More and better jobs

The North East Strategic Economic Plan

January 2017
Section one
01 Introduction
05 Performance against SEP targets since 2014
07 Delivery of the SEP
08 The SEP refresh process
09 The North East:
A place to live, learn and do business
10 Areas of strength and programme delivery

Section two - Areas of opportunity
13 Tech North East
15 Making the North East’s Future
17 Health Quest North East
19 Energy North East
21 Enabling services
Financial, professional and business services; Transport and logistics; Education.
23 A place that works

Section three - Six programmes of delivery
29 Innovation
31 Business growth and access to finance
33 Skills
35 Employability and inclusion
37 Economic assets and infrastructure
39 Transport and connectivity

Section four - Accountability
43 Accountability, roles and communications
The North East is a fast growing economy offering a diverse and flexible location for business and an attractive place to live and do business. It is home to almost two million people and its economy generates over £137 billion each year, contributing 2.5% of national output, and jobs for 895,000 people.

When we published the North East Strategic Economic Plan (SEP) in 2014 we set a direction for our economy rooted in our determination to foster improved economic performance, creating opportunities for our residents and businesses in a modern, diverse and entrepreneurial economy.

With support from our partners across the region, we outlined a strong ambition - to deliver more and better jobs for the North East.

We established two key targets:

- To support our economy to deliver a 100,000 growth in the number of jobs available in our area by 2024, an uplift of 5% on 2014
- To ensure 60% of the new jobs delivered are ‘better’ jobs - offering higher skills, more productive and better quality opportunities to more people in the area.

Underpinning these targets, we set out to ensure that our economy is more competitive, resilient and inclusive.

In this refreshed SEP we have made a growing contribution to improving the UK’s economic prospects.

The refresh of our Strategic Economic Plan (SEP) sets out to ensure that:

- 63% of employment growth has been in higher skilled jobs. This is ahead of the target for the ten year period of our plan.
- The rate of change towards our target to close the gap with national performance in terms of business density and economic activity in the labour force by 2024 is on track.
- The need to focus on our economic infrastructure, including improved connectivity, which is so critical in growing the productivity of our economy.
- The need to continue to support business growth, create more business growth, foster innovation and drive productivity.
- Work to date has helped us deliver on our economy and create better jobs, but there is more to do to build strong economic performance in our city areas and support dynamic growth across our region.
- Our focus on skills is crucial, to meet current demand, secure our future and support our residents to access opportunities and secure and retain higher skills in our economy.
- The need to focus on our economic infrastructure, including improved connectivity to help strengthen productivity, through enhanced physical and online access to markets, and support access to employment and training for local people.
- Clear investment propositions are needed for key sites and housing. Our assets should be promoted as a test-bed for innovation and development opportunities for key themes.

High growth has been achieved at a rate of 6.6% over the last five years compared to 5.4% in England as a whole. This represents a closing of the employment gap rate with national averages of 63%.

In terms of our targets, progress since 2014 has exceeded our expectations. We can report:

- Job growth has been added at a rate of 6.6% over the last five years compared to 5.4% in England as a whole. This represents a closing of the employment gap rate with national averages of 63%.
- Economic exclusion in some parts of the region remains persistent and some of the jobs being generated are low paid and insecure.
- Looking beyond our targets, we aim to frame our approach to focus on economic change.
- Challenges in the national and international economic outlook, the decision to leave the European Union and a new government committed to a strengthened Industrial Strategy, all have an impact on our region.
- Understanding the implications, managing risks and seizing opportunities is crucial.
- The need to focus on our economic infrastructure, including improved connectivity to help strengthen productivity, through enhanced physical and online access to markets, and support access to employment and training for local people. Clear investment propositions are needed for key sites and housing. Our assets should be promoted as a test-bed for innovation and development opportunities for key themes.
- The need to continue to support business growth, create more business growth, foster innovation and drive productivity.
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Strong progress since 2014

We can report strong progress since 2014. Through the hard work and commitment of our people, businesses and economic partners, the North East has moved out of recession and economic growth has returned to trend, delivering an average of 3% growth in Gross Value Added (GVA) per annum.

In terms of our targets, progress since 2014 has exceeded our expectations. We can report:

- Employment numbers reached record levels in 2016 with data showing a significant uplift in overall job numbers since 2014 – approximately 58,700 in September 2016. At over 50% of our overall target, this is significant progress.
- 931,000 residents of the North East LEP area were in employment in September 2016, and the area itself provides 885,700 jobs.
- Job growth has been added at a rate of 6.6% over the last five years compared to 5.4% in England as a whole. This represents a closing of the employment gap rate with national averages of 63%.
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- Economic exclusion in some parts of the region remains persistent and some of the jobs being generated are low paid and insecure.

The refresh of our Strategic Economic Plan (SEP) sets out to ensure that:

- To ensure 60% of the new jobs delivered are ‘better’ jobs - offering higher skills, more productive and better quality opportunities to more people in the area.
- Our aim is that by 2024, 70% of the new jobs delivered will be ‘better’ jobs. This is ahead of the target for the ten year period of our plan.
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The North East economy and the SEP

Section one
Performance against Strategic Economic Plan targets since 2014

In 2014 the SEP set out six targets which aimed to measure progress towards the ambition for a more competitive economy, delivering more jobs and better opportunities for local people and businesses.

We also aimed to measure relative performance compared with the rest of the UK, so key indicators were selected to provide insight into the region’s performance on productivity, employment levels, economic activity and inclusivity, and private sector employment growth.

Two of these are absolute targets demonstrating progress towards delivery of ‘more and better’ jobs.

These are:
1. To increase the number of jobs in the North East economy by 100,000 by 2024
2. 60% of these additional jobs will be ‘better’ jobs. A better job is defined as being a job in the top three Standard Occupational Classification (SOC) categories, which are: Managers and directors, senior officials, professionals, and associate professional and technical occupations.

The four targets comparing the North East LEP area performance with average English performance, excluding London are:
3. Improvement in productivity measured by the Gross Value Added (GVA) per full-time equivalent job
4. Improvement in the employment rate of local people
5. Improvement in the economic activity rate of local people
6. Private sector employment density, reflecting the aim to rebalance the relative contribution of public and private sector employment.

It should be noted that:
- While these targets were set out in 2014, the document was not specific about the indicators that would be adopted to measure performance. Measures that aim to illustrate progress since 2014 using the most up-to-date and consistent data as possible have therefore been selected as part of the refresh process.
- The baseline employment level of 890,000 stated in the 2014 SEP which provided the basis for estimating that an 11% uplift would achieve 1 million jobs, was reviewed by ONS as part of a wider national population review in October 2014, and discounted to around 850,000. The 850,000 figure included employment levels of people in the area - including people living here but working outside the area – other than employment and jobs in the North East LEP area economy. As such, the 850,000 indicator has been selected and baselined as it reflects the number of jobs in our area’s economy.
- These targets will be the subject of further review as the evaluation project is finalised.

This figure is derived from the Annual Population Survey (APS), which provides a comprehensive measure of people in jobs in the North East LEP area and includes:
- All those who had done at least one hour of work at a workplace within the North East LEP area in the reference week covered by the survey.
- Employees, the self-employed, and unpaid workers in a family business who draw a form of payment such as a dividend, and participants in government-supported training schemes.
- Those who had a job that they were temporarily away from (for example, if they were partly unemployed).

This data is considered by ONS to be the most comprehensive data because it includes self-employment, which other measures discount.

The APS measure provides a breakdown of employment by occupation, which allows us to identify jobs at different skill levels based on occupational groups and can enable us to estimate ‘better’ jobs from the same baseline.

It reports on the proportion of new jobs created that are in the top three occupational groups, Managers and senior officials, professionals, and associate professional and technical occupations.

This indicator compares the ratio of private sector jobs to public sector jobs ('gap') by the population aged 16-64 in the North East LEP area to the figures for England, excluding London.

The source for this data is the BRES public/private sector dataset and the ONS population estimates by single year of age.

This measure compares the GVA of the economy divided by the number of full-time equivalent jobs in the North East LEP area compared to the figures for England, excluding London.

The source for this measure is the ‘GVA for LEPs, ONS, Feb 2016’ report which provides the overall GVA performance with the employment figures derived from the Business Register and Employment Survey (BRES).

The 2014 SEP described different potential targets. The target set out most clearly was that, by 2024, the North East LEP area would close the employment rate gap against the 2014 UK rate (72.9%) by 50%.

