy.

Transport and Infrastructure is central to both a diversified and a high value, low carbon economy, providing the links for people and goods to connect to the wider economy, while local transport is central to an inclusive economy where local people can access employment opportunities across the region.

Due to their significance in delivering economic growth, these building blocks are also the main areas where Tees Valley has sought additional powers from Government through its devolution deal. They also reflect some of the main recommendations in Lord Heseltine's independent report on the Tees Valley economy.

Elements of the residential and commercial property market do not function effectively to provide the housing, town centres, employment land supply and new premises to support population and employment growth. Tackling these persistent market failures is a priority for local partners.

CROSS CUTTING THEME: TEES VALLEY & THE CIRCULAR ECONOMY

Tees Valley has long championed the case for low carbon approaches to production as a means of meeting carbon reduction targets and improving long term competitiveness. This approach has now been fully incorporated into UK policy on the circular economy as a means of mitigating wastage, ensuring local sourcing of materials and enhancing productivity.

As noted in Lord Heseltine's review of Tees Valley, the area is:

''... an ideal location to pilot and demonstrate the benefits and opportunities of the circular economy. With one of Europe's largest integrated industrial complexes and national and internationally operating centres of excellence in processing, materials and biologics this approach is promising and, together with targeted investment could help maintain the future of existing industries and to develop new economic opportunities.''

Two particular features of a circular economy, which are reflected in Tees Valley priorities include:

Foresight design: Examining all aspects of production and then looking at related opportunities for the use and reuse of by-products, waste and heat; and

Integration: Circular economies are most effective when based on integrated industrial locations, where industries producing heat, by-products and waste, together with agricultural production, combine with communities to provide opportunities for other industrial processes and enterprises, co-located to maximise collaboration. Wilton in Redcar is one of only a limited number of super-integrated locations, capable of dealing with heavy production and managing the environmental issues.

Good practice in the delivery of the circular economy includes:

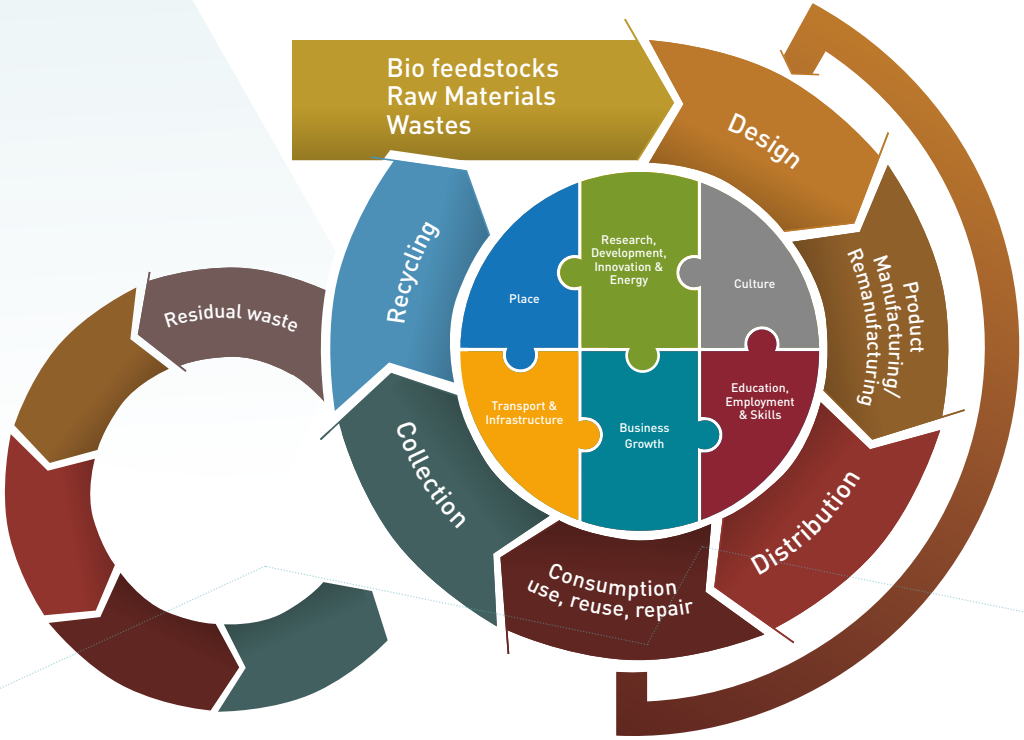
- **Better production design:** many valuable materials are lost every year, because it is difficult to recover them from products, such as mobile phones or flat screen televisions. Better product design will make products more durable, and easier to repair and recycle;
- **Creating incentives** to develop a direct economic incentive for producers to make products that can be easily recycled or reused;
- **Improved production processes** to reduce resource use and waste generation in production processes; and
- **Innovative production processes:** The UK Government will clarify rules on by-products and on end-of-waste status, which will help support the development of industrial symbiosis – a process by which the waste of one company can become the resource of another company.

Tees Valley still has a significant concentration of manufacturing. Productivity within the sector, although strong, is negatively affected by two variables: high energy costs and importation of expensive raw materials. Benchmarking against competitor regions in the Ruhr Valley and Rotterdam and Antwerp has identified benefits relating to the application of the circular economy approach. In these regions, the circular economy approach marked the move away from a linear economy to one which is focused on minimising wastage, local sourcing of raw materials and reuse of waste as new raw materials for other sectors.

Tees Valley has a unique opportunity with the mix of our industrial base, agricultural production within the area and surrounding areas, communities located alongside the industrial base and a genuine strength in our existing innovation infrastructure to support the development and provision of real circular economy technologies. In CPI, MPI and TWI we have organisations with real research strengths and when you combine that with the digital expertise in Teesside University, DigitalCity and our digital companies there is a very strong offer.

In line with our existing Smart Specialisation Strategy, major producers and the Tees Valley Centres of Excellence are already working with strategic partners across the North, and this work will increase as demonstrator and pilot projects introduce new processes and products. New and innovative production processes are at the heart of the circular economy, and this work is increasingly being led by major companies working with their supply chains. While Tees Valley has a leading interest in chemical processing, the impact of the circular economy has relevance across every production sub-sector, including traditional and advanced manufacturing.

Tees Valley has the company base and expertise to play a leading role in the adoption of the circular economy by the Northern Powerhouse and provides the opportunity for Tees Valley to be the leading region in England in the application of the circular economy – the exemplar region.



WHAT SUCCESS LOOKS LIKE

The original Tees Valley SEP set a target to create 25,000 new jobs in ten years

The Tees Valley SEP refresh has reassessed the employment growth target to consider if the targets should be changed. The headline findings are:

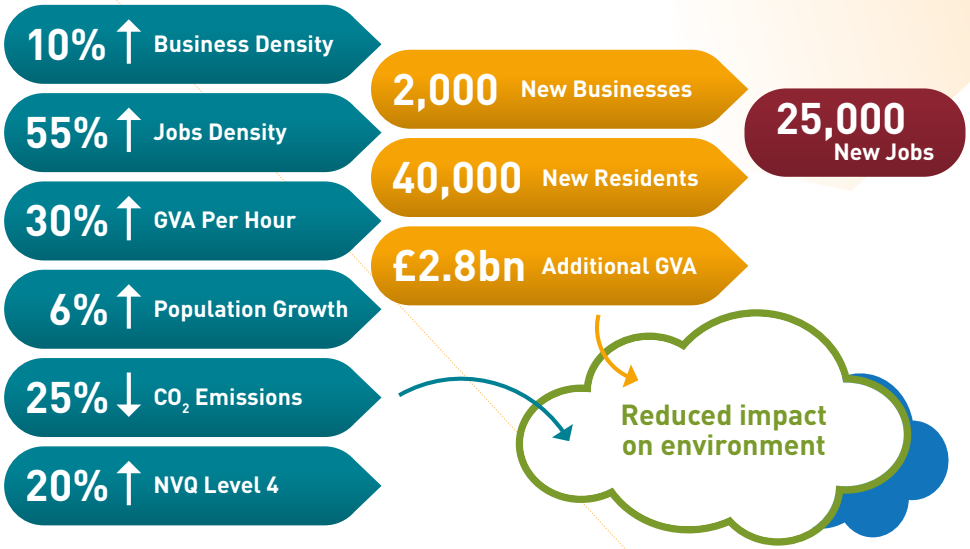
- Recent employment growth has been in excess of 2,500 jobs per annum, but the closure of the SSI steelworks is a step back and the impact is yet to emerge in the data;
- There has been strong growth in advanced manufacturing, healthcare and logistics;
- It is likely that logistics, digital, culture and leisure will make a greater contribution to the 25,000 jobs target, although growth is based on industrial employment stabilising through new investment;
- It is inevitable that a proportion of employment growth will be in lower paid and less secure employment; and
- 2,500 jobs per annum remains an ambitious yet achievable target.

