



TEES VALLEY
COMBINED
AUTHORITY

TEES VALLEY STRATEGIC ECONOMIC PLAN

The Industrial Strategy for Tees Valley

2016-2026

Executive Summary



FOREWORD



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

Mayor Dave Budd, Chair of the Tees Valley Combined Authority



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

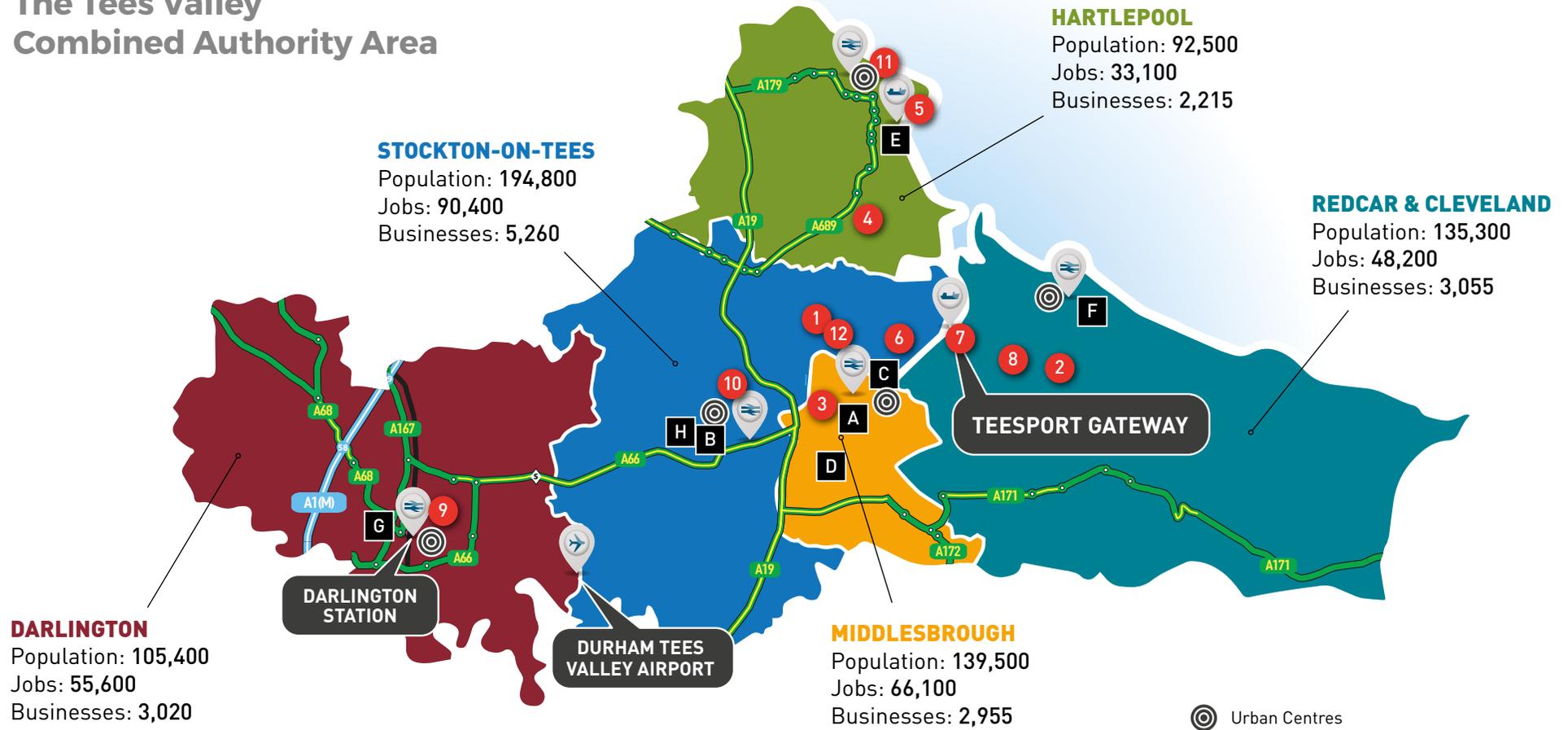
Paul Booth, Chair of Tees Valley Unlimited, the Local Enterprise Partnership for Tees Valley