However, discussion during the refresh process has indicated that this is not a particularly valuable measure of performance and a rolling measure comparing the gap with the ongoing national position would be most appropriate. At September 2016, the North East had made good progress against the target of a reduction in the gap of 22% compared with the employment rate gap for England, excluding London. However, we note that achieving a 100% closure of the gap against the rolling national measure is significantly more stretching than the 2016 target.

This target sets an ambition to ensure people living in the North East have a job. The targets set out are focused on the working age population (16-64) who are not actively looking to become potentially active members of the labour market.

The source for this data is the APS.
In 2014 we established six programmes as the framework for action and investment to deliver the SEP, providing support to a range of projects and partners working in the North East. The headline progress made on each of these programmes by April 2016 is detailed below.

We published a full progress review in May 2016, which provides more detail and is available on our website.

A number of documents underpin the process, including a progress review reporting on SEP delivery between 2014-2016 and an updated economic analysis report. These documents and a report of the consultation are available on the North East LEP website.

### Delivery of the North East Strategic Economic Plan since 2014

#### Finance and investment

**Enterprise Zone Investment**
- Infrastructure investment agreed to support development on Enterprise Zone sites.
- Secured second Enterprise Zone - launch April 2017

**North East Investment Fund**
- £50m secured fully committed.
- £4m allocated to extend the Finance for Business Fund (FfBF).

**North East Growth Deal**
- £329m secured for the region of which £220m was allocated to the North East LEP for 2016–2020.
- 48 capital projects funded.

**European Structural and Investment Funds**
- £659 m national allocation for the North East LEP area secured for 2014–2020.
- At November 2015, three-quarters of our SEP allocations committed - second highest rate in the country.

#### Programme delivery

**Innovation**
- 13 innovation projects, leveraging over £100m of external funding.
- First LEP in the UK to appoint an Innovation Director.
- A strengthened ecosystem supporting innovative businesses, including Venturefest NE and the Innovation Super Network.
- Facilitated Catapult collaboration across four North East based Catapults.
- Strong relationships with national innovation agencies, including Innovate UK and Knowledge Transfer Network.

**Business growth and access to finance**
- Secured control of £20m Finance for Business funding to remain in the North East (successor to current ERDF fund).
- Development and launch of the first fully digital Growth Hub in England; one single point of access for business support and advice.
- Local Growth Fund investment of £5.3m for the Rural Growth Network.

**Skills**
- Lead the development of the Good Care Support Benchmark to engage schools and colleges in the region.
- Enterprise Adviser programme rolled out to connect schools pupils with the workplace.
- Higher than national average take-up of apprenticeships with the North East LEP leading the drive.
- A number of skills capital projects have been completed with the aim of providing world-class technical facilities in educational establishments including further education colleges and the development of University technical Colleges (UTCs).

**Employability and inclusion**
- Successful development of 247 Mental Health Trailblazer, which will support 1500 Employment and Support Allowance claimants.
- Generation North East investing £4m to help over 200 young people into employment; to date 950 young people have found work as a result of the scheme.

**Economic assets and infrastructure**
- £44m of Local Growth Funds being invested across 11 major infrastructure capital projects worth over £2.2bn.
- Invest North East England established, with resource to champion inward investment at a regional level, working closely with the North East LEP to drive the drive.
- Inward investment has led to the delivery of 9,412 new jobs.

**Transport and digital connectivity**
- £57m investment secured for 23 transport projects.
- Highways England collaboration underway to attract over £900m of investment in the strategic road network.
- The Connection Voucher Scheme provided £1.9m of vouchers to over 1,700 businesses to help them get connected to Superfast Broadband.

### SEP refresh process 2016-17

The refresh of the SEP was supported by an External Advisory Group, and involved extensive consultation through a range of workshops, partner led meetings and on line and written submissions.

A number of documents underpin the process, including a progress review reporting on SEP delivery between 2014-2016 and an updated economic analysis report. These documents and a report of the consultation are available on the North East LEP website.

#### 2016

**January - May**
- Formation of North East LEP/NECA task group
- Preparation of analysis and SEP refreshed programme

**May - June**
- Publication of economic analysis and SEP progress update reports
- Discussion with external advisory group and North East LEP/NECA sub-boards to identify key engagement issues
- Discussion with LEP Board

**June - July**
- Publication of engagement paper and online survey
- Discussion with partners to hosted meetings
- Consultative workshops – themed around smart specialisation areas and place issues
- Further discussion with external advisory group

**September**
- Summary of findings and initial proposals
- Discussion with delivery group, sub-boards and LEP Board
- Identification of implications and priority actions

**October - December**
- Preparation of refreshed SEP

**2017**
- Launch of refreshed SEP
The North East: A place to live, learn and do business

We are strategically located between Scotland and the wider northern economy. The North East is well connected to the rest of the UK, Europe and the rest of the world by road, sea, road and air.

We are justifiably proud of the North East’s industrial history, which helped shape the global economy and continues to influence our future. Our capability for innovation and innovative delivery, from railways to hydraulics, to stem cells, highlights our creative spirit and pioneering culture.

Today, with two million people and an economy generating £37 billion each year, our contribution to the national economy is driven by great businesses and skilled and resilient people. We look for work to 2018, when the Great Exhibition of the North, recently awarded to Newcastle and Gateshead, will demonstrate our creativity and the opportunities to invest and grow businesses here.

Our three great cities are globally recognised; Newcastle has vibrant science, education, culture, digital and service sectors. Historic Durham has a leading university, science and tourism sites. Sunderland is renowned for its manufacturing capability, being the home of Nissan’s world-leading car manufacturing base and the focus of one of the East’s leading automotive clusters.

Our cities are connected into a strong and diverse urban hinterland. Strategic digital and transport links, available land and labour supply provide a compelling combination to attract investment. There are strong links to national and international markets through key gateways for freight and passengers, including mainline rail stations, five sea ports and Newcastle International Airport.

Global leaders in subsea advanced manufacturing and offshore energy sectors are complemented by the world-class offshore test facilities at Blaydon. A diverse service economy combines leading research and business based in medical and bio-technologies. Leading medicine manufacturers export 50% of their output across the world.

We have one of the fastest growing digital communities in the UK, hosting national brands, such as the headquarters of software leaders Sage. The community boasts strong capabilities in smart data and cloud computing and is home to international games development and virtual reality, as well as new clusters working with satellite data and cyber security. This is strengthened further through innovative collaborations to transform public service delivery, particularly in the local transport system, NHS and local government.

Four excellent universities – Durham, Newcastle, Northumbria and Sunderland play a significant role in the North East’s economic development. They offer a breath of research and teaching capability with top 10 research rankings in a range of disciplines, educating over 82,000 students each year. Each has been the focus for the delivery, particularly in the local transport system, NHS and local government.

There are four areas of specialism that economic analysis and regional engagement have highlighted as areas of our economy which provide distinctive growth opportunities.

1. Tech North East
2. Making the North East’s Future
3. Health Coast North East
4. Energy North East

These are:

1. Tech North East
   - Driving a digital surge
   - Excellence in subsea, offshore and energy technologies
   - Innovation in health and life sciences

2. Making the North East’s Future
   - Business growth and access to finance
   - Skills
   - Employability and inclusion
   - Economic assets and infrastructure
   - Transport and digital connectivity

3. Health Coast North East
   - Innovation in health and life sciences
   - Energy North East
   - Improved health and life expectancy
   - Investment in health and life sciences

4. Energy North East
   - Employment for people of all abilities
   - Manufacturing and offshore energy technologies
   - Innovation in health and life sciences
   - Energy North East
   - Energy for people of all abilities

We have identified three enabling service sectors that support the whole economy and offer opportunities for delivery of more and better jobs in the North East. These are:

- Education
- Logistics
- Financial, professional and business services

We also look at how our physical and cultural assets provide an infrastructure for growth.

You can find out more information about these areas in section two of this document.

There are six programmes which provide a framework to support improvement of our regional economy. These programmes are:

- Innovation
- Business growth and access to finance
- Skills
- Employability and inclusion
- Economic assets and infrastructure
- Transport and digital connectivity

You can find out more information about these programmes in section three of this document.
Areas of opportunity
Our digital community is one of the most vibrant, productive and rapidly developing in the UK. A combination of start up, high growth and established businesses, innovation networks and incubators sit alongside North East universities with leading research capability and nearly 50,000 STEM students across the region.

Headquarters of FTSE 100 listed software leader, Sage, shared service centres for Hewlett Packard Enterprise, Accenture, BT and IBM and innovation centres for Ubisoft ENGIE and Red Hat are all located here.

