

# North East Local Enterprise Partnership Board



Thursday 26 January 2023

## AGENDA

*Items 5 and 7 are confidential as the papers contain commercial information relating to the financial or business affairs of a particular person or organisation and they are not for wider circulation.*

1. **Welcome from the Chair and apologies** (5.00pm)
2. **Declarations of interest** (5.00pm)
3. **Minutes of the last Board meeting held on Thursday 24 November** (5.05pm)  
Board will be asked to agree the minutes.
4. **Annual Delivery Plan - progress update** – paper attached (5.10pm)  
Helen Golightly to present
5. **Fund management update** – confidential paper - paper attached (5.25pm)  
Paul Woods to present
6. **Updated 2022/2023 Revenue Budget and Indicative 2023/2024 Budget paper** –  
paper attached (5.40pm)  
Katy Laing to present
7. **Devolution update** – confidential paper – paper attached (5.55pm)  
Henry Kippin and Patrick Melia to present
8. **Impact of the EU Exit** – paper attached (6:30pm)  
Richard Baker to present
9. **Chair and Chief Executive update** - paper attached (6.50pm)  
Lucy Winskell and Helen Golightly to update the Board.
10. **Any Other Business** (6.55pm)
11. **Date and time of next meeting - Thursday 23 March 2023 from 5 - 7pm**

# Annual Delivery Plan Update January 2023

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## Item 4

This report has been refreshed in line with the Annual Delivery Plan, which can be seen [here](#).

It has been designed to show progress, priorities and raise any issues that the Board should be aware of.

**Please contact [jen.robson@nelep.co.uk](mailto:jen.robson@nelep.co.uk) if you have any feedback.**

## Representing the business voice: Embed a strong, independent and diverse local business voice into local democratic institutions

Initiative	Progress since last Board meeting	Priority action for next two months	Decisions / issues / discussion points	RAG status
Fill vacancies on the North East LEP Board as they become available to ensure a strong representation of businesses across the North East.	Board induction completed for Colin Hewitt and Phil Redman. Seven applications received for the further two available positions – focusing on digital tech and health and life sciences. Interviews scheduled to take place on 1 February 2023.	Appoint two new board members and schedule induction.		Green
Review the structure and remit of our advisory boards and sector groups to ensure their remit reflects the priorities outlined by government that they have strong business representation.	Work is ongoing to review the current sub-board governance structures, their terms of reference, membership and focus.	Considering new board members, appoint sub-board chairs to vacant roles and continue to review the focus and membership.		Amber
Work with combined and local authorities to highlight business-led priorities and the priorities identified within the Strategic Economic Plan, to ensure they are integrated into future devolution proposals.	We have requested that representatives of the combined and local authorities meet with the North East LEP, the leads of the business representation organisations and key sector groups to share progress with local and national devolution discussions and understand how the business voice can influence and the shape the next steps. We are working with the North of Tyne Combined Authority (NTCA), the North East Combined Authority (NECA), Transport North East and Invest North East England to begin to develop the transition plan.	Confirm a meeting with the parties.	Devo delivery programme should embrace the North East LEP executive strengths and leadership of key areas of the programme	Amber
Support the democratic institutions leading on strategic investment plans for the UK Shared Prosperity Fund by providing the evidence base to inform decision making, leadership, and to ensure business priorities are central to thinking.	Evidence provided by the North East LEP informed local investment plans which have now been signed off by government. To develop capacity and understanding on how to develop evidence-led strategy, the policy and strategy team is delivering a CPD session to the provider network on the development of logic chains and theory of change.	Continue to work with NTCA and the LA7 on the regional level priorities for UKSPF investment programmes and understand next steps and timeline for regional and local decisions.		Green

**Added value: Part of ensuring continued engagement with the business community requires the LEP to remain consistent with its strong governance and communications activity. In addition to the above, between April 2022 and March 2023, we will:**

Initiative	Progress since last Board meeting	Priority action for next two months	Decisions / issues / discussion points	RAG status
Ensure progress updates to the North East LEP Board reflect the new remit for LEPs as defined by government, and the progress of the North East Strategic Economic Plan to 2024.	Ongoing board report – comments and feedback welcome.	Complete report.		Green
Hold a public Annual General Meeting.	The AGM is scheduled to take place on 16 February at the Catalyst.	Deliver the AGM.		Green
Update the Assurance Framework in January 2023.		Updated Assurance Framework to be published on website in January 2023.		Green
Continue to embed communications across our programmes and priorities, but specifically deliver strategic communications to ensure the revised role and remit of the North East LEP is understood by the business community and the wider community.	Communications activity is summarised on pages 29-33 of this report.			Green

