



## **Leadership Board**

Tuesday, 20th March 2018 at 2.00 pm

Meeting to be held in a Committee Room, Town Hall and Civic Offices, Westoe Road, South Shields, Tyne and Wear, NE33 2RL

[www.northeastca.gov.uk](http://www.northeastca.gov.uk)

---

## **SUPPLEMENTAL AGENDA No.2**

---

	<b>Page No</b>
(a) <b>Economic Development and Regeneration</b>	<b>1 - 12</b>
Replacement Report	

Contact Officer: Victoria Miller Tel: 0191 211 5118 E-mail: [victoria.miller@northeastca.gov.uk](mailto:victoria.miller@northeastca.gov.uk)

**To All Members**

**This page is intentionally left blank**



## **Leadership Board**

**Date:** 20<sup>th</sup> March 2018

**Subject:** Economic Development and Regeneration Theme Update

**Report of:** Economic Development and Regeneration Thematic Lead

## **Leadership Board**

### **Executive Summary**

The purpose of this report is to provide an update on activity and progress under the Economic Development and Regeneration theme of the Combined Authority.

### **Recommendations**

The Leadership Board is recommended to:

- i. note this report for information

## **Leadership Board**

### **1. Background Information**

- 1.1 This report provides an update on activity and progress under the Economic Development and Regeneration theme of the Combined Authority, including:
- Inward Investment North East Update
  - Strategic Economic Plan Delivery
  - Industrial Strategy: Building a Britain Fit for the Future:
  - European Structural Investment Fund Update
- 1.2 The Leadership Board is recommended to receive the update for information.

### **2. Inward Investment North East (INEE) Update**

#### **2.1 Successes to date 2017/18**

In the first two quarters of 2017/18 there have been a total of 49 inward investment successes into the NECA area. These investments will lead to the creation of 1,208 jobs. 38 projects and 1,053 jobs are a result of foreign direct investment. 11 projects and 155 jobs are from UK companies, not previously in the North East, investing in the area.

Compared to the same period last year, this represents a greater number of successful projects (49 vs 38) but a lower number of jobs (1,208 vs 3,993). The exceptional job creation figures recorded last year reflects the fact that six large business services investments at Resq, Teleperformance, Convergys, Accenture and Sitel all landed in the first six months and created over 3,000 jobs between them.

#### **2.2 Proactive Lead Generation**

INEE continue to work with lead generation consultants OCO Global to generate enquiries from London and the South East with a particular focus on software/digital and financial, professional and business services. Projects with the potential to create between 500-1,000 jobs have visited the region as a result this contract. The team continue to work with OCO to build up contacts and promote the North East in these markets.

An initial contract review has now taken place and after consultation with the Investment Gateway Management Group and the NECA Thematic Lead for Economic Development and Regeneration a contract extension of six months has been awarded. The team has visited London a number of times to meet some key contacts and leads generated by OCO Global and further trips are scheduled.

## Leadership Board

### 2.3 Current Enquiries

Current enquiries on the INEE pipeline include both UK and foreign owned enquiries in a number of sectors from life sciences, software, contact centres, automotive and other advanced manufacturing including offshore energy. Of particular interest is a very significant potential advanced manufacturing enquiry for the energy sector, a significant enquiry from a large US software company and a number of potentially significant business services enquiries.

### 2.4 Marketing and Events

The INEE team, with support from the North East Local Enterprise Partnership communications team and Sarah Hall Consulting, continues to improve and refresh a range of marketing materials, website and plan/deliver campaigns. Over time, it is expected that this will generate new investment enquiries in addition to raising the profile of the region nationally and internationally. Key elements of this include:

- Marketing Collateral
- Website
- Press
- Social Media
- Digital Campaigns

#### ***Events***

The INEE team has attended a number of events in 2017 which align with some of the key priority sectors which are being targeted for investment. These included:

- NOF Energy – A Balanced Future, March 2017.
- MIPIM London, October 2017.
- Vrtgo Conference, November 2017.
- TIGA Awards, November 2017.
- Offshore Wind Week North East, November 2017.