Both the Digital Catapult and Satellite Applications Catapult have expert centres based in the region. Government service centres employ a significant number of people in digital and technical roles. Employers include the Department for Work and Pensions, HMRC and NHS Prescriptions Pricing Authority.

Digital specialisms include: software development, cloud computing, shared services, systems design and communications, buildings information modelling, games design and delivery. Emerging specialisms include data analytics, virtual reality, smart data, and cybersecurity. Leading innovations based in the North East include:

• Performance Horizon Group, which provides products and services to over 170 countries
• SITS Group, cloud services provider to the Premier League
• Leighton Group, leading digital agency that operates SalesCycle and WorkCast
• Scott Logic, UK-leading bespoke software development company
• Viewpoint, global leader in collaboration and Building Information Modelling compliance software
• Palringo, gaming community builders with 27 million users across 350,000 user groups.

The North East is pioneering work on smart data across industry and public services and has an asset base helping shape digital delivery across the economy.

Government’s 2016 decision to base the new National Innovation Centre for Data (NICD) on Newcastle Science Central, shows our capabilities, with the opportunity to take a growing share of this future market with an estimated value of £216 billion and 58,000 new jobs.

Our digital challenges and opportunities
A key challenge is to raise national and global awareness of our niche strengths and potential for growth, ensuring the North East builds its reputation as a hotbed of digital activity. There is also a priority to grow our skills base and expand the demand for new space and better connectivity.

The key initiatives that will help us do that are:

• Digital Alliance
Digital Alliance brings together key networks, national agencies, universities and public sector to support business and enterprise to develop the North East’s software, digital and computing sector.

• Data for Growth
Data for Growth will be a multi-faceted programme aiming to build on the North East’s advantages in smart data delivery. By encouraging collaboration between organisations working across North East specialisms, and supporting challenge-based competitions and skills exchanges, Data for Growth will drive innovation and digital transformation across the economy.

• Enhanced incubator network and strengthened infrastructure
Adding to the network of established incubators on Campus North, Sunderland Software City, One Trinity Green and the Evolve Centre, new incubators and investment in digital infrastructure will be developed at locations across the North East.

Example locations will include Science Central, Newcastle’s East Pilgrim, Smart, Cobalt in North Tyneside, Holburn in South Tyneside, Gateshead Quays and Apparel Heads in Durham, as well as university developments including the Future Engineering and Technology Hub at Northumbria University.

A SOFTWARE & TECHNOLOGY INDUSTRY valued at £2 billion
part of a northern RT economy worth £12 billion

IT & DIGITAL EMPLOYEES
29,000
CREATIVE INDUSTRIES EMPLOYEES
15,250

The contribution of the North East information and communications sector grew by 14.9%.

Digital specialisms include:
SOFTWARE DEVELOPMENT
CLOUD COMPUTING - SHARED SERVICES
INFORMATION PRODUCTS
GAMES DESIGN AND DELIVERY

Digital specialisms include:
Emerging specialisms include:
DATA ANALYTICS
VIRTUAL REALITY
SMART DATA CYBERSECURITY

Fastest growing tech economy in the UK

GVA contribution is currently double the national average.

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Across the North East, advanced manufacturing and engineering is globally focused with strong clusters in automotive and medicines manufacturing. Significant growth potential lies in international investment and local supply chains and the availability of high-level engineering and capability from design to manufacturing. We have development sites available and strong transport and logistics assets.

### Key strengths: 

#### Automotive 

- **62,500 ADVANCED MANUFACTURING EMPLOYEES (UK top five)**
- **120,000 EMPLOYEES IN WIDER MANUFACTURING**

#### Medicines 

- **50,000 STEM STUDENTS coming through our universities every year**
- **160,000 MEDICINES MANUFACTURING EMPLOYEES across the region**

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### The North East automotive manufacturing 

Europe's largest automotive cluster employs over 30,000 people across the region. With the North East Automotive Alliance bringing together world-renowned companies that include Nissan, Hitachi, Unipres, Vantec Europe, ZF-TRW, R-Tek and Sevcon.

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- **Among the 510,000 vehicles and 325,000 engines produced in 2015,**
  - **Unipres, Vantec Europe, ZF-TRW, R-Tek and Sevcon.**

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### Medicines manufacturing 

The North East boasts over 5,600 employees working in 145 companies in the medicines manufacturing industry, including the supply chain, there are around 7,750 employees in 200 companies.

- **95% of North East pharmaceutical production is exported.**
  - **In 2016, £1.3 billion was exported, with record numbers to the European Union.**

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- **95% of North East pharmaceutical production is exported.**
  - **In 2016, £1.3 billion was exported, with record numbers to the European Union.**

### Key strengths: 

#### Automotive 

- **62,500 ADVANCED MANUFACTURING EMPLOYEES (UK top five)**
- **120,000 EMPLOYEES IN WIDER MANUFACTURING**

#### Medicines 

- **50,000 STEM STUDENTS coming through our universities every year**
- **160,000 MEDICINES MANUFACTURING EMPLOYEES across the region**

### The North East automotive manufacturing 

Europe's largest automotive cluster employs over 30,000 people across the region. With the North East Automotive Alliance bringing together world-renowned companies that include Nissan, Hitachi, Unipres, Vantec Europe, ZF-TRW, R-Tek and Sevcon.

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- **Among the 510,000 vehicles and 325,000 engines produced in 2015,**
  - **Unipres, Vantec Europe, ZF-TRW, R-Tek and Sevcon.**

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The health innovation agenda is influenced by trends in global markets towards more personalised medicines and treatments, and the need to respond to the health opportunities and challenges of an ageing population. Innovation has the potential to improve treatment quality, promote cost effectiveness, and create new markets in global health care delivery.

In addition to the advanced manufacturing cluster, our thriving life science community includes capability across the drug delivery supply chain, world leading health research, excellent NHS healthcare and a vibrant SME base in medical devices, medical technologies and testing and clinical trials.

We have centres of excellence in stem cell technology, ageing and age-related diseases, personalised medicine, digital healthcare and biopharma manufacturing.

The North East is part of the Connected Health Cities network, through the Academic Health Science Network (AHSN). This seeks to integrate data across primary, secondary, and social care, and to develop new ways to use this integrated data to strengthen healthcare delivery to benefit patients and create new opportunities for wealth creating applications.

The AHSN North East and Cumbria has pioneered the Innovation Pathway to support the development and commercialisation of innovative ideas, providing a unique opportunity for SMEs to access and benefit from the healthcare system.

The recent North East Combined Authority report ‘Health and wealth: closing the gap in the North East’ highlighted the importance of innovation across our health and social care system.

Our assets and opportunities

Partners are developing a strategic approach to growth, built on three propositions:

• Knowledge and research capabilities in ageing and health. The North East was recently recognised by government through its investment into the new National Innovation Centre on Ageing, providing the basis for the development of an industrial cluster

• Through strengthened co-ordination, the North East has the capability to develop a leading translation environment from drug discovery to drug delivery

• Our strong life sciences research can be a focus for the future with the potential to accelerate application of leading knowledge themes including diagnostics, genomics, photonic and social innovation.

We have highly respected pharmacy schools at Sunderland and Durham Universities (the Durham school will transfer to Newcastle in 2017). Newcastle, Sunderland and Durham universities have considerable research strengths in continuous pharmaceutical manufacturing.

Opportunities lie with the Medicines Manufacturing Industry Partnership (MMIP), which could potentially benefit from the region’s science and national translation faculties.

Recent investments through the Local Growth Fund and other sources include:

• National Formulation Centre: Located at NETPark in Sedgefield, the Centre for Process Innovation’s (£28m) centre will provide facilities and expertise to help companies to develop, prove, prototype and scale up the next generation of formulated products and processes.

• National Centre for Health Care Photonics: Also to be based at NETPark, this will open in 2017 and support technologies which use light to diagnose and treat medical conditions and illnesses.

• Newcastle Life Science Incubator: Based at Science Central, this will accommodate new growth businesses linked to science strengths, delivering over 250 new jobs.

Crucial initiatives include:

• North East Life sciences networking: This network platform will strengthen North East co-ordination and communication and focus on interventions to enhance the business and innovation environment

• Health Quest North East: This challenge based project led by the ASHN and North East LEP, is focused on accelerating innovation delivery, solving long standing North East health challenges and developing new approaches, products and technologies specialisms

• National Dementia Institute: This will build on Newcastle University’s status as a European centre of excellence in dementia and healthy ageing.
The development of secure and sustainable supplies of energy is one of the most pressing challenges facing the UK. The Northern Powerhouse Independent Economic Review has identified a distinctive role for the North of England in the UK’s energy future.