## Strategic economic planning: Lead the development of data, research and evidence for the North East economy

Initiative	Progress since last Board meeting	Priority action for next two months	Decisions / issues / discussion points	RAG status
Provide a comprehensive state of the region evidence base, including place-based intelligence that is accessible and reflects the North East's economic performance.	<p>Since the last North East LEP Board, we have published on the North East Evidence Hub:</p> <ul style="list-style-type: none"> <li>The Digital Tech evidence base, available <a href="#">here</a>.</li> <li>The Advanced Manufacturing evidence base, available <a href="#">here</a>.</li> <li>Updated apprenticeship data to support upcoming work for the Skills team, including achievements and starts (available <a href="#">here</a>) and outcomes (available <a href="#">here</a>)</li> <li>Emerging markets global trends overview, available <a href="#">here</a>.</li> </ul>	<p>Publish on the North East Evidence Hub:</p> <ul style="list-style-type: none"> <li>Evaluation outputs for the Growth Hub, Made Smarter and High Potential Startups</li> <li>Research investigating apprenticeship uptake for 16–18 year olds</li> </ul> <p>Begin discussion with NGI on the Visitor Economy evidence base linked to the Destination Delivery Partnership proposal</p> <p>Analyse regional trade in services data release on 30 January.</p>		Green
Review and produce analysis of the 2021 census data, ensuring a clear understanding of the North East's position post COVID-19.	<p>We have analysed and uploaded <a href="#">population by age group</a> to the North East Evidence Hub.</p>	<p>Upcoming analysis will be on work and travel including economic activity; industry; and distance travelled to work and housing.</p>		Green
Develop and support delivery of collaborative analytical and evidence activities to support key projects for Strategic Economic Plan programmes, devolution, levelling up, UKSPF with our partners in combined and local authorities and through the Economic Evidence Forum (EEF).	<p>We have published the <a href="#">Advanced Manufacturing</a> and <a href="#">Digital Tech</a> evidence base on the North East Evidence Hub.</p> <p>Evidence bases for the Innovation Launchpad bid and for the Trade Strategy US Country group have been completed.</p>	<p>Scope out the evidence base for knowledge-intensive business services (KIBS) and begin the updating of the Health and Life Sciences evidence base.</p>		Green

<p><b>Systematise processes and governance for commissioning, publication and communication of evidence, data and analysis outputs and products on North East LEP platforms.</b></p>	<p>A corporate protocol has been drafted as part of the Assurance Framework which will support internal commissioning of research and evidence.</p>	<p>Agree the approach with SMT.</p>		<p><b>Green</b></p>
<p><b>Deliver the preparatory activities for the final evaluation of the Strategic Economic Plan programme for 2014-2024.</b></p>	<p>Due to other priorities, the development of the final evaluation specification has rolled over again. We are currently developing the specification for the next stage of this work and engaging with the evaluation specialist at NTCA about opportunities for joint working.</p>	<p>Develop a specification for the next stage of work.</p>		<p><b>Green</b></p>
<p><b>Improve the accessibility, visibility and understanding of key North East data and evidence through the relaunch of the North East Evidence Hub.</b></p>	<p>The North East Evidence Hub has received 9,980 pageviews from 1,578 unique users (up 5.98% since the previous period), since the last report on 25 November, with returning visitors at 22.1%. We are delighted with this progress as engagement and usage of the Hub continues to build.</p> <p>The average time on page is 1 minute 45 seconds. This has decreased slightly since the previous period, which is due to the high influx of traffic on 14 and 15 November, where the Net Zero and Our Economy events were driving traffic.</p>	<p>Continue to deliver the communications plan that has been developed to promote usage and engagement in the Hub. The plan includes briefings, digital marketing, a bespoke newsletter to partners and commentary forward plan.</p>		<p><b>Green</b></p>
<p><b>Lead the development of the Northern Evidence Network (NEN) working with NP11 LEPs, TFN and government.</b></p>	<p>A policy support team is now in place to take forward the NEN and its workstreams.</p> <p>A full meeting of the NEN was held on 9 December and considered the final draft of the scoping phase of the Northern Powerhouse Independent Economic Review (NPIER), and early reports from two workstreams.</p> <p>The NEN agreed to offer collective support to any bids made by consortia led by Northern universities for the Economic and Social Research Council (ESRC) Local Policy Innovation Programme (LPIP) Coordination Hub. Two bids have been subsequently supported. A successful bid could have the potential to contribute knowledge assets and resources into the NEN.</p>	<p>Continue to engage with the workstreams.</p> <p>Work with TFN to validate local reports and data underpinning the NPIER and coordinate a North East discussion with LA7 Economic Directors and partners.</p> <p>Continue to prepare the NEN funding proposition and engage with government and other potential funding mechanisms</p> <p>Monitor the progress of the LPIP programme and seek engagement with other bids through the Economic and Social Research Council (ESRC).</p>		<p><b>Green</b></p>