Based on the UK growth forecasts, if Tees Valley were to match national anticipated rates of growth over the next ten years, the number of employees would increase by just under 11,000. **To reach the 25,000 target, Tees Valley will therefore have to out-perform the UK growth rate in a number of sectors, and see significantly smaller declines in others.**

A large proportion of the employment growth will depend upon investment supported under the six thematic building blocks - new, modern industrial and office accommodation with first class digital connectivity, growth in education, culture and leisure providing new opportunities to renew town centres across the Tees Valley and provide the vibrant centres which underpin civic pride.

The table below confirms the revised job creation figures broken down by sector

Net Job Creation, 2016-2026	Original	Revised
Low Carbon / Process, chemical and energy	+2,500	+2,000
Advanced Manufacturing	+2,500	+1,500
Other Manufacturing	-5,000	-4,000
Construction	+4,000	+3,000
Professional and business services	+8,000	+7,000
Logistics	+2,000	+3,000
Digital	+2,000	+3,000
Higher Education	+1,000	+1,000
Health and social care	+4,000	+3,500
Services	+4,000	+2,000
Culture and leisure	-	+3,000
Total	+25,000	+25,000



STRATEGIC PRIORITY: SUMMARY

Theme	Aim	Indicative Activities	Partners	Impacts
Business Growth	To diversify the economy, support more business start-ups, develop high growth potential businesses and key growth sectors	■ Expand and improve Tees Valley Business Compass service; ■ Promote Teesport as the principal European goods access point for the North; ■ Utilise Circular Economy approach to promote 'low cost/high productivity proposition'; and ■ Address the market failure in office and business premises market.	PD Ports LAs DIT NECC FSB Private Sector	■ Business density growth ■ Jobs growth ■ GVA per hour increase
Research, Development, Innovation & Energy	To introduce new processes and practices which reduce carbon emissions' increase productivity and the availability of high value jobs	■ Support a materials catapult for Tees Valley; ■ Develop nationwide/European multi-disciplinary innovation knowledge networks; ■ Increase availability of demonstration/incubation space; ■ Support businesses to innovate via Tees Valley Business Compass service; ■ Promote low carbon/Circular Economy support to SMEs to become more energy efficient; and ■ Enhance use of financial instruments to encourage knowledge transfer/access to finance for growing industries.	CPI MPI TWI NEPIC Teesside University Durham University Private Sector	■ Business density growth ■ Jobs growth ■ GVA per hour increase ■ Reduction in carbon emissions
Education, Employment & Skills	To increase educational attainment, produce the skilled workforce that businesses need and increase lifetime opportunities for our residents	■ Increase the number and scope of graduate opportunities; ■ Deliver high outcome training initiatives; ■ Increase the number of young people in education, employment or training by: • Becoming the Commissioning Authority for DWP Work Programme; • Managing the Youth Contract; • Managing Apprenticeship Grants for Employers; and • Developing work experience placements for 16-24 year olds and support for 16-17 year old NEETs; ■ Drive up standards in education and skills provision by becoming the Statutory Partner with SFA/EFA and BIS/DFE and work with OFSTED and schools; ■ Introduce a high quality careers, education and guidance system; and ■ Create an Apprenticeship Hub to work with Tees Valley employers.	DCLG SFA/EFA DWP LAs BIS/DfE Private Sector	■ NVQ Level 4 and above attainment increase ■ Skills gap reduction ■ Jobs growth

Theme	Aim	Indicative Activities	Partners	Impacts
Place	**To accelerate the supply of good quality homes across the whole housing market, revitalise our town centres and urban core, bring forward surplus public and blighted brownfield land for development and strengthen our commercial property offer.**	■ Rejuvenate our town centres; ■ Improve the quality of the housing offer; ■ Revitalise areas of poor quality housing and deprivation; ■ Establish a Land Commission to capitalise underutilised assets; ■ Establish a Housing Investment Fund; and ■ Establish a Tees Valley Patient Capital Investment Fund.	**LAs** **RPs** **HCA** **Private Sector**	■ Population growth ■ Jobs growth
Culture	**To change external perceptions of Tees Valley through the arts, cultural and leisure offer to create places that attract and retain businesses and business leaders and make the area more attractive to investors, workers and visitors.**	■ Deliver joint programming of events and festivals across the Tees Valley; ■ Undertake a cultural conversation with communities and businesses; ■ Prepare for the City of Culture 2025 bid; and ■ Support creative, cultural and digital businesses.	**LAs** **DCMS** **Arts Council** **Private Sector**	■ Population growth ■ Jobs growth
Transport & Infrastructure	**To improve connectivity within Tees Valley, across the Northern Powerhouse, the UK and the world and ensure comprehensive access to superfast broadband**	Key Strategic Priorities: ■ Implement the Darlington HS2 Growth Hub; ■ Secure an additional strategic road crossing of the River Tees, enhancing access to Enterprise Zone locations and ensuring that the last section of the A19 expressway will meet the 'mile per minute' objective; ■ Improve east-west road connectivity to provide a high quality, resilient corridor along the A66 from the A1(M) to the international gateway at Teesport; and ■ Secure the major upgrade of the rail line from Northallerton to Middlesbrough/Teesport. Additional Priorities: ■ Develop a second rail gateway at Middlesbrough Station; ■ Secure further upgrade of the A19/A168 corridor as an expressway to serve the North East, Tees Valley, North Yorkshire and Leeds City Region; ■ Develop a Liverpool to Teesport rail route to open up markets for importers and exporters; ■ Complete the dualling of the A66 between A1(M) and M6 to provide direct access to key Northern markets and SW Scotland; and ■ Ensure continued roll out of broadband.	**TfN** **HE** **DfT** **LAs** **Network Rail** **Virgin** **BT** **Private Sector**	■ Population growth ■ Jobs growth

STRATEGIC PRIORITY: BUSINESS GROWTH

The Tees Valley is currently home to 16,500 businesses, including 16,400 SMEs. Most Tees Valley businesses are micro (employing fewer than 10 people). However, around one third of private sector workers are in firms employing more than 250 staff and 28% work in very large companies employing over 500 staff.

Aim: **To diversify the economy, support more business start-ups, develop high growth potential businesses and key growth sectors.**

The area's innovative SMEs and larger firms supply products and services to major manufacturers and key supply chains around the globe in a multitude of sectors, but rates of exporting and enterprise are low in the Tees Valley and access to finance, business support, appropriate accommodation and contracts remain barriers to growth.

While the retention and development of priority sectors remains vital to the competitiveness of the Tees Valley, future economic growth will be driven in large part by the existing and future business base and its ability to expand, innovate, diversify and access supply chain opportunities. This growth is essential to create jobs and reduce the gap between the population and the number of jobs available.

Businesses can grow, access new markets and opportunities and take on new staff by getting the finance, advice and support that they need, emphasising the importance of a comprehensive business support package. Businesses need the right tools at their disposal, including easily accessible and visible business support, appropriate and available finance in a sustainable financial eco-system, high quality business accommodation and the ability to recruit from a wide labour pool.

Enterprise and Growth

The Combined Authority and Local Enterprise Partnership have been working with partners in Local Authorities, the national business delivery bodies, Teesside University, North East Chamber of Commerce (NECC), Federation of Small Businesses (FSB) and others with an interest in business support to develop a comprehensive model for SMEs in the Tees Valley. Having established a modest Business Compass service in 2014, the area is investing almost £13 million of ESIF funding to enable transformational support to be available for SMEs. The Tees Valley Business Compass comprises three elements:

- Tees Valley Business Compass - Start-Up;
- Tees Valley Business Compass – Growth (already active); and
- Tees Valley Business Fund (a fund of funds drawing on different elements of European Funding)

Although potentially delivered separately, it is recognised that the three elements would need to be aligned within the brand and provide a seamless service for SMEs.

The Northern Powerhouse Investment Fund utilising European Funding matched with investment from the British Business Bank will provide much needed debt and equity investment for companies in the area. Tees Valley, the second highest area investor, has allocated £19.5 million of ESIF funding to the Fund. The availability of such funding for companies together with the Business Compass support is vital if the area is to stimulate growth in new and existing businesses and to attract inward investment.

The Tees Valley has particular strengths in digital and creative businesses, many of which are relatively small and in the early stages of growth. These businesses will benefit from the Business Compass arrangements as well as targeted support through the Digital City initiative.

Other potential business growth areas relate to health innovation, particularly biologics, and culture and leisure. This diverse range of opportunities will allow Business Compass to directly address the Tees Valley enterprise gap and increase the number of active businesses in the economy.

The ending of the Growth Accelerator and Manufacturing Advisory Service has reduced the level of targeted specialist support available to existing SMEs in the Tees Valley. Local partners, working with Business Compass, will take steps to ensure there is no overall reduction in business support in Tees Valley.

Detailed sector action plans will be prepared to identify specific activities that are needed to remove barriers and realise opportunities for the growth and sustainability of the 25,000 jobs target. This will include looking in detail at

the land and premises requirements, other infrastructure requirements such as broadband availability, energy and other utility requirements, sector specific skills issues and financial and other incentives and a range of other factors.

Industrial Powerhouse and the Circular Economy

The Tees Valley makes a major contribution to the UK and Northern Powerhouse's industrial economy, notably through its advanced manufacturing and energy sectors. This contribution is boosted through the large chemicals and processing industry where Tees Valley accounts for 30% of UK output, much of which supports UK manufacturing businesses in a number of sectors.