Our region is home to a critical mass of successful, world-leading firms in subsea, offshore and energy technologies and a range of research and science strengths in Newcastle and Northumbria Universities. One of six nationally designated Centres for Offshore Excellence in subsea, offshore and energy technologies and a range of research and science strengths in Durham, our area has a range of access to the largest development zone, Dogger Bank. UK continental shelf oil, gas and offshore wind areas and Renewable Engineering, our area has a range of access to leading firms in subsea, offshore and energy technologies and a range of research and science strengths in Newcastle and Northumbria Universities.

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Research and development in energy technologies

The UK faces challenges from high levels of energy use in business to ageing and inefficient housing and levels of fuel poverty. North East bodies have pioneered integrated district heating systems and there is a developing national profile in emerging heat technology, drawing from distinctive natural assets including deep geothermal energy, and water and hydrogen.

Renewable capacity in power supply is a significant challenge hampering new business growth in many parts of the region, but the development of smart grid technology is emerging as a particular opportunity. North East bodies have pioneered integrated district heating systems and there is a developing national profile in emerging heat technology, drawing from distinctive natural assets including deep geothermal energy, and water and hydrogen.

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Enabling services
A growing and productive service economy

Financial, Professional and Business Services (FPBS)
A strong flow of graduates from our universities sustains a high quality workforce and many companies have successfully diversified from one discipline and work across law, finance and consultancy.

Leading specialists provide advice and consultancy to key industries such as offshore energy and construction. Our region has a particular niche in holding shared services and call centre activities, which sustain significant jobs.

There are opportunities for growth in financial technology, where current businesses include the head office of French innovation leaders Adam Bank and fast growing True Potential.

Disruption from digital technologies is already creating new areas of the service economy. Financial technology companies and support digital connectivity will target new and fast growing financial technology innovation and support fast growth services in the sector.

Continued delivery of quality office space with excellent connectivity will target new and fast growing financial technology companies and support digitalisation in existing businesses.

Key activities
• Skills retention will be an important focus and can enhance the strength of FPBS businesses.
• Invest North East England will drive inward investment activity from professional services companies.
• Business engagement will identify opportunities based on industrial specialisms, promote innovation and support fast growth services in financial technology.
• Local development will focus on excellent facilities and infrastructure to encourage specialist clusters.
• Business support services will encourage digitisation across the economy to improve competitiveness.

Transport and logistics
Transport and logistics businesses are crucial enablers of the wider North East economy, supporting both freight and passenger movement.

Around 4,000 additional jobs have been created in the transport and logistics sector since 2014. This comprises about 4% of the business base, plus a range of public providers.

There has been increased international connectivity through Newcastle International Airport, growth in activity through the sea ports, rail access from stations in Newcastle, Sunderland and Durham and a range of local businesses in the public transport system, freight and private hire.

However, improvements to the region’s infrastructure are still needed as the economy changes, particularly in logistics.

Continued business growth will come from the development of key locations such as Newcastle International Airport and Port of Tyne.

Logistics businesses report significant skills challenges as a result of competition for labour and an ageing workforce.

Supporting skills acquisition and adoption of new business models will help maintain levels of growth.

Key activities
• Key areas will continue to be developed, ensuring that key transport hubs and development areas facilitate business growth.
• The logistics sector will be a focus for the skills programme.

The North East hosts key segments of the UK’s £180 billion financial technology, banking, insurance, securities dealing, fund management, management consultancy, legal services, and accounting services sectors.

There are 17,645 FPBS companies in the region.

Education
Based on its share of employment, the education sector is estimated to account for nearly 7% of total North East GVA and has seen growth over the last 10 years of around 700 million.

Our highly diverse education system includes four universities, who are anchor institutions to our local economy and communities, providing a significant research base and educating 82,000 students each year.

The further education (FE) system includes ten colleges and a range of other providers including sixth forms and private providers. There are 1,100 schools in the region.

Education is experiencing rapid change and new policies, within higher education (HE) and FE, aim to strengthen the contribution of research and teaching outputs to UK productivity.

For schools there has been substantial change in the national policy context, and we are now likely to see a more stable period after a number of years of structural change.

The key future focus is on standards, with the removal of plans to compel schools to change their governance models. There is also a clear objective to align the education system with the local skills agenda and labour market needs.

Changing funding arrangements continue to create competitive challenges.

These developments will affect how schools engage with students and within society.

A number of demographic and labour market challenges require a co-ordinated response from the education system.

Six capital projects have been supported through the Local Growth Fund to support enhanced skills supply, and a range of university investments have aimed to build higher level skills linked to economic change in the region.

These changes also provide opportunities for strengthened collaboration in terms of delivery. The Area Based Review established by government aims to understand opportunities and challenges currently present in FE.

The SEP refresh has highlighted the importance of these issues being considered collaboratively across the whole education and skills system from early years to HE.

Key activities
• Strengthened dialogue across the education system through the skills board, including networks and businesses, will promote collaborative responses to labour market challenges and support innovation in education organisations.
• New skills capital projects in schools, colleges and higher education, including University Technology Colleges (UTC) models, will be identified and delivered to increase the range of facilities available in the region to support key specialisms.

For schools there has been substantial change in the national policy context, and we are now likely to see a more stable period after a number of years of structural change.
A focus for investment, innovation and inclusion

The North East is constantly changing. Across the region there is support for development to deliver employment, industry and opportunities for the future, while also guarding our culture, environment and communities.

Our people are resilient to cycles of change. Historic towns and cities now provide centres for international culture, education, services and housing. Former industrial sites have been regenerating to provide offices and country parks. Our riverside cities have now host new communities. The rural farms and coastal scenes of historic sites which are now part of a vibrant tourism economy.

The objectives set out in this plan will require ongoing change to accommodate new and growing businesses and a growing population, in particular:

• Industrial clusters and the service economy will need new sites and property to enable growth around urban centres and key locations.
• Regeneration projects in cities and town centres will improve the environment for business investment. In rural areas and small towns, local business centres and hubs will support business growth.
• Ensuring access to new jobs will require new patterns of urban development and improved transport links.
• Continuing investment into the digital infrastructure will be needed to facilitate access to markets and to facilitate new forms of digital delivery.
• Housing development will be needed to respond to the growing number and more diverse households.

To support this, planning barriers will need to be addressed to ensure that our places work and are well connected.

Quality environments for business

Strong industrial clusters increasingly demand proximity of supply chains and effective logistics. Digital and business services seek quality offices and a well-networked environment. Start-up and scale up business communities need a range of incubations, laboratories and managed workspace.

A range of established sites such as Team Valley Industrial Estate and Cobalt Business Park offer a host of facilities. Through our Enterprise Zone, for their regional sites such as Holborn in South Tyneside, will offer opportunities for clustering to deliver strengthened economic outcomes for different parts of the economy. Targeted programmes will support more facilities for incubation and business growth.

North East Enterprise Zones: Since April 2012, Enterprise Zone sites have focused on manufacturing clusters and sites in ten locations close to skills and transport with accelerated planning processes and additional benefits. From April 2017, new locations for energy development and rural business growth will be marketed.

NewcastleGateshead Accelerated Development Zone (ADZ): Regenerating five sites in the urban core, the ADZ aims to accelerate growth in Science Central, close to Newcastle University, the Stephenson Quarter and Central Station, a key office district (East Pilgrim Street in the central business district); and Gateshead Quays and Gateshead Business Quarter - mixed-use sites to include an international convention centre.

Sunderland and South Tyneside City Deal: In addition to supporting investment in the automotive industry, the City Deal highlights plans to develop a Central Business District on the former Vaux Brewery site in the centre of Sunderland.

Strategic local regeneration schemes: These are being brought forward by local partners to renew local town centres across the region, creating a focus for investment and new jobs for local residents. Examples include South Shields 365 in South Tyneside, the development of Ashington town centre and the Durham Miners’ Welfare.
Improvement and to ensure delivery of superfast connectivity across the region.

In collaboration with the national 5G Innovation Centre at the University of Surrey, and the Digital Catalyst, North East partners will develop a 5G ‘test-bed’ programme to demonstrate the use of 5G for applications in a variety of sectors, including manufacturing, health, retail and transport, to promote strengthened fibre-optic connectivity to Northern Europe.