#### ***2018 Events Programme***

INEE is preparing a programme of events that it is considering attending on behalf of the region in 2018 which will be finalised in March 2018.

### 2.5 DIT Account Management Resource

Contracts have recently been put in place to broaden the delivery of Strategic Account Management of foreign owned firms in the North East. DIT Northern Powerhouse (NPH) have committed £145k of funding through a contract with NECA to enable local authority partners to deliver additional account management which adds value to the existing arrangements delivered by DIT.

## **Leadership Board**

The initial operational period of this contract has been successful. It is anticipated that a similar resource will be available from DIT next financial year.

### **3. Strategic Economic Plan (SEP) Delivery**

The Board received an update from the North East LEP in January detailing the NECA areas progress towards the SEP targets, progress was measured on the latest economic data published between June and December 2017:

- The number of jobs in the NECA area has increased by 47,600 since 2014, against a target of 100,000 additional jobs by 2024.
- 36,400, or 76%, of the additional jobs since 2014 are 'better jobs'. Better jobs are defined as managers, directors and senior officials; professional occupations (such as civil engineers and doctors); associate professional and technical occupations (such as laboratory technicians and graphic designers).
- The employment rate in the NECA area is rising which demonstrates that residents are benefitting from the additional jobs that have been created. The gap in the employment rate between the NECA area and England, excluding London, has reduced by 21% since 2014, against a target of closing the gap by 100% by 2024.
- The economic activity rate measures the proportion of people aged 16-64 who are actively participating in the labour market. The gap between the NECA area and England, excluding London has reduced by 21% since 2014, against a target of reducing the gap by 50% by 2024.
- Changes in data availability mean that it is no longer possible to measure progress against the two other targets in the SEP – Gross Value Added per full time equivalent worker and private sector employment density. The North East LEP is currently considering, in consultation with partners, appropriate replacement targets

### **4. Industrial Strategy: Building a Britain Fit for the Future**

In January 2018, the Board received a presentation from the North East LEP about the Industrial Strategy and the implications and opportunities for the North East.

- 4.1 The Government published its White Paper, Industrial Strategy: Building a Britain fit for the future in November 2017. The paper sets out the how the government will build on economic strengths, and embrace and accelerate technological change for

## **Leadership Board**

both economic and social purposes to address longstanding productivity underperformance and ensuring greater UK earning power.

Commentators generally welcomed the White Paper as a framework for approaching these issues, and also as a response to an uncertain economic context including preparing for Brexit, but concerns remain about the scale of ambition and the omission of measure to tackle economic issues such as inclusion and social mobility.

### **4.2 Observations and Implications for the North East LEP area**

1. The Strategy makes a number of references to place and local structures, including the plans for a Local Industrial Strategy (LIS). The framework and process for the development of LIS's has yet to be clearly set out, however, it represents a potential route for strengthening the alignment between national economic objectives, and the objectives and plans set out in the North East Strategic Economic Plan (SEP).

The recent refresh of the SEP positions the North East LEP area well to develop an LIS.

2. Government clearly intends for the LIS to be part of the framework for prioritising emerging regional resources and for securing investment from the national funding streams linked to the Industrial Strategy. The current thinking of the North East LEP is that the region should aim to position itself in the first wave of LIS development to build on the momentum generated from the SEP refresh and to ensure that opportunities for investment are not missed.
3. The North East SEP programmes of delivery are well aligned with the five foundations of productivity. Within this context, some of the key actions (e.g. building innovation excellence across the country, delivering a world-class technical education system, building Growth Hubs, investing in infrastructure) reflect issues that the North East LEP, NECA and other partners are already working on and this will continue. In addition, work that has been done on a number of Science and Innovation Audits provides a potential additional opportunity for securing investment into the region as funding routes become more defined.

Partners in the region will be assessing these and other opportunities as details of programmes and calls emerge and this work will be ongoing. From a North East



## **Leadership Board**

perspective, the various North East LEP Programme Boards will be seeking to identify opportunities for the North East, taking forward priorities set out in the Strategic Economic Plan and will communicate actively through routes such as Growth Hub and Supernetwork. The LIS should potentially provide a focus for articulating a comprehensive North East offer into these programmes.