The circular economy provides an opportunity to support the UK's de-carbonisation commitment and to develop a Tees Valley fully integrated super-processing location which can be internationally competitive in the long run. Issues such as the costs of energy and business rates need to be considered in relation to the long term benefits to the UK economy of a competitive chemicals and process industry.

Tees Valley and Government need to work together with industry to put in place a regulatory and policy framework which ensures a level playing field with international competitor locations.

In addition, the circular economy approach needs to be pursued by companies across all sectors in order to reduce the costs of doing business. There will be a need for direct support to businesses/public bodies, including specialist mentors to advise on product/process re-engineering, demonstration projects to test new product/processes and supply chain support to promote the sourcing/sale of recycled raw materials.

Port and Logistics

The Northern Powerhouse highlights the importance of logistics to future economic growth and the potential for increased trade, imports and exports, to contribute to the re-balancing of the national economy. Liverpool SuperPort is providing new opportunities in the West and Teesport has the potential to provide new opportunities in the East.

There are three specific opportunities which need to be pursued:

- The expansion of the Port, taking advantage of new transport and connectivity improvements by road and rail;
- The opportunity, following appropriate remediation, to use the former steel works at Redcar waterfront to open up new opportunities for trade, logistics, and manufacturing; and
- The provision of strategically located logistics sites to support both port related and other distribution opportunities, linked to road and rail investment.

The development of the Port and logistics will strengthen the Tees Valley and Northern Powerhouse industrial economy and allow the full economic benefits of transport investment to be realised.

Sites and Premises

Tees Valley needs to provide modern employment space to support re-investment in premises and to attract new inward investment. There is a major challenge in providing industrial sites and premises to support economic growth, with many developers reluctant to invest due to the remediation and access costs of some sites, general market uncertainty and low commercial returns.

This market failure is also evident in the office market and unless addressed has the potential to impact on growth in business services, digital and creative industries. There is also the potential for a lost opportunity to link office based employment growth to town centre regeneration.

The solutions to providing a sustainable commercial property market to support business growth are set out under the 'Place' thematic building block and will include the more effective use of public sector land and premises, new approaches to investment and place specific interventions including Enterprise Zones, a Land Commission, the South Tees Development Corporation and the use of a Mayoral Development Corporation.

STRATEGIC PRIORITY: RESEARCH, DEVELOPMENT, INNOVATION & ENERGY

Innovation is central to the future growth and competitiveness of the Tees Valley economy and sits at the core of productivity ambitions. The Tees Valley is an example of continued reinvention and was named as the most innovative area in the North in an innovation map publicised by Government in 2015. The Tees Valley was 7th overall – higher than London, Birmingham, Leeds and Manchester. Innovation linked to the circular economy is essential to ensuring the Tees Valley economy maintains its competitive advantage, to evolve and grow.

Aim: **To introduce new processes and practices which reduce carbon emissions, increase productivity and the availability of high value jobs.**

In addition to its chemicals and processing expertise, the Tees Valley has become established 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 and creative economy.

Tees Valley 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 and a world leading Graphene Plant.

The area has a diverse range of specialist and highly regarded assets which can support research and development across a range of sectors. This includes the Centre for Process Innovation (part of high value manufacturing catapult); universities (Teesside University and Durham University); Digital City; Material Processing Institute; TWI; C-State; Wilton Centre; and enabling organisations such as NEPIC, AHSN and NOF Energy.

Tees Valley is further developing its support for smaller companies facing challenges in commercialising ideas, with support ranging from Innovation Vouchers through to supporting companies to access the European Horizon 2020 programme for research and innovation. Continued access to funding for this activity is critical to the commercialisation of new products and processes and keeping Tees Valley and the UK at the forefront of innovation.

2015 Innovation Strategy

The LEP area's 2015 Innovation Strategy sets out a vision for a Tees Valley, which in 2025:

- Plays a major part in developing, manufacturing and delivering technologies to support a low carbon UK economy;
- Is home to innovative businesses that easily and frequently access bespoke, flexible support and an internationally connected and multi-disciplinary innovation knowledge network; and
- Allows opportunities provided by technologies to be readily developed into solutions to meet challenges in the advanced manufacturing, process and healthcare industries to the benefit of the UK.

The strategy is focused on four key growth sectors, which align with the primes of the Northern Powerhouse: advanced manufacturing; process and energy; healthcare; and digital. Within each sector, the strategy identifies key areas for research, development and innovation which align with the Tees Valley economy's employment specialisms and local and national opportunities for growth.

The full Tees Valley Innovation Strategy can be viewed on the TVCA website: **www.teesvalley-ca.gov.uk**

Advanced Manufacturing

- Advanced materials (steel, thermal technologies and photonics)
- Low carbon (offshore wind and bio industries)
- Engineering design (including nuclear and construction)
- Offshore (vibrant cluster servicing oil and gas and offshore wind)

Process and Energy

- Carbon capture and storage
- Sustainable chemicals, energy from waste polymers and hydrogen
- Bio refining, formulation and industrial biotechnology

Healthcare

- Biologics and biopharmaceuticals (new national CPI centre)
- Digital care and assistive technology

Digital

- Animation, computer gaming, stimulation and visualisation
- Solutions for advanced manufacturing, healthcare and process

Tees Valley has benefited from the Smart Specialisation Advisory Hub work in support of innovation, and more recently, Lord Heseltine's report makes a number of recommendations in support of making Tees Valley a key area for innovation in carbon capture and utilisation, the use of hydrogen and district heating solutions.

A package of support will be developed to help deliver the strategy encompassing:

- Innovation support through **Tees Valley Business Compass**;
- **Advice** on accessing finance and academic expertise;
- **Centres** that offer practical support, pilot facilities and space to trial new ideas;
- **Sector specific support** and market knowledge for growing industries; and
- **Financial support**, including innovation vouchers, and the use of financial instruments to help business access required expertise.

It is recognised that these activities will need to be joined up and based upon a long term innovation and investment fund of significant scale, to avoid a fragmented project by project offer.

There is an opportunity to set many of the Tees Valley innovation assets within the context of the circular economy, focusing on re-designing and re-organising industrial production on methods and processes which reduces or re-uses by-products, waste and energy, with a view to developing new approaches which have pan-Northern and cross sector applications.

The circular economy innovation offer would seek to provide funds for demonstrator and pilot projects with wider application, working with innovation centres and industrial partners.

The Tees Valley partners intend to engage with Government on opportunities, including business growth, science and technology, innovation and low carbon and de-carbonisation, district heating and hydrogen solutions to provide demonstrator and pilot initiatives to test the commercial viability of new products and processes.

STRATEGIC PRIORITY: EDUCATION, EMPLOYMENT & SKILLS

Skills are a key driver in the local economy and have an important role to play in improving workforce productivity. Access to an appropriately skilled and qualified workforce is required to meet the growth needs of existing businesses and is an important factor that businesses consider when making decisions on where to locate. Having the right skills mix also helps to boost levels of economic activity and ensure that residents are able to access local employment opportunities.

Aim: **To increase educational attainment, produce the skilled workforce that businesses need and increase lifetime opportunities for our residents**

Without a skilled workforce, Tees Valley will struggle to maximise opportunities, overcome challenges, support the creation of 25,000 jobs, and meet the significant replacement demand needed over the next decade. However, it is not just about future growth but about business' ability to sustain current activities through better workforce planning and skills development.

While the area's leading universities, colleges and training provision provide an excellent foundation to build upon, the workforce is ageing in key sectors, youth unemployment is high and educational achievement rates are lagging behind the national average. There are also issues around the out-migration of highly qualified residents who leave the area to access higher skilled, better paid employment opportunities. This is leading to skills shortages and gaps that employers cannot fill.

Recent work published by Working Futures on behalf of the UK Commission for Employment and Skills suggested that some mid-level skilled jobs in manufacturing and the service sector will decline substantially during the next ten years, as a result of robotics, automation and digitisation, although more technically skilled occupations would increase. These changes will place an emphasis on Science, Technology, Engineering and Maths (STEM) related skills.

The 25,000 additional jobs target set out earlier will increase demand for higher level skills (Level 4 and above) in a number of sectors and account for almost half of the additional demand, while there will also be significant demand for intermediate skills at Level 3.

The loss of employment in some sectors may open up opportunities for those with transferable skills to meet new and replacement demand in other sectors. However, specialist higher level postgraduate and research & development skills will be critical for some of the high growth sectors. Initially some of these skills will need to be brought into the area until local provision is in place.