Cultural and historical assets to strengthen growth

The North East’s historic, cultural and creative industries provides a focus for culture-led regeneration, enabling the region’s distinct cultural identity to help attract tourism and promote the region as a desirable place to work and live. The region’s outstanding cultural assets attract millions of visitors each year, but many of these assets face challenges.

The East North Sea and Humber coastline is a key gateway into the North East, and forms part of the national coastline designated as a Site of Special Scientific Interest (SSSI) under the jurisdiction of the North East England Marine Protected Areas Partnership. In 2014, the Government’s Marine and Coastal Access Act brought in new laws to better protect the marine environment.

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Key initiatives

Any initiatives

North East Convention Centre: At the heart of the East Quays development will be a new purpose-built conference and exhibition centre that will address a gap in the regional infrastructure for business visits and events, enhancing the North East’s position as a major North-Atlantic tourism and conference destination.

The venue also aims to respond to the gap in the East Quays development, which is where accommodation is integrated with the conference space.

Forward looking planning, working with change

The changing economic context requires strategic and flexible planning, with a strong evidence-based approach and the contribution of different parts of the region responding to these changing demands.

Local authorities have committed to collaborate under the duty to co-operate to facilitate regional growth ambitions within the SLP through local plans and agreed spatial framework planning.
Section three

Six programmes of delivery
Cross-cutting application of digital technologies, in and the use of knowledge strength. We have identified four areas of smart specialisation that represent particular opportunities for innovation, Our opportunities and challenges

Matching what is needed with what is possible. Innovation means making the most of new ideas, productive, processes and applications to develop new businesses and make existing businesses more effective, efficient and profitable.

Next steps

Smart specialisation

Our ecosystem needs to provide access to finance, business support, expertise and knowledge and foster access to regional, national and international partnerships.

By 2018:

Ecosystem development

By 2018:

Innovation infrastructure

By 2018:

- Supporting innovation

- Being at the forefront of testing, demonstration and translation for medicines delivery, diagnostics and ageing science.
- Opportunities in offshore industries around fabrication, decommissioning, operations and management and the development of new subsea machinery.
- Low carbon energy science in a range of areas.
- Materials integration, product formulation and surface sciences, including through businesses such as Proctor and Gamble and AkzoNobel, science assets in universities and translation centres such as the new National Centre for Formulation.
- Design-led innovation through strengths in research and business networks, including one of Europe’s top design schools at Northumbria University, the Northern Design Centre in Gateshead and Design Network North.
- Natural assets, where the diversity of the region provides opportunities to deliver innovation in water science and land industries.
- Strategic focus on recognised areas of industrial specialism and of scientific leadership in the North East economy.
- Since 2014, new business networks and cluster organisations have added considerably to the collaborative environment including the North East Automotive Alliance and Dynamo.
- Innovation is central to the SEP's long term ambition (GSR) to build a more productive North East with a competitive and embedded business base and creative and inclusive communities. It is tool for shaping and internationalising our economy and industry and improving economic performance. Stronger, Innovation delivery will.
- Responding to new materials, resource scarcity and sustainable and flexible advanced manufacturing.
- Virtual reality and gaming
- New growth in satellite applications, virtual reality and gaming.
- Matching what is needed with what is possible. Innovation means making the most of new ideas, productive, processes and applications to develop new businesses and make existing businesses more effective, efficient and profitable.

New innovation hubs have been identified for national and regional investment including National Centres for Innovation in Formulaisation and Health Care Photonics at NetPark, and for Ageing, for Smart Data Innovation and Energy Systems Integration at Science Central. Private sector incubators and the work of the four catapults with bases in the region have added capacity. The North East Innovation Supernetwork, sponsored by the North East LEP, the Knowledge Transfer Network and the collaborative Innovation Observatory sponsored by the four universities all aim to strengthen cross-sector collaboration and innovation intelligence. To understand the impact that innovation is having on the North East economy.

Growth in the number of new products and ventures created. Growth in the intensity of regional networking, with relevant centres of excellence and inward investment.

Infrastructure works to support extension of NetPark.

- Strengthened cross-sector engagement, in particular evidence of data delivery into manufacturing and services.
- SME Innovation Programme – North East BIC
- Emerging Electronics Manufacturing Centre – CPI
- North East Innovation SuperNetwork
- The Innovation Pathway – RTC North
- Creativity Works – Newcastle University
- Innovate2Succeed – RTC North.
- The role of the region as a test bed environment will be established and at least one new test bed facility and translation asset will be established.
- Additional infrastructure needs will be clearly understood to support long-term growth in all areas of innovation.

Ecosystem development

Developing, demonstrating and delivering new ideas requires a physical infrastructure including research, test and demonstration facilities.

Existing facilities across the region need to be added to, or established where there is a need, including new science assets in Sunderland, in Sedgefield and Newcastle Science Central, and in new locations, linked to universities and colleges and through private sector initiatives. There is an opportunity to co-ordinate different North East assets to provide test bed ideas which can interest international engagement and investment.

By 2018:

- The six Local Growth Fund projects approved in 2014 will be fully operational.
- Sunderland University Enterprise and Innovation Hub
- National Centre for Healthcare Photonics, Centre for Process Innovation, NetPark
- Life Sciences Incubator, Science Central
- National Centre for Innovation in Formulation, Centre for Process Innovation (CPI), NetPark
- Low Carbon Energy Centre, Science Central

Next steps

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By 2018:

- The Innovation Observatory will be fully established with sustainable funding models, becoming increasingly internationalised.
- There will be a programme in place supporting the development of a stronger network of incubators and hubs in the region.
- Proof of concept funding will be available and understood.
- The North East’s growing reputation for innovation leadership will be established.
- We will have secured support for Science and Innovation Audits that project the North East’s strengths nationally, providing a basis for strengthened public investment.
- We will have strong and collaborative relationships with Innovate UK, UK Research and Innovation and across the catapult’s network.

By 2018:

- Partnership based strategies will be in place for each of the North East’s areas of smart specialisation, with implementation plans agreed and locally identified and recognised.
- The Data for Growth and Health North East projects will be established resulting in new solutions, products and businesses and social enterprises established or growing.

Our vision is for the North East to take its place as an innovation hot spot in Europe – an exemplar in ‘smart specialisation’ and open innovation systems and practice. Our aim will be to encourage business growth and social development by creating an environment in which new products and processes can improve performance or save energy and reduce waste.

Our vision for 2024

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Business growth and access to finance

Supporting business growth and access to finance

More high growth businesses in the North East LEP area will help us secure economic resilience, improve the rate of private sector employment density and deliver of more and better jobs.

Based on the North East Small Business Report 2015 data (highgrowthsmallbusiness.co.uk), in the North East LEP area there were 2,428 high growth small businesses (HGSBs) employing 15,520 people with a combined turnover of £1.8bn, generated approximately 3.9% of GVA growth during 2016. The last two years have seen significant business growth in indigenous businesses, including increased exporting from the region to national and international markets. The North East needs to maximise the potential of fast-growing businesses that deliver higher levels of growth and employment and secure stronger trade and investment flows. It’s estimated that if the North East had 25% more high growth small businesses in 2014, we would have created 2,786 additional jobs and £130 million in additional GVA.

The UK is one of the strongest traders among advanced economies, companies that export and trade internationally grow three times faster than those that don’t and exporting companies create more new products and services than non-exporters. The most innovative SMEs are 7% more likely to export and generate 39% of their sales turnover.

The UK economy is one of the key opportunity areas with new and expanded projects in digital, business services, automotive and other manufacturing sectors. The North East is strong in gaining from re-investment and about 70% of the FDI growth was from existing companies. The originating locations of these investments were from across the globe, USA 38, Japan 16, France 9, Germany 9, Switzerland 8, Sweden 6, plus 19 other countries. They were strongly focused on our key opportunity areas and with new and expanded projects in digital, business services, automotive and other manufacturing sectors.

The North East is consistently reported as having lower levels of aspiration among business owners that other parts of the UK. In simple terms, ensuring that there is strong confidence and ambition is a fundamental factor in delivery of our economic ambitions.

Our vision for 2024

By 2024, our business growth programme will have made a significant impact on our employment and business density targets. We will do this by:

• Increasing the number of HGSBs in the North East LEP area by 50%, creating 6,000 additional jobs
• Securing growth in inward investment averging 4,000 new jobs each year

Key opportunities and challenges

There are opportunities to drive business growth through start-up, scale-up and inward investment. We need to keep up the momentum on trade and export and ensure that North East businesses continue to benefit from opportunities in global markets, especially as the UK prepares to withdraw from the European Union.