<p><b>Work with Newcastle University and other partners to deliver strengthened academic contribution to the evidence base through the Insights North East (INE) programme.</b></p>		<p>Meeting to be arranged at the end of January with the new director for INE to discuss involvement and role moving forward.</p>	<p>We are not currently a partner of the INE programme. A proposal has been developed and is currently with the INE team for consideration.</p>	<p><b>Amber</b></p>
<p><b>Build on existing co-operation and develop new opportunities for research collaboration with Durham University and Northumbria University.</b></p>	<p>A bid to the Innovative Place Pioneers programme was prepared with support from key utilities, the seven Local Authorities and the Energy Systems Catapult, but was not submitted due to UKRI match funding arrangements. Subsequent discussions with UKRI have taken place about bid requirements.</p> <p>Alternative resources have now been identified to undertake phase one of the Local Area Energy Planning (LAEP) project jointly between the North East LEP and Durham University.</p> <p>We have also discussed a consortium project with the five North East universities, LA7, TNE and Tees Valley Combined Authority (TVCA) to develop a North East Impace Accelerator Account (IAA) platform utilising Engineering and Physical Sciences Research Council (EPSRC) resources.</p>	<p>Progress the LAEP project and appointment of coordination capacity at the steering group meeting in January 2023.</p> <p>Continue the conversation with UKRI about Innovative Place seeking an alternative route to access the programme resources, particularly for phase two.</p> <p>Continue to work towards a North East proposal to the EPSRC for a place-based IAA to be submitted by April 2023.</p>		<p><b>Green</b></p>
<p><b>Through the North East Economic Evidence Forum and other partners, develop a comprehensive analysis of the data, trends and causes of inequality and exclusion across the North East, including analysing the impact of recent economic events on standards of living and to 'map and gap' data and indicators related to White Paper missions.</b></p>	<p>We met with South Tyneside Council to discuss the future work of the Inclusive Growth Network.</p>	<p>Confirm the programme of meetings for the Evidence Forum for 2023.</p> <p>The proposal to develop a common approach to inclusive growth across the LA7 will be refined and presented to LA7 Economic Directors with the intent to support actions within the devolution deal.</p>		<p><b>Green</b></p>

## Strategic economic planning: Strengthen regional collaboration

Initiative	Progress since last Board meeting	Priority action for next two months	Decisions / issues / discussion points	RAG status
Support the region on the development of proposals for the next stage of the region's Strategic Economic Plan post 2024.	The North East LEP has provided a comprehensive evidence base to support the preparation of the Governance Review document which will support consultation around the North East devolution deal.	Continue to liaise with the Regional Economy Group and its members on preparations for regional scale activity, including taking forward the requirements of the devolution deal.	We do not control this timetable but continue to undertake the roles envisaged in the LEP Review.	Green
Continue to convene the Economic Prospects Group with the Bank of England as a regional platform to share data and information about the economy with key partners.	This is a strategically important group coordinated by the North East LEP and chaired by the Bank of England. Regular Chatham House meetings take place to share and corroborate data and intelligence about development of the regional economy on critical issues and national economic context. Members of the group use the information gathered in their own work and there is strong and consistent attendance. Critical insights and outputs of these discussions are incorporated into the board reports produced by the LEP's policy team.			Green
Work closely with Destination Management Organisations (DMOs) and other partners to drive forward the implementation of the Statement of Intent, the North East's response to the review of DMOs, and engagement with government's strategy to enhance the visitor economy to strengthen strategic coordination in the region for growing the Visitor Economy.	<p>The North East was announced as the host of the pilot Destination Development Partnership (DDP) by the Department for Culture Media and Sport in December 2022 and will see a national investment of £2.25million to support this pilot activity. The project will be led by Newcastle Gateshead Initiative in conjunction with other DMOs and a wider network of partners.</p> <p>The North East LEP has continued to support the development of the DDP proposal and will be represented on the Steering Board and support a number of workstreams, including on evidence, skills and business support.</p>	<p>Support the development of the DDP arrangements and take part in key workstreams.</p> <p>Work with NGI to assemble visitor economy analysis on the Evidence Hub.</p>		Green