Additional Jobs by Qualification Level

	Additional Jobs, 2016-2026	Lower level (L2 and below)	Intermediate level (L3)	Higher level (L4 and above)
Low Carbon / Process, chemical and energy	2,000	700	400	880
Advanced Manufacturing	1,500	480	375	645
Other Manufacturing	-4,000	-1,600	-1,000	-1,400
Construction	3,000	1,380	930	690
Professional, business services	7,000	2,450	980	3,640
Logistics	3,000	1,500	660	810
Digital	3,000	660	360	1,980
Higher Education	1,000	140	160	700
Health and social care	3,500	770	630	2,100
Services	2,000	600	420	980
Culture and leisure	3,000	1,230	570	1,230
Total	**25,000**	**8,310**	**4,485**	**12,255**
% of total		33.2%	17.9%	49%

Source: ekosgen assumptions based on Working Futures sectoral data

Replacement demand typically runs at 3%-4% per annum of each sector's workforce. This is a result of people retiring, leaving employment for other reasons or taking up positions in other companies, sometimes outside of the region. Whilst replacement demand is a normal function of the labour market it becomes a particular problem when older, skilled and experienced staff need to be replaced. This is becoming a major challenge for employers in a number of our key industrial sectors:

TVCA Key Sector	Replacement Demand 2016-2026
Low Carbon / Process, chemical and energy	2,000
Advanced Manufacturing	900
Other Manufacturing	6,700
Construction	7,400
Professional, business services	13,200
Logistics	5,300
Digital	2,300
Education	10,000
Health and social care	21,900
Services	6,000
Culture and leisure	11,400
Other Services	28,600
All industries	**115,900**

Figures rounded to nearest hundred

The need for almost **116,000 replacement jobs** across a wide range of sectors and skillsets in Tees Valley arises due to the impact of an ageing workforce. Without urgent action there is a real threat that posts may need to be filled by people from outside the region and that more junior staff will not be able to progress within their existing company/sector. There is a clear need for training to aid progression paths for existing staff and also to further enhance the productivity of all workers across all sectors.

Education, employment and skills were identified as a key priority in the devolution discussions with Government and have also been prioritised in Lord Heseltine's Report, Tees Valley: Opportunity Unlimited. The refreshed SEP is very clear that jobs growth is predicated on business growth delivered through Foreign Direct Investment and indigenous SMEs with high growth potential in existing internationally competitive sectors (such as chemicals, health innovation, energy and advanced manufacturing) whilst encouraging further diversification into new sectors and technologies (including logistics, digital & creative, culture & leisure and business & professional services).

Emerging opportunities in these sectors are likely to be highly skilled and fast changing in terms of specific job profiles, due to ongoing technological changes. Companies involved in research, development and innovation require specialist higher level skills within centres of excellence and their workforce.

The need for evidence based skills and training provision and an informed current and future workforce

There is a need for signposting of the skills needed by businesses to education and training providers. Equipping young people and adults with the skills that they will need to meet the changing demands of employers and to access new employment opportunities in the future is essential. This applies to skills at all levels, from lower level skills which boost activity and inclusivity, to higher level skills which help businesses compete in a globalised economy.

This requires a coordinated and collaborative approach between small and large employers, education and training providers and the present and future workforce. It also requires improvements to careers information, advice and guidance to ensure that it is consistent, comprehensive and high quality and covering all progression routes including apprenticeships as well as graduate entry into employment.

Addressing Skills Gaps

Tees Valley still has too many people of all ages who are either unemployed, underemployed or have not had access to 'fit for purpose' education and training. It is essential that all residents, regardless of age, have an opportunity to improve their skills levels and lifetime opportunities.

The SSI Taskforce approach has identified the real impact which a flexible approach can bring to the provision of training. When matched to local management of budgets, training provision can become sufficiently strategic to address medium to long term needs, but at the same time suitably responsive to react to closures and short term opportunities.

There is a need to ensure flexible localised delivery of training which covers the whole of the Tees Valley.

There is also a significant information gap affecting access to services, which is manifested in a number of ways:

- Lack of awareness of the sectors/occupations which offer the greatest opportunity for sustainable future employment and progression;
- Lack of awareness of training opportunities on the part of potential participants, whether it is education, apprenticeships or more bespoke in-work training; and
- Lack of awareness/appreciation on the part of potential employers, on the merits of investing in training opportunities for their workforce.

There is consequently a need to address information gaps, by enhanced signposting of opportunities.

The following section identifies a number of activities designed to address these emerging opportunities:

Driving Up Standards in Secondary Schools

Attainment levels in secondary schools in the Tees Valley continue to lag behind national levels. Many schools are in areas where family incomes are low and economic inactivity is high, exacerbating the challenge of supporting young people to do well at school. Poor school attainment reduces the choices available to young people, both for further training and employment. This low school attainment level is one of the greatest challenges facing the Tees Valley and was highlighted by Lord Heseltine.

Focus is needed upon:

- Improved standards in literacy, numeracy, STEM and Modern Foreign Languages;
- Careers education and advice;
- Vocational pathways; and
- Getting all schools, academies and colleges to "Good" or "Outstanding".

Tees Valley partners need to shape a 14-19yrs and FE curriculum offer that is resilient, high quality and which provides specialised technical education pathways into employment in the growth sectors within the Tees Valley economy.

Developing a High Quality Careers, Education and Guidance System

There needs to be better strategic co-ordination of careers advice in schools across Tees Valley, building on good practice and the work done so far to bring this together. By developing a first class information, advice and guidance system based on strengthening partnerships with schools, providers and employers, this will:

- Deliver better Careers Education Information, Advice and Guidance and sufficient work related experiences;
- Develop a minimum standard of information provided to young people; and
- Use the new, national 'Careers and Enterprise Company' to involve employers at the local level in the design and delivery of careers and skills activities.

Tees Valley partners will engage schools, business and higher and further education providers in improving awareness of and access to the world of work.

Increasing the opportunities for Traineeships and Apprenticeship Programmes

The apprenticeship model, with its emphasis on work and vocational training, is an appropriate route to better paid employment for many young people in Tees Valley, and increasingly a practical and cost-effective way for existing employees to develop higher-level skills. It is a key priority to increase both the number of SMEs and larger employers offering apprenticeships, and the number and quality of apprenticeships on offer (including Higher and Degree Apprenticeships) across Tees Valley. The proposed Tees Valley Apprenticeship Hub provides a mechanism to encourage such an increase.

There are considerable challenges in making the apprenticeship model work in some sectors and there is likely to be a maximum number which local companies are able to absorb. Notwithstanding these issues, the introduction of the apprenticeship levy in 2017 offers considerable potential to increase the number of Tees Valley businesses providing apprenticeships, and to develop significantly more advanced, higher and degree apprenticeship opportunities, for new recruits and for those already in the workforce, as a means of addressing the growing higher-level skills gap.

Tees Valley partners are keen to:

(a) Broaden the apprenticeship offer to more companies and sectors and thereby provide additional attractive opportunities for young people;

(b) Increase the number of advanced, higher and degree apprenticeships being offered by employers for young people and those already employed in the workforce; and

(c) Improve the quality, suitability and work readiness of young candidates seeking apprenticeships.

Wherever possible, apprenticeships will be linked to priority and growth sectors in the Tees Valley economy. Tees Valley partners will engage with Government Departments and National Agencies to deliver new ways of increasing the number and quality of apprenticeships on offer within Tees Valley. The first step in this was the devolution of the Apprenticeship Grant for Employers which has been operated by the Combined Authority since 1st August 2016.

Increasing the number and scope of Graduate opportunities

There is a growing need for higher level skills (49% of new jobs are expected to be at Level 4 or above) and this will increase demand from employers, particularly in sectors such as digital, business & professional services and health, for access to a workforce which is appropriately skilled to this level. In addition to creating more opportunities for higher level apprenticeships, this will also increase the scope for new graduate opportunities and it will therefore be important for Tees Valley partners to respond to this by ensuring that adequate, and appropriate provision is available.

Whilst graduates generally find it less difficult than those with fewer qualifications to secure work, this is not always at a level which reflects their qualifications and can in turn, have the knock on effect of blocking opportunities for those with lower level skills. The growth of new jobs which require higher level skills will increase the availability of more appropriate opportunities for graduates, alleviating displacement of opportunities for the lower skilled and reducing the outflow of talent from Tees Valley.

However, employers regularly state that applicants at all levels are more successful if they have appropriate work related experiences to take into the workplace and thereby increase the value and speed of their contribution to the company. It will therefore be important for education and training providers to work closely with employers and across both FE and HE levels (e.g. through the Higher Education Business Partnership) to maximise such opportunities and to encourage more individuals to progress to and beyond Level 4 learning.

Reducing Unemployment through High Outcome Training Initiatives

Tees Valley is committed to delivering high outcome training initiatives through the £74.4 million of European Social Funds investment between now and 2020 in order to deliver a number of programmes, including:

- The Youth Employment Initiative: Supporting young people (aged 15-29) who are not in education, employment or training;
- Building Better Opportunities: Supporting those people who have faced significant barriers to employment to secure help with health and wellbeing and steps into employment, and promoting and supporting digital and financial inclusion;
- Skills Support for the Unemployed: Supporting those who are unemployed to gain new skills, top up existing skills or retrain to secure work or move into self-employment; and
- Skills Support for the Workforce: Supporting and encouraging employees to develop the skills they need to progress and contribute to the success of their workplace and the wider sector and economy.