The agreement of new resources for the £200 million Finance for Business Funding (formerly the ERDF) programme ensures that access to finance, one of the key barriers facing North East businesses, is addressed.

The North East is strong in gaining from re-investment and about 70% of the FDI growth was from existing companies. The originating locations of these investments were from across the globe, USA 38, Japan 16, France 9, Germany 9, Switzerland 8, Sweden 6, plus 19 other countries. They were strongly focused on our key opportunity areas with new and expanded projects in digital, business services, automotive and other manufacturing sectors.

The North East is consistently reported as having lower levels of aspiration among business owners that other parts of the UK. In simple terms, ensuring that there is strong confidence and ambition is a fundamental factor in delivery of our economic ambitions.

Next steps

Supporting business growth and access to finance

North East Growth Hub

We will continue to improve and enhance the Growth Hub as the flagship part of our service. We will make our information, advice and finance for the growth of their business.

By 2018 we will:

• Work with the business support provider community to ensure business, collaboration and a seamless and customer-focused support.
• Make sure that support is accessible and cater for all, including the specific needs of social enterprises and rural businesses.

‘Scale Up North East’ Supporting more businesses to achieve and sustain high growth

We will focus on businesses in our areas of opportunity and those who demonstrate high growth potential with the direct support they need to scale up.

By 2018, we will have developed a programme focused on:

• Inspiring leaders
• Responding to requests from business leaders for support and advice from their peers, we will encourage and facilitate peer mentoring and introduction

Access to the finance required to grow and scale up

We will develop new and existing partnerships that provide impartial and objective access to debt finance and mobilise these funds. We will work to attract more investment funds from outside of the region.

• Encouraging the adoption of digital technology
• We will work with partners to deliver a programme of support aimed at encouraging the adoption of digital technology in businesses, driving expertise from the North East’s vibrant digital community.

Support business growth within our areas of opportunity

We will work with areas of opportunity development groups to identify and target business growth support at areas of need and opportunity.

Continuing to deliver flows of inward investment will drive new sources of growth and employment, with the strongest opportunities being in those areas of the economy that can take advantage of the skills, innovation and supply chain opportunities.

In the period to 2018 and beyond:

• The North East Growth Hub will continue to build the strength, coherence and profile of the North East’s offer, and strengthen working relationships with national inward investment teams in the Department for International Trade.
• Ongoing work will develop strategic approaches to opportunities, working with key areas of specialism to strengthen supply chains. We will identify opportunities for the region alongside other northern or national developments in areas such as low carbon, advanced manufacturing in automotive and pharmaceuticals and digital and professional services.

Building our trade flows

There are diverse perceived and actual barriers to expanding exports and those companies new to export. These include information, access to finance, time commitment, management expertise, financial risk, market selection and finding new customers, sourcing reliable agents, overseas (in-country) and business development activities.

By 2018 we will:

• Respond to these challenges with an intelligent business support offer working with partners including the Department for International Trade and local agencies.

Strengthening flows of inward investment

Continuing to deliver flows of inward investment will drive new sources of growth and employment, with the strongest opportunities being in those areas of the economy that can take advantage of the skills, innovation and supply chain opportunities.

In the period to 2018 and beyond:

• The North East Development Team will continue to build the strength, coherence and profile of the North East’s offer, and strengthen working relationships with national inward investment teams in the Department for International Trade.
• Ongoing work will develop strategic approaches to opportunities, working with key areas of specialism to strengthen supply chains. We will identify opportunities for the region alongside other northern or national developments in areas such as low carbon, advanced manufacturing in automotive and pharmaceuticals and digital and professional services.

Early response and managing change

At a time of increased economic uncertainty, which is likely to have an impact on industries and individual businesses who may need to change approach to suit new change.

By 2018, we will:

• Have developed a collaborative approach with partners in central government and the region to manage change in key parts of the economy including early warning through stronger relationships with strategic businesses and the co-ordination of services to support business diversification and employee support.
Improving skills in the North East workforce is fundamental to our economic future, underpinning our aim of driving an uplift of 100,000 jobs by 2024, and ensuring that the majority are ‘better’ jobs.

The changing structure of the economy requires an effective response from early years to Higher Education (HE). Challenges include:

• Strengthening the response to current demand for skills in key areas of the labour market, including engineering, computing, transport and health
• Future of the labour market as the population structure of the economy changes, by delivering and renewing transferable skills for young people and people in employment
• Supporting our residents to access opportunities in the changing economy and securing skills we need from outside the region.

What are our challenges and opportunities

There remains a gap between market signals and reactions in the provision of training and consequently the supply of labour.

Alongside record levels of employment and improving qualifications, a tightening labour market demands focus on the following challenges:

• Mismatches between supply and demand
• Challenges of replacement demand
• The large number of younger and older people who are out of work.

Skills

• Short ‘careers escalators’
• Raising aspirations and social mobility.

In this environment, key opportunities are to:

• Facilitate and coordinate strengthened interaction between employers, education and the wider systems
• Strengthen dialogue and co-ordination across the education system from early years into employment
• Be responsive to opportunities emerging from new skills funding and structures
• Develop and articulate a strategy for those aged 50+
• To develop a strategy to ensure that people with higher level skills can be recruited into the North East through effective place marketing and a spousal support system.

Our vision for 2024:

• Providers and education establishments provide a mix of world class academic, technical and professional education, apprenticeships and higher level apprenticeships in all of the growing areas of our economy, ensuring that those entering the labour market have the right skills to thrive
• That skills supply underpins business growth and talent is retained in the region
• Every young person can identify routes into work, as skills investment enables older workers to remain in work.

North East Ambition

A programme of activity centred around the Go! North East Guidance Benchmarks, currently being piloted, will ensure that all schools in the region are achieving the Benchmarks by 2024 and making use of the full range of information, advice and guidance (IAG) services and activities available.

By 2018 we will:

• Support every secondary school in our area that wishes to adopt the Benchmarks
• Ensure that every secondary school in the area has at least one strategy Enterprise Adviser and is accessing our ‘wiser pool’ of Advisers for sector-specific or focused activities
• Mentoring programmes - to ensure that all and every student has access to the right type of guidance and support
• Develop and roll out a pilot Benchmark programme for primary schools in the North East LEP area.

By 2018, we will:

• Encourage more and higher level apprenticeship delivery and demand with a key sector focus
• Promote higher skills and right skills through dialogue and development of opportunities with sector and business organisations
• Retain graduate talent locally, ensuring that wishes to adopt the Benchmarks
• Develop an approach to spousal support to facilitate the recruitment of people with high level skills into key roles.

Next steps

To reduce the gap between our best and lowest performing schools and to target that all schools in the North East achieve good’ or ‘outstanding’ Ofsted rating.

By 2018, we will:

• Define and deliver an education challenge programme that supports teachers, schools, governors and leaders to ensure those entering the workforce in the future have the skill level to support our diverse economy.

Excelling in technical and professional education

We will work with providers and education establishments to develop the capacity and facilities to provide world class, academic, technical and professional education, apprenticeships and higher level apprenticeships in all growing areas of our economy. This will not only help ensure those entering the labour market have the right skills to thrive but also help ensure we retain talent in the region.

By 2018, we will:

• Develop an approach to spousal support and resources to facilitate the recruitment of people with high level skills into key roles.

Higher education

We will work in partnership with the area’s four universities, colleges and businesses to support economic growth and to ensure that we have job ready graduates with the skills needed and high quality employment opportunities for them.

By 2018 we will:

• Support universities as ‘anchor institutions’ to increase their role in the development of our economy and collaboratively work together in the following areas:
  • Enterprise: Supporting spin outs and graduate start-ups, and the local business community more widely.
  • Skills: Retaining graduate talent locally and working with employers to address skills gaps and develop work experience opportunities.
  • Knowledge economies: Latest thinking on knowledge transfer partnerships and smart specialisation.

50+ Workforce – retrain, regain, retain

We will reduce inactivity levels in our 50+ workforce by helping older workers to develop their skills and make in-work transitions as the labour market changes, aiming to support them to stay active in the labour force or in other productive roles.