### **5. European Structural and Investment Funds**

The European Structural and Investment Fund (ESIF) continues to be delivered in the North East. The region is split into two areas; More Developed (Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland) and Transitional (County Durham). An update on European Regional Development Fund, European Social Fund and European Agricultural Fund for Rural Development is provided below.

#### **5.1 European Regional Development Fund (ERDF)**

The notional allocation for the More Developed (MD) area is £152.7m, and in the Transitional (T) area is £75.4m. The overall project pipeline (including legally committed, contracting, appraisal and Full and Outline Application stage) is £164.2m representing 72% of total allocation. Contracting will stop at 94% of the Category of Region indicative allocation pending achievement of the 2018 Performance framework targets.

A Sustainable Urban Development (SUD) call was announced 15 September, for the MD area. The total funding available for SUD projects is £18.6m. The deadline for EOIs is 30 March 2018 with two review points at; 30 November 2017 and 31 January 2018.

Two ERDF calls (SME Competitiveness and Promoting Research & Innovation) closed on 10 November 2017.

Further calls were announced on 8 December in the Transitional area only, to align with the Autumn statement -Priority Axis 1 (Promoting Research and Innovation, £4.1m), Priority Axis 3 (Enhancing the Competitiveness of Small and Medium Sized Enterprises, £10.9m) and Priority Axis 4 (Supporting the Shift Towards a Low Carbon Economy in all Sectors, £13.4m).

An £8m call for Priority Axis 5: Promoting Climate Change Adaptation, Risk Prevention and Management was also announced, split between MD, £3.8m and T, £4.2m.

The closing dates for these new calls was 26 January 2018 and all EOIs are currently going through the appraisal process with the Managing Authority.

## Leadership Board

### 5.2 **European Social Fund (ESF)**

Across the whole NECA area there is a notional allocation of £144.6m

Six ESF calls closed during the last reporting period and EOIs are currently under appraisal for:

- North East Ambition Pilot Strategic Framework - £3m
- North East Ambition Pilot Tailored Delivery- £3m
- Digital Skills North East - £20m
- North East Specialist Support for the Unemployed/Inactive (Health Barriers and 50+) - £6m
- Raising the Skill Levels of the North East Health and Social Care workforce - £5m
- Specialist Support for those Furthest Away from the Labour Market - £8m

Match funding is required for all ESIF calls.

### 5.3 **European Agricultural Fund for Rural Development (EAFRD)**

EAFRD funds form part of the National Growth Programme, from which the North East received an allocation of £10.5m. Although a number of scattered localities are potentially eligible for EAFRD funding in Tyne and Wear, the focus is on the designated rural areas of Northumberland, Durham and neighbouring parts of western Gateshead, including the Derwent Valley.

Open calls, with an extended closing date of 31 May 2018 and a value of £9.7m capital funding, to create jobs in rural areas are:

- Business Development - £1.4m
- Rural Tourism Infrastructure – £6.7m
- Food Processing – £1.6m

A £30m call for Broadband Infrastructure was announced on 13 October with a closing date of 31 May 2018.

The North East LEP held 2 well attended regional events in October to promote the ESF and ERDF calls, including SUD.

### 5.4 **Programme continuation until 2020**

In December 2017 the EU and the UK Government agreed that the EU Structural Funds will continue to operate as normal in the UK up until the end of 2020 – i.e. beyond the point at which the UK is set to leave the EU, expected in March 2019. This was part of the agreement at the conclusion of the first phase of Brexit negotiations.

## **Leadership Board**

The relevant part of the deal (paragraph 71) states:

“Following withdrawal from the Union, the UK will continue to participate in the Union programmes financed by the Multiannual Financial Framework 2014-20 until their closure.....Entities located in the UK will be entitled to participate in such programmes. Participation in Union programmes will require the UK and UK beneficiaries to respect all relevant Union legal provisions including co-financing. Accordingly, the eligibility to apply to participate in Union programmes and Union funding for UK participants and projects will be unaffected by the UK’s withdrawal from the Union for the entire lifetime of such projects.”