Implementation of the Tees Valley Post 16 Area Review of Education and Training

The Combined Authority will look to support partners through the implementation phase of the Area Review. Recommendations include the proposal for a Tees Valley wide joint initiative to strengthen collaboration between colleges, particularly in relation to co-ordinating the delivery of specialised qualification and training programmes, increasing apprenticeship opportunities and strengthening the joint working between colleges, employers and the Tees Valley Combined Authority.

Devolution opportunities for the Tees Valley Combined Authority

Education, employment and skills have consistently been identified as key priorities in the devolution discussions with Government and have also been prioritised in Lord Heseltine's Independent Report on the Tees Valley. Where appropriate, the Combined Authority will continue to urge Government to support the further devolution of responsibility, decision making and commissioning to a regional level, so that local partners have greater access to the resources needed to shape an appropriate response to the local business need for skills. This includes:

- Driving up standards in education thereby allowing Tees Valley to agree a programme of challenge and support and a means of pooling resources for shared improvement priorities, with a focus on standards;
- A new funding model to enable commissioning responsibilities for post 16, post 19 and 14-19 year old technical education provision to sit at a Tees Valley level;
- The commissioning role for the DWP Work and Health Programme, the Youth Contract, work experience placements for 16-24 year olds and support for 16-17 year old NEETS; and
- The commissioning responsibilities for traineeships and apprenticeship programmes, including activities to promote apprenticeships and resource programmes for incentivising employers. This would allow Tees Valley to create an apprenticeship hub to work with employers.

Establishing an Education, Employment and Skills Board and a new Education, Employment and Skills Strategy

A new Education, Employment and Skills Board is being established by the Combined Authority and the first task will be to articulate in more detail the Strategy to deliver the SEP's Education, Employment and Skills aims. The Strategy will incorporate a detailed action plan that will identify the lead partners for the necessary activities and the Board will oversee the implementation and hold partners to account.

STRATEGIC PRIORITY: PLACE

Tees Valley offers a diverse mix of rural and urban environments, providing not only quality business accommodation but also a comfortable work-life balance for its residents across a range of housing options. Ensuring a high quality environment where people and business thrive is a critical enabler to our Industrial Strategy and one in which the region has long invested in, not only upgrading town centres but remediating former industrial sites. However, to support our ambitions we must continue to invest in place to ensure that we continue to attract and retain the businesses and people we need.

Aim: **To accelerate the supply of good quality homes across the whole housing market, revitalise our town centres and urban core, bring forward surplus public and blighted brownfield land for development and strengthen our commercial property offer.**

Tees Valley continues to be one of the principal manufacturing regions of the UK. However, perceptions persist of an area many believe to be blighted by previous industrial activity. However the reality is significantly different. Emissions in traditional industries are substantially lower, new industries are thriving, and there is enhanced use of cutting edge clean technology which brings with it an enhanced working environment and more and better job opportunities.

The transformation of Tees Valley has been significant however there is still work to be done. Areas of poor quality housing, deprivation and social exclusion persist, particularly concentrated in and around our town centres and urban cores. We are also not building enough homes of the right mix and tenure to support existing demand and emerging economic growth. There is a particular opportunity to invest in new housing in those brownfield sites close to our existing town centres.

Our ambition for place is therefore to implement growth and renewal plans that ensure Tees Valley is a place where:

- People want to live, work and play;
- Health and wellbeing flourishes; and
- Business wants to invest.

Housing - accelerating supply and diversifying the offer:

Whilst we have a good track record of building new homes we are not building enough to meet demand. In the next ten years we require in excess of 22,000 new homes to be built, which is around 25% more than in the last ten.

In addition, we need greater diversity and choice in the types of homes being built, from good quality affordable homes right through to high-end luxury homes. At present, the supply of new homes is dominated by family housing for the owner occupier market, whilst we have a need for a wider variety of types and tenures of homes. As an example, owner occupation accounts for around 60% of the existing housing market, with almost 40% of homes on Tees Valley rented, which compares to new supply in which almost 90% of new build is for home ownership.

Our aim is to address this and ensure that we have the right quality and mix of housing offer to enable our continued economic growth. A key priority will be that where people choose to rent, we aim to ensure there is a quality rental market offer, however where people aspire to own their own home we will seek to support that aspiration, with a particular emphasis on helping first-time buyers acquire a home.

To deliver on this ambition we are preparing the Tees Valley Housing Growth and Renewal Investment Prospectus. The prospectus will set out the long-term growth and renewal plans for Tees Valley and provide opportunities to maximise private and public sector investment and so increase the supply and diversity of our housing offer. Possible mechanisms could include:

- **Housing Investment Fund:** A repayable loan mechanism to help developers' cash flow development and increase the pace of investment; and
- **Tees Valley Patient Capital Investment Fund:** where public sector investment in infrastructure and other services needed to bring forward new residential, commercial and town centre development, can be repaid back over a much longer time frame to recognize the need for early investment, many years ahead of commercial returns

The Tees Valley Patient Capital Investment Fund is linked to national initiatives such as the New Communities Partnership, launched in May 2016 and to the Combined Authority's aspirations for a ten year settlement and place based budget for the region. This includes the transfer of land and buildings in public ownership from bodies such as the Homes and Communities Agency (HCA), National Health Service (NHS) and Ministry of Defence (MoD) and the development of new investment models utilizing local business rates and retention of some increased income and corporation tax.

Construction sector capacity is currently constrained across the UK. We aim to work with developers large and small to increase their capacity, supporting investment where necessary and ensuring Tees Valley has the workforce availability and skills to meet emerging demand. We are also exploring the potential to increase capacity through modern methods of construction including off-site manufacture.

Town centres and the urban core - revitalisation

The importance of town centres to economic growth, the attraction of new investment and skilled workers, and boosting civic pride is recognised by both the public and private sector in Tees Valley. New employment in knowledge intensive business sectors such as: professional services and digital and creative industries provide an opportunity to diversify the town centre from an existing over-reliance on the retail sector. In addition, the leisure economy provides an opportunity to further extend the working life of many town centres and to develop the evening economy. The return of Middlesbrough Football Club to the Premier League is a key driver for the growing leisure economy, but the wider cultural offering also provides a significant impetus for the evening economy. More vibrant centres will also help Tees Valley retain more of its talented and well qualified young people and attract skilled workers from elsewhere, again linking town centre vibrancy to the development of our priority sectors.

However, close to and within our town centres we have a legacy of poor quality housing and deprivation. The proximity of these pockets of deprivation has a negative impact on not only the vibrancy and vitality of our town centres but the lifetime opportunities of their residents.

This is in an environment where it is becoming increasingly difficult to intervene. Historically, many deprived communities were in significant public sector ownership, making transformation and intervention easier to deliver. However, with exponential growth in the private rented sector (PRS) many areas of poor quality housing and deprivation are in multiple PRS ownership, making large scale physical intervention much more difficult.

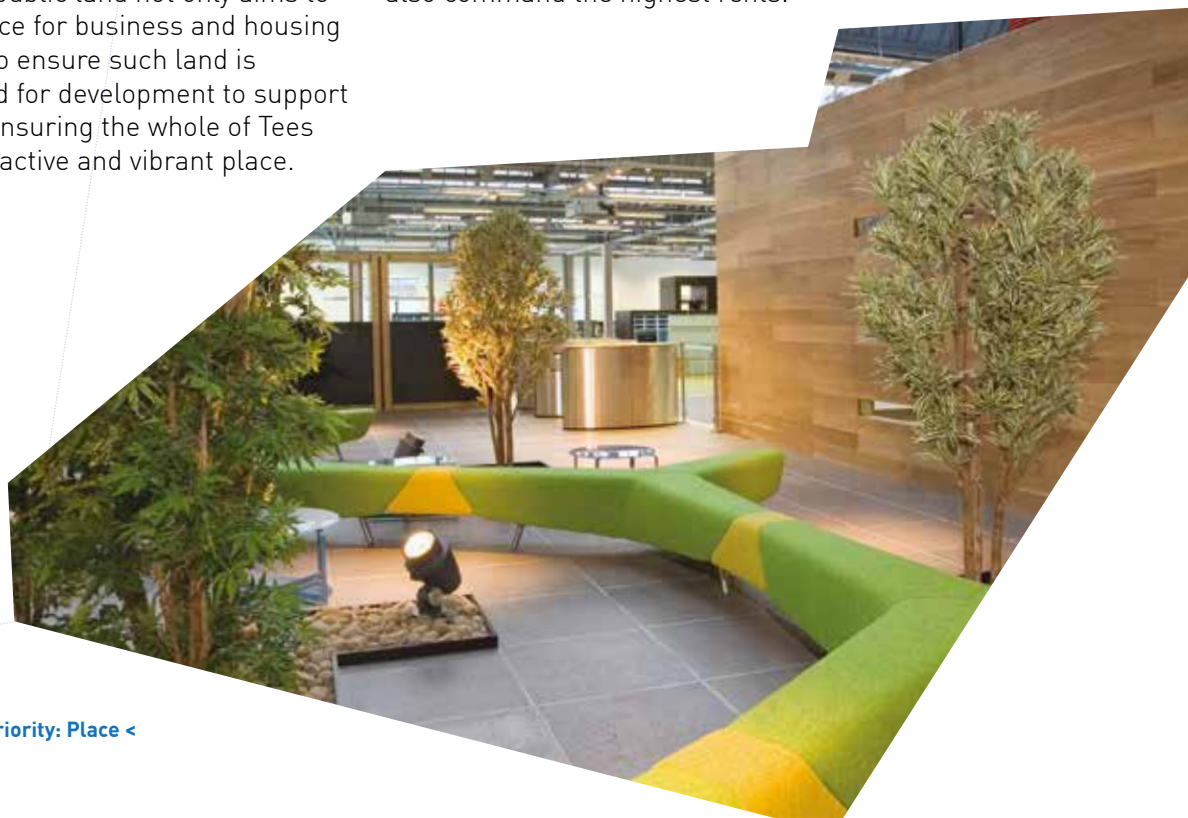
We aim to address this by giving people more choice through increasing the availability of good quality affordable homes. We also aim to find innovative investment models for the revitalisation of such urban environments, creating more sustainable models of town centre living, in which urban flight is reversed and vitality returns. Targeted community interventions to tackle social exclusion, poor public health outcomes, poverty and deprivation will be an important factor within these plans.