By 2018, we will:

• Develop and implement a 50+ workforce strategy in partnership with key stakeholders.
• Focus on engaging and retaining this cohort within the workforce.
• Focus on workforce skills for older workers to maintain their position in the labour market as skills needs change.
The current support system is insufficiently flexible of labour in order to support employment growth. of unemployment and the identification of new sources activity, with people working for longer, the reduction comprehensive strategy to encourage economic Maintaining our employment base while the working who want to work. of people aged 16-64 is predicted to fall by nearly continue to age over the next 20 years, the number population in the North East remains economically inactive, almost 3% higher than in England as a whole – and there are higher than average levels of inactivity amongst younger and older people. In addition, with the area’s population expected to Our opportunities and challenges The employment rate in our area currently stands at 70.1%, with the gap closing with national averages by 22% in September 2016. This demonstrates progress towards the target in the 50+ workforce. However, just under a quarter of the working age population in the North East remains economically inactive, almost 3% higher than in England as a whole – and there are higher than average levels of inactivity amongst younger and older people. In addition, with the area’s population expected to continue to age over the next 20 years, the number of people aged 16-64 is predicted to fall by nearly 60,000, and there are likely to be more older people who want to work. Maintaining our employment base while the working age population is falling suggests the need for a comprehensive strategy to encourage economic activity, with people working for longer; the reduction of unemployment and the identification of new sources of labour in order to support employment growth. The current support system is insufficiently flexible at a local level with little opportunity for tailored and targeted approaches. National commissioning is fragmented, leading to a lack of alignment of provision at a local level and this is compounded by a lack of data and no consistent approach to measure impact and effectiveness. Our priorities are: • To provide support to those most distant from the labour market, where necessary assisting people to overcome disadvantage, poverty, and poor health • To provide tailored support to meet the specific needs and circumstances of those individuals who are under-represented in the workplace by gender, race, age, or culture.

Our vision for 2024: Our values to create a fully integrated employment, skills and health system tailored to the specific needs of the area, with the primary aim of improving the number of residents moving from benefit dependency into work and supporting health at work. By 2024, our headline ambition is to deliver on the target of closing the employment rate gap.

Fit and well for work Following through on the recommendations of ‘Health and Wealth: Closing the Gap in the North East’ by the North East Combined Authority and the NHS, partners will develop a range of approaches that can help support people with health conditions to secure and maintain employment.

By 2018 we will: • Support primary care professionals in helping people across the bend support to get them back to work as quickly as possible • Use initiatives such as the Mental Health Trailblazer to demonstrate the benefits of providing more joined-up support to individuals with moderate mental health problems to return to work. Thereby influence the commissioning of Improving Access to Psychological Therapies services as well as seeking to improve the service offer for those with more complex mental health problems • Work with employers to maximise their take-up of the Better at Health Work Award scheme thereby creating healthier workplaces • Continue to address the importance of in-work progression and job quality, including consideration of the characteristics of ‘good work’.

Youth employment Complementing our ambitious skills initiatives, coherent partnerships for the most vulnerable and disadvantaged young people are required to help them to move into education, training and employment and realise their full potential.

Our investments of the £25m European Social Fund include support to 10-24 year olds who are not in employment, education or training (NEET) into education. This will support the development of theskills needed to enter and progress in work and is additional and complimentary to local programmes such as Generation NE, Durham Works, Talent Match NE, and to national funding for apprenticeships, traineeships and mainstream further education.

By 2018 we will: • Create and scale-up initiatives that adopt innovative and flexible approaches to meeting local needs. This will build on the Generation NE model which has validated our belief that locally designed approaches to our key employment challenges are critical to our success. We will support at least a further 2,000 young people and open up new digital support offer to a wider range of young people including those unemployed but not claiming benefits • Deliver Durham Works, a youth employment initiative sponsored by European funding which aims to address gaps in provision for young people in that area where the level of NEET or risk of becoming NEET is more acute • Ensure that young people have access to the support and skills required to progress in employment.

Active inclusion Increasing levels of economic activity in our economy requires interventions targeted at those individuals with multiple barriers to employment, who are furthest from the labour market.

By 2018 we will: • Build the capacity of the voluntary and community sector and social enterprises to support those individuals and communities who are excluded from work • Provide targeted support to those with protected characteristics • Seek to address long-term imbalance within the workplace and key sectors that relate to gender, discrimination and disadvantage • Adopt a Community-Led Local Development approach within our communities suffering from significant and entrenched deprivation.

Next steps

For regions like the North East, strengthening the employment rate is a key indicator of the sustainability of economic growth. For individuals, good quality employment is a key route to combating poverty and exclusion. The report, ‘Health and Wealth: Closing the Gap in the North East’, published by the North East Combined Authority clearly demonstrates the link between employment, productivity and physical and mental health.

Our objective is to ensure that economic growth benefits the whole of the region by delivering an increase in the economic participation rate and closing the gap in performance with the national average.

Our opportunities and challenges The employment rate in our area currently stands at 70.1%, with the gap closing with national averages by 22% in September 2016. This demonstrates progress towards the target in the 50+ workforce.

However, just under a quarter of the working age population in the North East remains economically inactive, almost 3% higher than in England as a whole – and there are higher than average levels of inactivity amongst younger and older people.

In addition, with the area’s population expected to continue to age over the next 20 years, the number of people aged 16-64 is predicted to fall by nearly 60,000, and there are likely to be more older people who want to work.

Maintaining our employment base while the working age population is falling suggests the need for a comprehensive strategy to encourage economic activity, with people working for longer; the reduction of unemployment and the identification of new sources of labour in order to support employment growth.

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Creating 100,000 jobs will require significant development in the North East, enabling the supply of land and critical infrastructure needed. This will necessitate development of our key industrial clusters and industries, accommodating the changing structure of the economy, fostering innovation and delivering the housing required for our changing population.

Our aims to do these aims while investing in attractive, inclusive and sustainable living and progressively moving to a low carbon environment.

The North East Enterprise Zone, City Deal programmes and a range of other vehicles aim to encourage investment in key parts of our economy.

Economic assets and infrastructure

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Where are we now?

• Employment sites and business premises

Between 1958 and 2008, the supply of land and premises made available for development in the North East accommodated over 70,000 additional jobs. This level of development will need to accelerate to deliver the employment ambitions set out in the SEP.

Market challenges in many parts of the region include:

- A limited supply of quality industrial accommodation with a particular challenge in satisfying demand for units in excess of 10,000 sq ft.
- The differential between construction costs and end values being insufficient to allow viable speculative development.
- Despite the current shortage of Grade A office floorspace, a constraint on the ability to bring forward speculative office development with banks unwilling to provide finance unless a pre-let is in place.

Housing

Delivery of the SEP requires increasing housing supply to support the economy, a changing supply as the economy changes and more affordable housing.

More widely, there is a need to consistently upgrade the quality of the North East housing.

In common with other parts of the UK, too few houses have been built over the past 20 years. Stronger housing delivery is critical to sustainable economic growth, and there is a targeted mix required in different locations to support economic growth and connect individuals to labour market opportunities.

Across adopted or developing local plans, there is a combined target of at least 157,000 new homes per year.

Delivery will require the identification of a range of locations that offer viable investment opportunities for developers. There are a range of viability issues specific to these housing sites, including:

- Lower value brownfield land requiring public subsidy to tackle remediation and access issues.
- Marginally viable sites that could be accelerated through loan funds for infrastructure.

Areas of older low demand houses where estate/older housing regeneration programmes are required to improve areas.

The need for affordable housing programmes, including starter homes, flats to buy and specialised housing.

North East local authorities and the Homes and Communities Agency (HCA) have together identified a pipeline of strategic and other housing sites that have the potential to deliver a further 57,000 homes, the majority of which could be delivered over the next five years.

An analysis has provided a sound understanding of where investment is required to overcome barriers and accelerate delivery. Making progress will require tackling these barriers through a mix of private and public sector involvement.

Critical transport and digital infrastructure

Connectivity and accessibility, and the underlying critical infrastructure including the ‘ecosystem services’ provided by the natural assets of the region are key to supporting economic growth.

There are a range of infrastructure improvements to energy, water, waste and resilience that need to be considered to ensure that the North East is open for business, and remains resilient and attractive for investment and as a place to live.

The public environment

Across the region, the public sector including local authorities, health organisations, national agencies and emergency services hold a range of assets, including:

- Real estate assets
- Land and buildings

There are a range of infrastructure improvements to energy, water, waste and resilience that need to be considered to ensure that the North East remains an attractive place to live and work.

Synergies between the strategic economic and spatial planning policies for the area will ensure that investment happens when and where it is needed.