WHAT WE WILL DELIVER:

- By 2026:**
- 25,000 additional jobs
 - Extra £2.8 billion into the Tees Valley economy
 - Tees Valley will be the demonstration region for the circular economy in England
 - Increased return on investment to £1:£8; and
- By 2040:**
- Tees Valley will contribute 10% of the total GVA growth target for the Northern Powerhouse (with only 4% of the population)

The Tees Valley Combined Authority Area



Enterprise Zone Sites:

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

Universities and Colleges:

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

INTRODUCTION

The refreshed Strategic Economic Plan (SEP): Industrial Strategy for the Tees Valley coincides with the establishment of the Tees Valley Combined Authority and its associated new powers and funding. The plan sets out the growth ambitions and priorities for the Tees Valley over the next ten years to 2026 and provides a framework for economic development activities. It has been refreshed to ensure that it includes all of the latest priorities to diversify and accelerate growth in the local economy to benefit businesses and residents and to contribute to the overarching objectives of enhancing productivity and improving lifetime opportunities through the provision of more and better jobs.

The refreshed SEP builds on the success of European, Local Growth Fund and City Deal funding, and the recent very strong growth in private sector jobs in the Tees Valley economy.

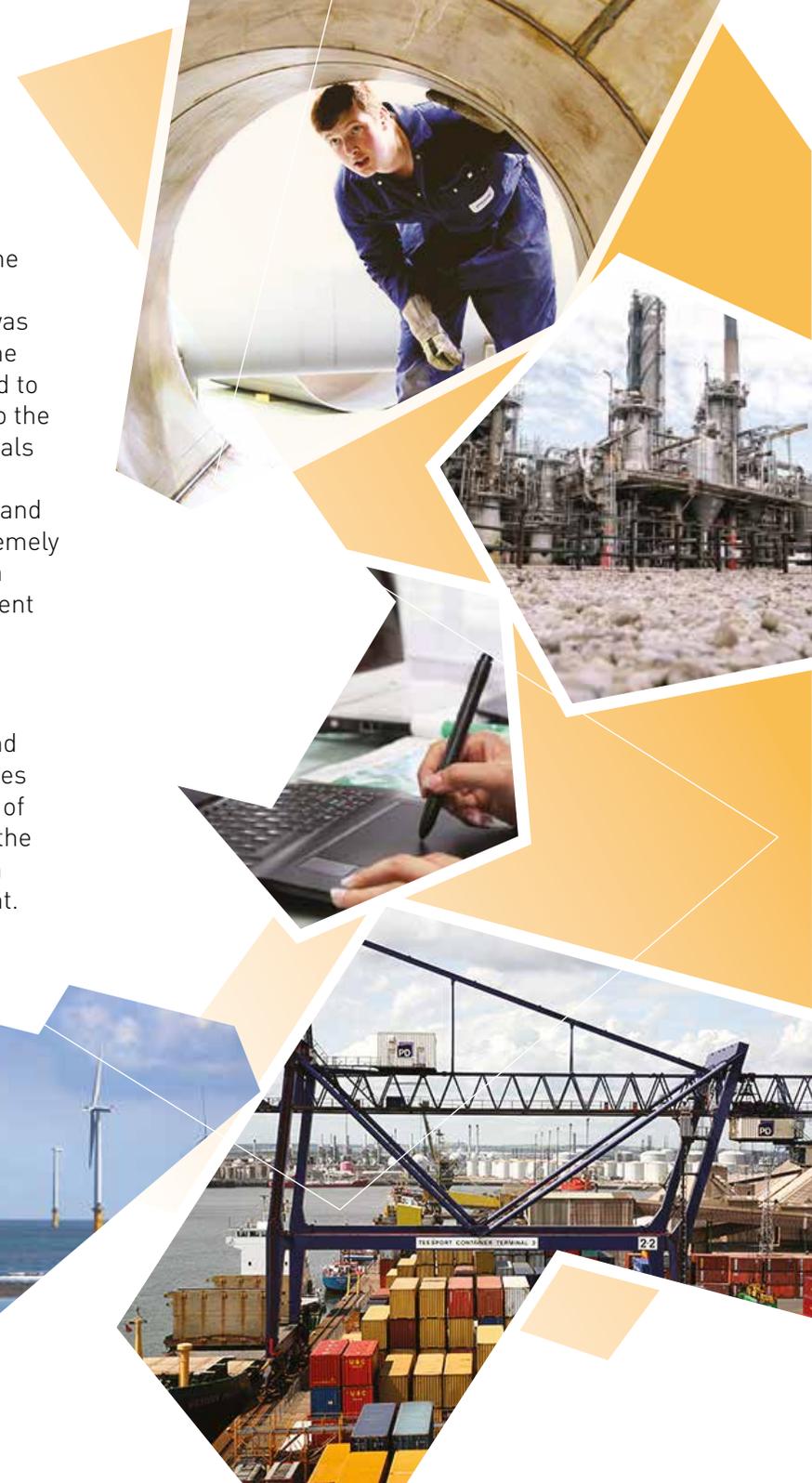
Return on investment

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

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

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

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



Changing perceptions

Tees Valley is an area which exceeds expectations:

'It is clear that the economic picture in the Tees Valley is altogether more positive than perceptions drawn from the media.'
- Lord Heseltine Report (2016)

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

Highly productive region:

Overall GVA is low but GVA¹ per employee in the production sector (£86,000 in 2014), is well above the Local Enterprise Partnership (LEP) average (£76,800) and other major LEP geographies such as Leeds, Manchester and Birmingham.

Highly innovative region:

The fourth highest proportion of businesses undertaking product or service innovation in the UK.

Export intensive region:

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

Region with growth potential to be unlocked:

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

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

- **To be better connected;**
- **A workforce that is fit for purpose; and**
- **A supportive business environment.**

The refreshed SEP will further develop the Tees Valley growth narrative:

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

This can be translated into two **transformational ambitions**:

- **Through a culture of enhancing productivity, increase the number of high growth firms which have the greatest potential to create jobs; and**
- **Improve lifetime opportunities, particularly in relation to post primary education and links to business.**

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



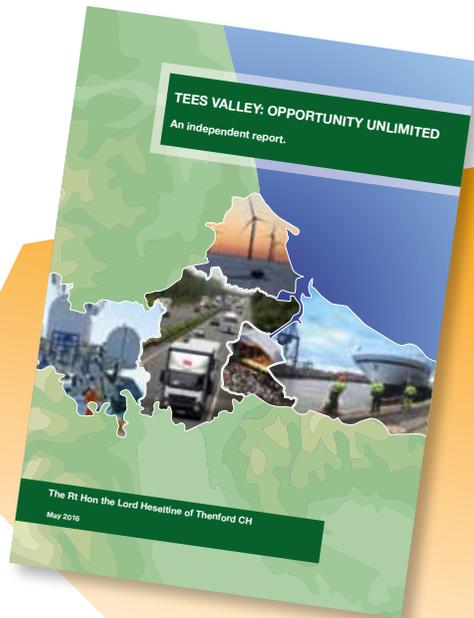
The Combined Authority, Lord Heseltine's Review and the Northern Powerhouse

The Tees Valley Combined Authority has new powers related to (Adult) Education, Housing and Regeneration and Transport. It also has the power to set up new delivery mechanisms (such as the Mayoral Development Corporation) and to utilise new funding sources (through the Single Pot) in order to maximise the opportunities identified in Lord Heseltine's report on Tees Valley and the Northern Powerhouse ambitions.

The Northern Powerhouse has identified four prime capabilities recognised as having global significance: **advanced manufacturing, energy, digital and health innovation**. The Tees Valley economy has existing strengths in each of these four primes and supporting their economic growth, along with other growth sectors, are priorities for the Combined Authority and the Local Enterprise Partnership.