Brownfield blight and public sector land – bringing forward development

Tees Valley continues to have surplus brownfield sites that left unchecked will not be developed by the market. Rather there is a need for public sector intervention, and through our devolution agreement with Government we have developed mechanisms such as Enterprise Zones, Mayoral Development Corporation/s and the Tees Valley Patient Capital Investment Fund to coordinate public sector investment and act as a catalyst for further private sector support. The emphasis on brownfield and under-utilised public land not only aims to provide the space for business and housing growth, but also ensure such land is brought forward for development to support our priority in ensuring the whole of Tees Valley is an attractive and vibrant place.

Commercial Property – strengthening the offer

We have a specific priority in ensuring our commercial property offer remains attractive and competitive in meeting the demands of modern businesses. In particular we are keen to identify investment opportunities for Grade A office accommodation. These office buildings represent the newest and highest quality buildings in their market. They are generally the best looking buildings with the best construction, and possess high-quality building infrastructure. Grade A buildings also are well located, have good access, and are professionally managed. As a result of this, they attract the highest quality tenants and also command the highest rents.



STRATEGIC PRIORITY: CULTURE

The arts, culture, tourism and leisure offer has an important role to play in shaping the quality of the Tees Valley proposition and making it an attractive place to live, work and visit. Culture in particular can help to create places that attract and retain businesses and business leaders, while maximising the use of arts, cultural, heritage, rural and natural assets can attract more, higher spending visitors.

Aim: **To change external perceptions of Tees Valley through the arts, cultural and leisure offer to create places that attract and retain businesses and business leaders and make the area more attractive to investors, workers and visitors.**

The five Tees Valley Local Authorities (now coming together as the Combined Authority), Arts Council England and other cultural groups have already scoped out the potential of culture to deliver significant benefits in terms of employment, education, health and well-being and social inclusion.

This work builds upon a wider range of assets such as Hartlepool Historic Quay as the National Museum for the Royal Navy, a number of nationally significant arts institutions including Mima at Middlesbrough, the Redcar and Cleveland Beacon and the Saltburn Funicular Railway, acclaimed festivals and events including Stockton International Riverside Festival, the Festival of Thrift and nationally recognised theatres with the Arc at Stockton and the national centre of excellence for children's theatre at the Theatre Hullabaloo in Darlington.

There are major employment and enterprise opportunities which can use these arts, culture, tourism and leisure based assets to further diversify the economy of Tees Valley. Arts and culture are also recognised as an effective means of engaging with hard to reach communities or individuals and supporting them to move closer to the labour market and/or re-engage with education. As the traditional model of town centres change, linked to the growth of online shopping and out of town retail parks, there is a greater focus and opportunity for independent retail, arts, cultural and leisure activities to create a unique town centre offering.

One of the biggest issues that the Tees Valley faces in relation to culture is negative external perceptions which are linked to limited or out of date knowledge of the area's offer. Emphasising Tees Valley as a place to live and a potential City of Culture will provide opportunities to promote positive messages, while continuing to develop and improve the offer.

Recognising some of the issues that the Tees Valley faces in relation to both the actual cultural offer and perceptions of the area, the Combined Authority will work with the Department of Culture Sports and Media (DCSM) and the Arts Council England to align the cultural offer with the growth agenda. Work will also begin to prepare a bid for the UK City of Culture 2025.

A Joint Cultural Investment Strategy

A joint cultural investment strategy between the Combined Authority and Arts Council England, along with the potential for a cultural enterprise area will boost the wider cultural, leisure and tourism economy.

Such an approach will also align with the promotion and marketing of the wider economic ambitions of Tees Valley to attract new investment, skilled workers and talent and visitors.

The overarching aims for cultural activities are to:

- Use culture to support economic growth and address social inclusion;
- Support and utilise creative, cultural and digital businesses, which have been identified as key growth sectors;
- Deliver joint programming of events and festivals across the Tees Valley; and
- Engage with funding organisations and commissioning bodies to develop greater influence and more spending in the Tees Valley.

A Cultural Conversation

The extensive consultation undertaken for the refresh of the Strategic Economic Plan identified that the out of date perceptions of the Tees Valley, both locally and externally, have a negative impact on the confidence of individuals and investors of the Tees Valley as a place to live, work and invest. Changing perceptions of the Tees Valley is therefore linked to the growth plans being developed by local partners.

The award of City of Culture status has been successfully used to change external perceptions of places both in England and internationally. While the next competitive process is some time away, Tees Valley is proposing to begin a cultural conversation with communities and businesses to scope out ideas as a first stage in developing a framework of a City of Culture proposal. The intention is to involve schools, colleges and business networks to map out how culture can enhance Tees Valley.

STRATEGIC PRIORITY: TRANSPORT & INFRASTRUCTURE

The transport plans for the Tees Valley take account of the plans and activities of Transport for the North and the need for efficient freight and passenger transport corridors running both north to south and east to west, with specific improvements required to support industry growth and key port developments, such as the Northern Gateway Container Terminal.

The Tees Valley has a number of locally and nationally significant transport assets, including major highways, rail connections, Teesport and Durham Tees Valley Airport which underpin economic activity and also offer economic growth opportunities in their own right.

Teesport is the 5th largest port in the UK, and handled over 36 million tonnes of cargo in 2015. It is one of the major gateway ports into the UK and in particular to the north of the UK. The Port provides a critical gateway to world markets for the Tees Valley industrial platform, which is one of the most important manufacturing regions in the UK with world leading Chemical and Process industries, Steel Processing and Energy facilities.

Over the last 10 years, Teesport has become a major container port serving the wider northern UK hinterland with particularly strong connections to Northern Europe, Baltics and Russia, along with a comprehensive network of connections to the major container ports of Europe.

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 rail links connect the Tees Valley to London and Scotland (on the East Coast Main Rail Line) and to Leeds and Manchester (through the Transpennine rail routes on the East West Corridor). Darlington acts as a critical rail "gateway" into and out of Tees Valley and is the main interchange hub for national and inter-regional rail connections.

The Grand Central service provides key connectivity to London from Hartlepool and Eaglescliffe. The links from Middlesbrough, Thornaby and Yarm via Transpennine to Leeds and Manchester are important to future economic growth given the trading ties companies have with financial and professional services firms in Leeds and the key connections that Manchester Airport offers. The confirmation of a direct rail service from Middlesbrough to London will support economic growth in the area.

In terms of roads, major highways such as the A1 (M), A66 and A19, A174 and A1053 provide fast communications within the sub-region as well as to the North East region and rest of the country. These routes, along with other key road links within the urban centres, form the strategic road network, which is critical in supporting key housing and employment sites across the Tees Valley.

The transport connections support the high levels of containment within the Tees Valley, which operate as a recognised functional economic geography. 87% of residents work within the Tees Valley. There is a small net outflow of commuters, with 38,000 Tees Valley residents working outside of the area, and 35,000 Tees Valley workers travelling from other areas. The majority of the 248,000 people who live and work in Tees Valley, work within their district of residence, although there are substantial proportions travelling between districts.

Aim: **To improve connectivity within Tees Valley, across the Northern Powerhouse, the UK and the world and to ensure comprehensive access to superfast broadband.**

To date, the Tees Valley has identified four strategic transport priorities within the City Region that are essential elements of pan-Northern priorities and that will deliver pan-Northern benefits, all of which can be delivered over the next 10 years (and are reflected in the devolution agreement and Lord Heseltine's report). The priorities are:

1. **Implementation of the Darlington High Speed 2 Growth Hub**, which encompasses new platforms at Darlington rail station as part of a commercial redevelopment, delivering a 21st century rail gateway ready for HS2 and Northern Powerhouse Rail;
2. **An additional strategic road crossing of the River Tees**, enhancing access to Enterprise Zone locations and ensuring that the last section of the A19 expressway will meet the "mile per minute" objective for expressways;
3. **Improved east-west road connectivity** to provide a high quality, resilient corridor along the A66 from the A1(M) to the international gateway at Teesport; and
4. **Major upgrade of the rail line from Northallerton to Middlesbrough/Teesport**, including gauge clearance for larger rail freight containers, journey time reductions and the re-modelling of Middlesbrough Station, prior to future electrification.