Creating and sustaining great places to live, work and visit will require a balance to be struck between protecting our environment and accelerating development.

This will be an important challenge going forward as we aim to deliver our economic ambitions and promote the prosperity in favour of sustainable development as set out in the National Planning Policy Statement.

The quality of the natural environment is a significant part of the region’s offer to outside investors, but it is also essential to enable key projects to move to implementation efficiently.

Taking a landscape approach to these issues has the potential to deliver more integrated approaches that can speed development and protect our most important natural assets.

Local Plans which support North East economic ambitions

As our SEP is delivered and the economy continues to change, the combination of economic, environmental and quality of life factors framing development planning will also change.

Through the North East Combined Authority, all seven local authorities have agreed to develop Local Plans that make an appropriate contribution to the delivery of more, higher quality homes and provide the modern, high quality office and industrial space to support the growth of the North East economy and population growth.

The Local Plans set out requirements that:

- Routes to investment be identified to satisfy the increasing demand for reliable high capacity, quality infrastructure and facilities in order to overcome barriers to growth in our smart specialisation areas.
- Secure best-in-class digital connectivity
- The development of sites, towns, villages and transport infrastructure should provide a focus for economic growth and improved productivity.
- Opportunities for innovation in delivery and investment in areas like energy generation, telecommunications and digital delivery will be identified and exploited.
- Increasing the attractiveness of the region is essential, to support quality of life for residents and our inward investment, tourism and cultural infrastructure.
- Developments are located, designed and constructed in a way that encourages health, active travel and sustainable transport through walking, cycling and public transport.

By 2018:

- Each of our local authorities will have adopted Local Plans that are complementary and that dovetail with the aspirations and objective of the SEP. A number of these are already in place and others are well advanced.

Next steps

Collaborative development of a spatial planning framework for the North East, supporting the SEP

By 2018 we will:

- Develop a robust pipeline of sites for business development and housing that will be maintained between local authorities and the ICA to provide opportunities for private investment or to secure public resources. Schemes will be developed to ensure that resources can be brought to bear by the development process.
- Continue to deliver our phase one Enterprise Zone programmes, bringing phase two sites into development from April 2017, and progress a range of other key sites around the region.

Securing investment

Synergies between the strategic economic and spatial planning policies for the area will ensure that investment happens when and where it is needed.

Creating and sustaining great places to live, work and visit will require a balance to be struck between protecting our environment and accelerating development.

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Taking a landscape approach to these issues has the potential to deliver more integrated approaches that can speed development and protect our most important natural assets.

By 2018:

- Our local planning authorities will publish a North East Planning Development Framework that will set out the inter-relationship between key strategic developments across the North East. This will not only illustrate our collaborative approach to spatial planning but it will also ensure that our Local Plans are fully reflective and supportive of the broader regional context set out in this Strategic Economic Plan. By establishing this framework for enabling the planning and delivery of both commercial and housing development, we will ensure that a truly place based approach is adopted. This will reinforce the principles of investing in the necessary infrastructure and assets to promote economic growth alongside the enhancement of the natural environment.

- Working with partners from business and environmental organisations we will explore a collaborative approach to strategic mitigation. This can deliver the mitigation hierarchy set out in the National Planning Policy Framework for development planning and accelerate delivery of both commercial and housing development, while protecting and supporting improvement of our environment.
Transport and digital connectivity

As our economy changes, our transport system will have to become more digitally connected, integrated and reliable. It will also require well maintained infrastructure supportive of low-emission vehicles, building upon our nation-leading expertise in this region.

Transport for the North is working to improve connectivity across all modes of transport in the north with the aim of rebalancing the national economy and creating a Northern Powerhouse.

Enhanced international connectivity is a continuing priority for the region. We aim to ensure that there is continuing development of air connectivity directly and through key hubs to our key markets including Europe, the United States and Asia.

Our sea ports continue to provide key links for trade and supporting our industrial, agricultural and energy industries.

Further development of international connectivity will be linked to the successful development of air and sea port locations as business hubs and our wider logistics capacity.

Our opportunities and challenges

During the refresh process, transport users said they wanted seamless, multimodal, travel that reliably gets them where they want to be. In the region there remain significant constraints placed on us by our infrastructure.

This is particularly true for north-south rail, where there are many pinch-points where they want to be. In the region there remain significant constraints placed on us by our infrastructure.

Our vision for 2024

We want to ensure that the North East is at the forefront of digital and mobile connectivity and have been exploring ways in which we can take advantage of developments in fifth generation connectivity.

Regional transport planning

By 2018 we will:

- Have an agreed Regional Transport Plan, setting our strategic direction for the next 30 years.
- Strengthen the alignment between transport and the planning process to ensure we are always working together.
- Explore the opportunities presented to us in new legislation such as the Railways Bill and increasing flexibility around innovative technologies.
- Have identified programmes of transport investment, both large and small, which will help enhance our economy and society.
- Identify opportunities for improved freight infrastructure in the region, including potential interchanges.

By 2020 we will:

- Develop transport proposals that give better sustainable access to employment sites and improve the reliability and predictability of journey times on key local routes for business, commuting and freight.
- Have in place an enhanced public transport offer including faster, more reliable and more integrated metro, rail and bus services.

Next steps

By 2020 we will:

- Continue to map and influence delivery of superfast broadband coverage in the region with the target to see 99% connectivity.
- Have developed and begun delivery of a strategic 5G Test Bed programme with the National 5G Innovation Centre at the University of Surrey, and the Digital Catapult.
- Explored the potential to strengthen fibre optic connectivity to northern Europe.
Accountability

Section four
The North East LEP is the lead body for the development and delivery of the SEP working collaboratively through its board with partners from the seven local authorities, businesses and business networks, education and research bodies including the four universities and ten colleges and a wide range of other organisations from public, private and third sectors.

The role of the North East LEP is to provide leadership and facilitate the delivery of the SEP through its partners and businesses.

It has a strong relationship with central government and works directly with a number of departments and agencies across its programmes.

Programme delivery is taken forward through a number of boards and committees with reporting through to the LEP Board. The North East Combined Authority is the accountable body for the LEP.

Communications for the plan is delivered by the North East LEP executive team, working in partnership with others.

The SEP is recognised by government and other partners as the key strategic document for the North East, which sets out a forward direction for regional economic development, providing a key point of reference for investment and decision making.

Our partners are committed to securing more control and influence over public resources to support economic growth in line with the priorities set out in this plan.

We will continue to seek agreement for devolution to the area to enable strengthened leadership, investment and collaborative action.

The LEP and our partners will aim to secure further investment from public and private sources from a range of partners to support delivery of the plan, and work closely with other partners who are seeking to secure support and investment which can help deliver agreed economic ambitions.

Further development of the SEP, evaluation plan and economic evidence base development

Our intention is to continue to develop and evolve the SEP in response to changing economic conditions, changing directions of public policy and evaluation evidence.

Progress reporting and evaluation

The structure of the SEP and the funding programmes that support it create a challenging evaluation environment overall. Each funding stream has its own evaluation requirements in terms of outputs, outcomes and will be developed.

An overarching evaluation matrix will be delivered to provide an assessment of impact of both the activities and the other added value derived from the activities envisaged in the SEP covering the period to 2024. This will cover capital investment programmes, other funding and other activities directly linked to SEP delivery.

Economic evidence

One of the key findings of the refresh process is the opportunity to strengthen economic intelligence and the economic evidence base in the North East to support economic policy making and improve the focus of the strategic plan as the economy changes.

The North East LEP will recruit a small economics and research unit to deliver this information to the LEP team and to provide focus for evidence sharing and development. A future research and evaluation plan will be developed in collaboration with partners from regional and research communities.

The SEP process so far

Economic evidence

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Progress reporting and evaluation

The structure of the SEP and the funding programmes that support it create a challenging evaluation environment overall. Each funding stream has its own evaluation requirements in terms of outputs, outcomes and will be developed.

An overarching evaluation matrix will be delivered to provide an assessment of impact of both the activities and the other added value derived from the activities envisaged in the SEP covering the period to 2024. This will cover capital investment programmes, other funding and other activities directly linked to SEP delivery.

Our partners are committed to securing more control and influence over public resources to support economic growth in line with the priorities set out in this plan.

We will continue to seek agreement for devolution to the area to enable strengthened leadership, investment and collaborative action.

The LEP and our partners will aim to secure further investment from public and private sources from a range of partners to support delivery of the plan, and work closely with other partners who are seeking to secure support and investment which can help deliver agreed economic ambitions.