The Northern Powerhouse will need the Tees Valley to achieve transformational economic growth in advanced manufacturing, energy, digital and health, supported by growth in logistics and business and professional services. **Indeed, Tees Valley will deliver 10% of the Northern Powerhouse GVA growth ambitions with only 4% of the population.** It is recognised that to achieve transformational growth (to narrow the gap between the north and south), transformational activity will be required – to continue to just do the same will not deliver the impact required or the step change that local residents deserve.

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The Circular Economy

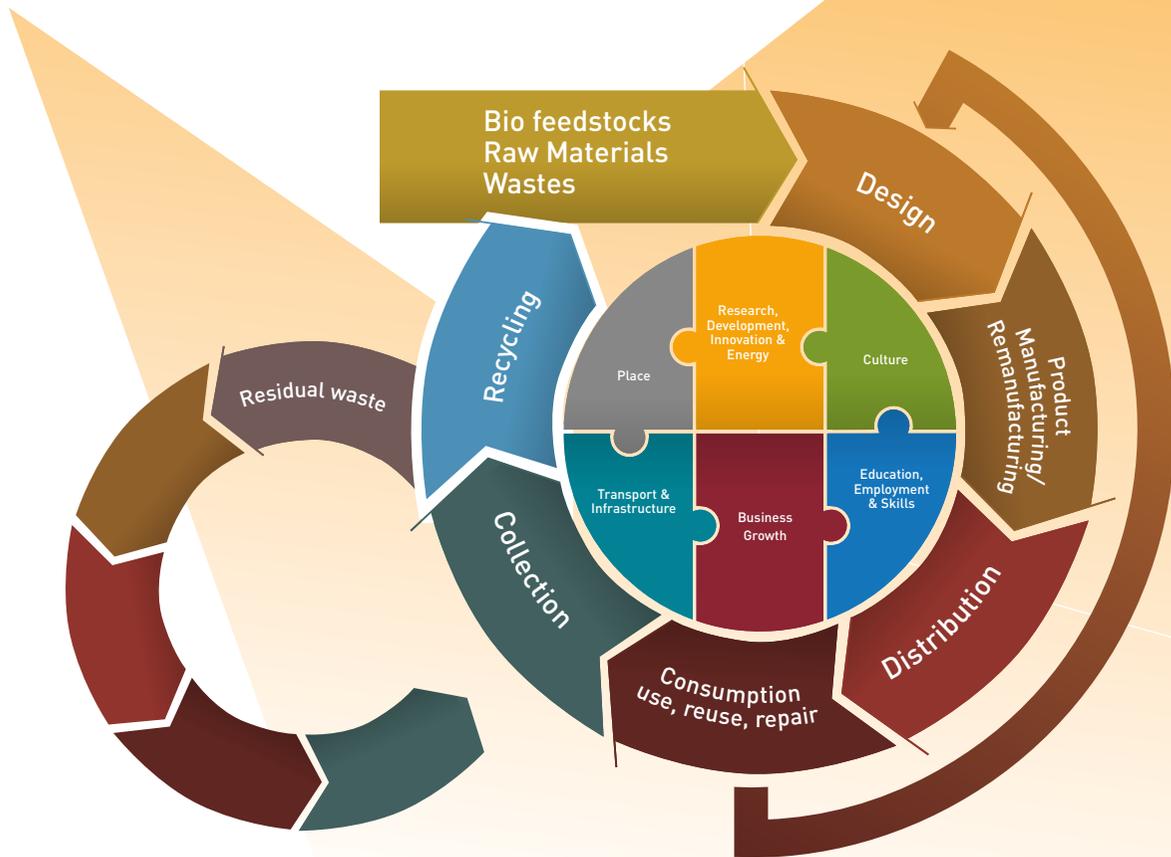
Tees Valley has long championed the case for low carbon approaches to production as a means of meeting carbon reduction targets and improving long term competitiveness. This approach has now been fully incorporated into UK policy on the circular economy as a means of mitigating wastage, local sourcing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

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

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

The 'circular economy' forms the central tenet of Tees Valley's productivity led growth agenda. The initial focus will be the priority sectors identified in our Smart Specialisation Strategy (such as: advanced manufacturing, process and energy, digital and health innovation). This will then be rolled out to all other sectors to ensure all of the local economy will benefit from re-engineering out wastage, local sourcing of materials and production of sustainable energy supplies. Such a focus on reducing the 'costs of doing business' will bring a general uplift in productivity, create new business opportunities and provide enhanced lifetime opportunities through more jobs for all our residents and across all sectors.