The current priorities for pan-Northern support cover road and rail improvements. Within the road network there is a need to:

- Complete the dualling of the A66 between the A1(M) and M6 to provide direct access to key Northern markets and South West Scotland;
- Further upgrade the A19/A168 corridor as an expressway, to serve the North East, Tees Valley, Leeds City Regions and North Yorkshire;
- Complete the upgrade of the A1, north of Newcastle, to support distribution in Scotland; and
- Further extend the A1(M) to motorway standard to connect through to South Yorkshire and the East Midlands.

The priorities for rail freight include a series of major upgrades for east-west connectivity across the North to generate a modal shift from road to rail. These include:

- Creation of a high frequency intermodal rail freight service from Teesport (and possibly Humber) to key rail terminals in the North West;
- Creation of a new, strategically located intermodal rail facility in the North West to create both handling and path capacity;
- Development of a Liverpool to Teesport rail link to open up markets for importers and exporters;
- Provision of W10/W12 gauge clearance across the Northern rail network; and
- Creation of new bulk rail freight capacity to predominately serve the energy sector.

For passenger rail services across the North, the main priorities are:

- Improvements to the East Coast Main Line in advance of HS2 and Northern Powerhouse Rail to provide sufficient capacity for the new services envisaged and resilience on this major artery; and
- Electrification of the next tranche of the rail network identified in the Northern Sparks report in March 2015.

In addition to the four strategic priorities, there are also ambitions to enhance local rail services, upgrade Middlesbrough station and enhance bus provision to support the national and pan-Northern investments listed above. Bus provision plays a major role in allowing local residents to access both training and employment opportunities within the Tees Valley. It is important that people are able to travel within Tees Valley, on services which are timely and affordable.

Ensuring Tees Valley has the competitive infrastructure to support a growing economy is a major priority for the Combined Authority and the business community. This includes broadband (including service provision in rural areas), energy and other utilities for employment and town centres, new residential locations supporting housing growth and people working from home. In some locations, flood resilience needs to be strengthened.

These infrastructure challenges emphasise the need to take a forward looking, medium term view of new investment, and this also applies to further transport investment. It will be important to continually strengthen economic infrastructure to maintain and improve the competitiveness of the Tees Valley economy. The Tees Valley Strategic Transport Plan will identify longer term priorities.

Maximising the Economic Impact of Transport Investment

Tees Valley partners intend to maximise the economic impact of transport investment through:

- Encouraging and supporting Teesport's expansion plans facilitated by road and rail investment;
- Providing sites and premises in employment locations where transport improvements have increased site/location attractiveness to investors; and
- Bringing forward new proposals to develop new commercial premises near to rail station investment in Middlesbrough and Darlington and to strengthen town centre – station links at both these locations to increase the economic footprint.

New proposals will include public and private sector partnerships and joint ventures where appropriate.

DELIVERING THE SEP & MEASURING PROGRESS

Through the use of a range of indicative activities and associated outputs, the chart below illustrates how the ambition will be achieved and how this will contribute to the successful delivery of 25,000 new jobs and £2.8 billion of additional GVA:

Activities

Place

- Rejuvenate our town centres;
- Improve the quality of the housing offer;
- Revitalise areas of poor quality housing and deprivation;
- Establish a Land Commission to capitalise underutilised assets;
- Establish a Housing Investment Fund; and
- Establish a Tees Valley Patient Capital Investment Fund

Research, Development, Innovation & Energy

- Support a materials catapult for Tees Valley;
- Develop nationwide/European multi-disciplinary innovation knowledge network(s);
- Increase availability of demonstration/incubation space;
- Support businesses to innovate via Tees Valley Business Compass service;
- Promote low carbon/circular economy support to SMEs to become more energy efficient; and
- Enhance use of financial instruments to encourage knowledge transfer/access to finance for growing industries.

Culture

- Deliver joint programming of events and festivals across the Tees Valley;
- Undertake a Cultural Conversation with communities and businesses;
- Prepare for the City of Culture 2025 bid; and
- Support creative, cultural and digital businesses.

Business Growth

- Expand and improve Tees Valley Business Compass service;
- Promote Teesport as the principal European goods access point for the North;
- Utilise Circular Economy approach to promote 'low cost/ highproductivity proposition'; and
- Address the market failure in office and business premises market.

Transport & Infrastructure

Key Strategic Priorities:

- Implement the Darlington HS2 Growth Hub;
- Secure an additional strategic road crossing of the River Tees, enhancing access to Enterprise Zone locations and ensuring that the last section of the A19 expressway will meet the 'mile per minute' objective;
- Improve east-west road connectivity to provide a high quality, resilient corridor along the A66 from the A1(M) to the international gateway at Teesport; and
- Secure the major upgrade of the rail line from Northallerton to Middlesbrough/Teesport.

Additional Priorities:

- Develop a second Rail Gateway at Middlesbrough Station;
- Secure further upgrade of the A19/A168 corridor as an expressway to serve the North East, Tees Valley, North Yorkshire and Leeds City Region;
- Develop a Liverpool to Teesport rail route to open up markets for importers and exporters;
- Complete the dualling of the A66 between A1(M) and M6 to provide direct access to key Northern markets and SW Scotland; and
- Ensure continued roll out of broadband.

Education, Employment & Skills

- Increase the number and scope of graduate opportunities;
- Deliver High Outcome Training Initiatives;
- Increase the number of young people in education, employment or training by:
  - Becoming the Commissioning Authority for DWP Work Programme;
  - Managing the Youth Contract;
  - Managing Apprenticeship Grants for Employers; and
  - Developing work experience placements for 16-24 year olds and support for 16-17 year old NEETS;
- Drive up standards in education and skills provision by becoming the Statutory Partner with SFA/EFA and BIS/DFE and work with OFSTED and schools;
- Introduce a High Quality Careers, Education and Guidance System; and
- Create an Apprenticeship Hub to work with Tees Valley employers.

Outputs & Outcomes

- Creation of new homes
- Leveraging increased private sector investment
- Improving local neighbourhoods

- Increasing R&D spend
- Improving productivity
- Increasing turnover from innovation and exporting
- Achieving CO_2 savings

- Improving perceptions of the Tees Valley as place to live, work and visit
- Increasing number of visitors
- Increasing levels of inward investment

- Increased connectivity
- Increased trade in new markets in the UK and internationally

- Achieving successful outcomes as a result of Business Compass Support
- New start ups and business expansion

- Improved educational attainment and outcomes
- Higher levels of engagement in education, training and employment

Impacts

- **Business density 10% growth**
- **Jobs density 55% growth**
- **GVA per hour worked 30% growth**
- **Population growth 6% growth**
- **CO_2 Reductions 25% reduction**
- **NVQ Level 4 20% increase**

25,000 net jobs

£2.8 billion GVA

ANNEX 1

GEOGRAPHICAL PROFILE

Covering over 3,300 square miles and located on the North East coast, the Tees Valley comprises five Local Authority Areas: Darlington, Stockton-on-Tees, Hartlepool, Middlesbrough and Redcar and Cleveland. Each area is characterised by its communities, architecture, natural assets and industry.

The Tees Valley has a total population of 667,500 and offers over 303,500 jobs across some 16,500 businesses and through self-employment. The economy generates gross value added (GVA) of over £12.3 billion per annum