### **6. North East Brexit Group**

The North East Brexit Group was set up to gain clarity on regions Brexit priorities, concerns and opportunities, and the specific challenges of different communities, sectors and key industries with the aim of ensuring that these needs are considered in the Government’s Brexit negotiations.

The membership of the group includes the Confederation of British Industry, the Federation of Small Businesses, Engineering Employers Federation, Trade Union Congress, Entrepreneurs Forum, North East LEP, North East Local Authority Economic Directors, North East Universities, The Association of Colleges, Voluntary Organisations Network and the DCLG/ BEIS Local Growth Team, the group was established to provide a platform for monitoring and sharing information and informing the development of proposals to leave the European Union. As well as preparing and communicating joint evidence about issues and concerns about the impact on the North East Economy, the work of the NE Brexit Group has been the subject of discussion by EDRAB.

Key messages about the North East priorities as the UK and European Union negotiators continue Brexit discussions have now been agreed and published:

#### **The North East’s key messages**

##### **The North East is open for business**

- The North East remains committed to the ambitious growth targets within our Strategic Economic Plan
- Our plans include a strong focus on attracting, retaining and supporting inward investment and skilled migrants
- During Brexit negotiations, the economic interests of the North East should be clearly considered: the region must not be disadvantaged through any immigration or trade agreements.

## **Leadership Board**

### **We need a strong ongoing relationship with the European Union (EU)**

- Exports are a major part of the North East economy and an unusually high proportion (58%) go to Europe; we need to continue to enjoy frictionless, barrier-free, trade in key sectors – including automotive and passenger vehicle manufacturing; pharmaceuticals, energy and oil and gas, and digital services, financial and professional services, higher education and health care
- The North East has been successful in attracting inward investment over many years; we need to ensure the continued success of existing foreign-owned companies and secure future flows of inward investment
- The North East needs a continued free flow of skilled individuals to allow the region's future growth and workforce needs to be met, while EU nationals currently living in the region must continue to be able to do so
- Universities and researchers must be able to collaborate productively with EU partners, while there should be no barriers to the recruitment of EU students.

### **Post-Brexit, the UK must develop new policies that**

- Provide the long-term public-sector investment needed to deliver the North East's priority of more and better jobs. The UK Shared Prosperity Fund – and other economic development, rural, research and regeneration funds- need to provide resources at least comparable to current levels. This should include replacement of ERDF and ESF funding
- Support our businesses to take advantage of new opportunities and increase international trade with the EU and beyond
- Support our residents to gain the skills they need to fulfil their potential and meet the needs of our key growth and employment sectors
- Provide businesses with effective access to finance and other support that enables them to start up and scale up
- Protect workers' rights, so that they do not fall behind those across the rest of Europe
- Protect our unique natural assets whilst enabling our rural and coastal communities to flourish.

## **Leadership Board**

### **7. Potential Impact on Objectives**

- 7.1 This report sets out issues that will support the Authority in meeting its objectives, particularly in relations to those set out in the Strategic Economic Plan

### **8. Financial and Other Resources Implications**

- 8.1 There are no specific financial or other resource implications arising from this report.

### **9. Legal Implications**

- 9.1 There are no specific legal implications arising from this report.

### **10. Key Risks**

- 10.1 There are no key risks arising from this report.

### **11. Equality and Diversity**

- 11.1 There are no specific equality and diversity implications arising from this report.

### **12. Crime and Disorder**

- 12.1 There are no specific crime and disorder implications arising from this report.

### **13. Consultation/Engagement**

- 13.1 There are no issues arising from this report for consultation.

### **14. Other Impact of the Proposals**

- 14.1 There will be no other impacts arising from this report

### **15. Contact Officers**

Sarah McMillan, Corporate Lead – Economic Strategy and Skills  
Email: [sarah.mcmillan@southtyneside.gov.uk](mailto:sarah.mcmillan@southtyneside.gov.uk) Tel: (0191) 424 7948

**Leadership Board**

**16. Sign off**

- Head of Paid Service: ✓
- Monitoring Officer: ✓
- Chief Finance Officer: ✓