Indicative activities related to the application of the circular economy to a company/public body may include: specialist mentors to advise on product/process re-engineering, demonstration projects to test new products/processes and supply chain support to promote the sourcing/sale of recycled raw materials.



REFRESHED TEES VALLEY ECONOMIC STRATEGY AND PRIORITIES

Ambition

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

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

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

The refreshed SEP is focused around six thematic building blocks which reflect the main priorities and areas of activities over the next ten years to unlock transformational growth:

■ **1: Business Growth:** Further increase jobs and business density through targeted support to create and attract new companies and to grow businesses and sectors with high growth potential;

■ **2: Research, Development, Innovation & Energy:** Further enhance productivity in all core sectors through the commercialisation of knowledge;

■ **3: Education, Employment & Skills:** Ensure a labour market which meets the needs of local business and supports the lifetime opportunities of all our residents;

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

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

■ **6: Transport & Infrastructure:** Facilitate local, regional, national and international road, rail and broadband connectivity through collaborative investment in physical infrastructure.

A set of indicative activities and output targets is identified for each of the SEP's six priorities as well as an assessment of overall impact.

The chart on the following page shows how the six priorities deliver the high level impacts:



STRATEGIC PRIORITY: SUMMARY

Theme	Indicative Activities	Partners	Impacts
Business Growth	<ul style="list-style-type: none"> Expand and improve Tees Valley Business Compass service; Promote Teesport as the principal European goods access point for the North; Utilise Circular Economy approach to promote 'low cost/high productivity proposition'; and Address the market failure in office and business premises market. 	PD Ports LAs DIT NECC FSB Private Sector	<ul style="list-style-type: none"> Business density growth Jobs growth GVA per hour increase
Research, Development, Innovation & Energy	<ul style="list-style-type: none"> Support a materials catapult for Tees Valley; Develop nationwide/European multi-disciplinary innovation knowledge networks; Increase availability of demonstration/incubation space; Support businesses to innovate via Tees Valley Business Compass service; Promote low carbon/Circular Economy support to SMEs to become more energy efficient; and Enhance use of financial instruments to encourage knowledge transfer/access to finance for growing industries. 	CPI MPI TWI NEPIC Teesside University Durham University Private Sector	<ul style="list-style-type: none"> Business density growth Jobs growth GVA per hour increase Reduction in carbon emissions
Education, Employment & Skills	<ul style="list-style-type: none"> Increase the number and scope of graduate opportunities; Deliver high outcome training initiatives; Increase the number of young people in education, employment or training by: <ul style="list-style-type: none"> Becoming the Commissioning Authority for DWP Work Programme; Managing the Youth Contract; Managing Apprenticeship Grants for Employers; and Developing work experience placements for 16-24 year olds and support for 16-17 year old NEETs; Drive up standards in education and skills provision by becoming the Statutory Partner with SFA/EFA and BIS/DFE and work with OFSTED and schools; Introduce a high quality careers, education and guidance system; and Create an Apprenticeship Hub to work with Tees Valley employers. 	DCLG SFA/EFA DWP LAs BIS/DFE Private Sector	<ul style="list-style-type: none"> NVQ Level 4 and above attainment increase Skills gap reduction Jobs growth

Theme → Indicative Activities → Partners → Impacts

Place

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

LAs
RPs
HCA
Private Sector

- Population growth
- Jobs growth

Culture

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

LAs
DCMS
Arts Council
Private Sector

- Population growth
- Jobs growth

Transport & Infrastructure

Key Strategic Priorities:

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

Additional Priorities:

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

TfN
HE
DfT
LAs
Network Rail
Virgin
BT
Private Sector

- Population growth
- Jobs growth



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