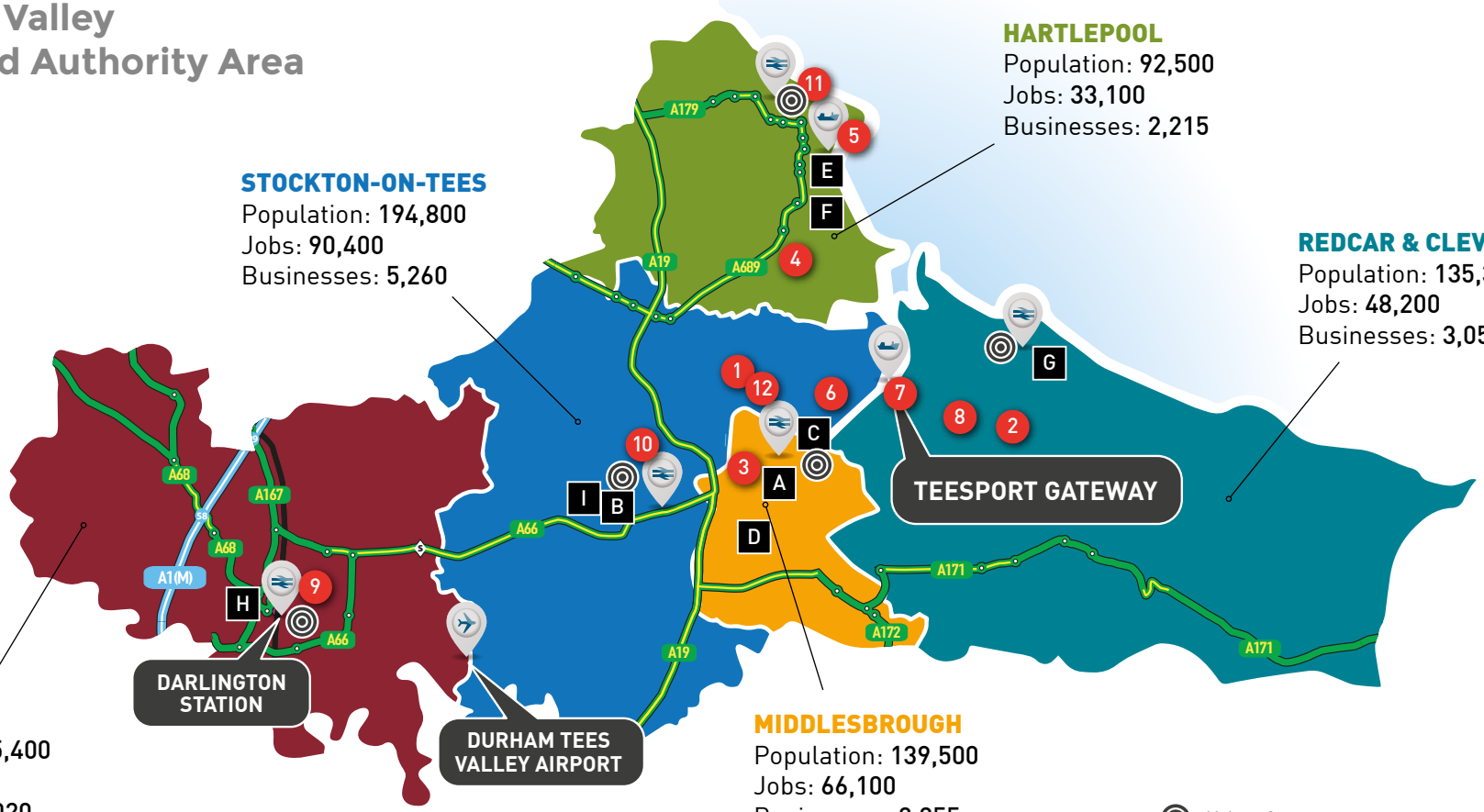
As a major settlement with a growing service industry, Stockton-On-Tees is the largest of the Local Authority areas in employment and population terms and is home to Teesdale Business Park. It is followed by Middlesbrough, a large industrial town located close to Teesport, and the home of the University of Teesside.

Darlington, a market town, with its position on the East Coast line provides the main gateway rail station for Tees Valley and has the third largest employment base, while Redcar, a coastal town historically associated with the steel industry has the third largest population. Hartlepool is the smallest Local Authority area in both population and employment terms and as the home to Hartlepool Dock has strong historic links to the maritime industry.

In addition to the industrial base in the North and South Tees area, the urban centres continue to be the economic pull of the area. Approximately 90% of the Tees Valley population live in urban areas and the main town centres of Darlington, Hartlepool, Middlesbrough, Redcar and Stockton, along with a network of smaller towns and villages are key drivers of the area's distinctiveness. They serve a number of functions, from leisure and culture to retailing and the provision of professional services.

With 16,500 businesses, the private sector has been growing in the Tees Valley, although more are needed to close the enterprise gap.

The Tees Valley Combined Authority Area



Enterprise Zone Sites:

1. Belasis Business Park
2. Kirkleatham Business Park
3. Teesside Advanced Manufacturing Park (TAMP)
4. Queen's Meadow Business Park
5. Hartlepool Port Estates
6. New and Renewable Energy Park
7. South Bank Wharf
8. Wilton International
9. Central Park
10. Northshore
11. Oakesway Industrial Estate
12. Middlesbrough Historic Quarter

Universities and Colleges:

- A Teesside University
- B Durham University, Queen's Campus
- C Middlesbrough College
- D Cleveland College of Art & Design
- E Cleveland College of Art & Design, Hartlepool
- F **Hartlepool College of Further Education**
- G Redcar & Cleveland College
- H Darlington College
- I Stockton Riverside College

ANNEX 2

EMERGING TRENDS

Tees Valley and our businesses operate within a global context and are impacted by the external macro environment. The following emerging trends and new developments are likely to have an impact on Tees Valley in the future.

Politics: The creation of the Combined Authority with an Elected Mayor will provide a new opportunity for a long term dialogue with Central Government and key National Agencies, with potential to pool and lever additional funds and develop a single pot approach.

The Government's commitment to the Northern Powerhouse and the re-balancing of the national economy will provide new opportunities for Tees Valley businesses to increase their contribution to both the new industrial economy and high growth service sectors.

Economic: The further demise of steel making has increased the need to ensure the strategic value of chemicals and processing industries to the UK economy and should be recognised by Government.

Tees Valley's role within the Northern Powerhouse, particularly the four "primes" of advanced manufacturing, energy, digital and health innovation is critical to achieving growth and rebalancing both the local and national economy.

Social: Welfare reforms have increased the need to ensure the working age population is able to take up employment opportunities and better paid opportunities in the local job market.

The ageing population will bring new challenges around the skilled workforce, developing a residential offer which allows employers to attract and retain a skilled workforce, and health and care for a larger older population.

The Academy system makes it more difficult to improve attainment levels for secondary school students and to introduce a consistent and high quality information, advice and guidance system.

Technological: De-carbonising the industrial sectors in line with the Government's international commitment requires new technical solutions to further developing the circular economy.

Digital technologies can help overcome the Tees Valley's geographical location, allowing local companies to compete successfully in national markets for business services and technical support functions.

Automation, digitisation and robotics will remove routine operator jobs in manufacturing industries and administrative jobs in service industries.

Legal: The UK's withdrawal from the European Union will create new opportunities for redefining our external trading arrangements and also a need for a new Industrial Strategy which recognises the importance of a rebalanced economy (both sectorally and geographically).

Environment: The UKs commitment to de-carbonising those industrial sectors which are heavy users/producers of energy, along with the recent commitment to climate change agreed in Paris, has implications for Tees Valley's industrial companies.

Limited financial support available to assist with remediating contaminated sites, even where they are of strategic importance.

TEES VALLEY SWOT ANALYSIS

Strengths

- Major port with strong links to northern Europe, with considerable potential for expansion
- Large, nationally important chemical and processing industry
- Health innovation and expertise in specialist areas
- Emerging digital and creative and business service sectors
- Number of centres of excellence and innovation centres in key locations
- East Coast Rail hub at Darlington providing north-south connections, including Scotland
- Attractive towns, countryside and coast, but unknown to many people

Weaknesses

- Ageing workforce
- Poor school attainment at post primary level
- Poor perceptions of the area
- Limited small business and enterprise culture
- Market failure in commercial and residential property markets
- Variable external links, particularly by rail and east to west

Opportunities

- Increasing leisure and visitor market, including outdoor and cultural tourism
- Increasing demand for innovation in products and services for the health sector
- Increasing demand through national growth in creative, digital and business services
- Economic benefits of a circular economy approach to industrial production
- Extending the economic benefits of transport investment - new station at Darlington and Middlesbrough and new Tees Crossing

Threats

- International competition in the chemicals and processing industries, with lower cost base
- Competition for skilled and experienced labour from other city regions in the north and the south east
- Long term commitment to and costs of de-carbonising the major energy use sectors, including steel and chemicals
- Automation and robotics reducing jobs in key industrial sectors
- Other sub-regional towns and cities becoming better connected and networked

The SWOT provides the basis for developing priorities, using a TOWS approach, which capitalises on positive features and takes early action to reduce the possible negative effects of other factors:

Strengths and Opportunities

- Increasing leisure and visitor market can be captured through promoting Tees Valley's attractive towns, countryside and coast
- Economic benefits of a circular economy, linked to large, nationally important chemical and processing industry and centres of excellence and innovation centres
- Port expansion to increase the economic benefits of new transport investment
- New station investment at Darlington and Middlesbrough will increase the attractiveness of the Tees Valley to visitors and investors

Strengths and Threats

- Ensure large, nationally important chemical and processing industry to compete internationally with regard to costs and regulatory base
- Circular economy, linked to chemical and processing industry and centres of excellence and innovation centres, can help UK to meet its long term commitment to and costs of de-carbonisation
- Jobs growth in service sector can off-set employment losses in some parts of manufacturing

Weaknesses and Opportunities

- Using demand for increased leisure and visitor market and growth of digital industries to create more start up opportunities
- Using new job opportunities in leisure, digital and creative sectors to encourage young people and so improve school results and take up of apprenticeships
- Promoting the towns and countryside of the Tees Valley in order to change external perceptions of the area
- Using new transport investment to make it easier for visitors, both leisure and business, to come to the Tees Valley

Weaknesses and Threats

- Increasing housing development and making towns more attractive in order to help attract skilled and experienced labour
- Improve school attainment to address the ageing workforce and help attract more skilled and experienced labour
- Use transport improvements to gateways and better promotion of the region to change external perceptions of Tees Valley

TEES VALLEY COMBINED AUTHORITY

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