<p><b>Working with local authority planning and economic leads, the Geo-spatial Commission and other partners such as Northumbria University, to develop partnership projects that can deliver strengthened spatial economic evidence to support economic development, investment in infrastructure, and regeneration.</b></p>	<p>A range of place-based data sets have been uploaded on to the Evidence Hub linked to Net Zero North East and transport programmes.</p>	<p>Work will be undertaken during 2022-23 to develop new evidence around housing in the region. This will be scoped as part of the annual delivery plan for 2023/24.</p>	<p>This work has been scaled back to focus on the development of place-based evidence and intelligence given reduced capacity in the SEP team.</p>	<p><b>Amber</b></p>
<p><b>Collaborate with inter-governmental partnerships, think tanks and consultancies on strategic evidence and policy activities, including the What Works Centre and Productivity Institute.</b></p>	<p>We have engaged in a number of workshops and seminars since the last Board meeting to provide input to help inform the policy and delivery agenda including:</p> <ul style="list-style-type: none"> <li>• Consultee of Social Market Foundation on report; "The economic vitality of Towns"</li> <li>• Case study presentation, "Using data and evidence to spark innovation and drive local growth" to Engaging Business in Local Government Conference</li> <li>• Office of National Statistics: Local Data Service Design Round Table</li> <li>• All Party Parliamentary Group discussion on the future of UK freight and logistics</li> <li>• Productivity Institute Business Conference</li> </ul>	<p>Develop a proposal is to support and agree a forward plan with the Productivity Institute.</p> <p>Continue to engage with the What Works Centre to develop the final SEP evaluation specification.</p>		<p><b>Green</b></p>

<p><b>Coordinate the North East Northern Powerhouse Working group enabling information sharing across Northern Powerhouse priorities with NP11, TFN and CLGU Leadership. This will include the coordination of the North East's response to the updating of the Northern Powerhouse Independent Economic Review.</b></p>		<p>Via the Northern Powerhouse Working Group, review how levelling up conversations and changes in government have impacted the Northern Powerhouse proposition.</p> <p>Coordinate a regional workshop with TFN and its consultants, with LA7 Economic Directors and other key stakeholders on 17 February to review the outcomes of the second phase of the NPIER update.</p>		<p><b>Green</b></p>
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**Added value: Identifying opportunities using our convening power and ability to engage with the region to develop projects and programmes that make sense to delivery regionally has always been a strong role in our organisation and is consistent with our new mandate. Between April 2022 and March 2023 we will:**

Initiative	Progress since last Board meeting	Priority action for next two months	Decisions / issues / discussion points	RAG status
<p>Support the ongoing development and launch of Net Zero North East (NZNE) as a collaborative regional programme to accelerate decarbonisation, develop a greener economy and secure a positive transition for our environment and communities.</p>	<p>Following the launch communications activity has continued to drive traffic to the website and encourage engagement. Interviews have taken place for vacant programme manager posts. Internal meetings re governance and resourcing are ongoing.</p>	<ul style="list-style-type: none"> <li>• Agree the action plan for 2023</li> <li>• Publish the engagement session summaries from the launch event</li> <li>• Confirm the membership of the Partnership Board and coordinate the full meeting on 16 February</li> <li>• Continue to build the private sector contributions to NZNE</li> <li>• Complete recruitment of the team</li> <li>• Review the outcomes of the Skidmore Review published on 13 January</li> </ul>	<p>This is a significant ongoing piece of work which requires continuing support until the core team is in place</p>	<p><b>Amber</b></p>
<p>Work with the Department for International Trade (DIT), North East England Chamber of Commerce and Trade Strategy to drive forward implementation of the key workstreams in the North East Trade and Export strategy in the context of the UK Trade Strategy. Coordinate engagement with the Northern Powerhouse trade and investment strategy and programme, ensuring that the North East secures strong presence and outcomes from this work.</p>	<p>The first meeting, on the country group (US) took place coordinated by North East LEP, DIT and sponsored by Womble Bond Dickenson on 5 December. It received presentations from the North EastLEP, DIT, Fentimans and Sterling Pharma and agreed a future programme of action.</p> <p>A blog from Simon Crosby of DiT was published to encourage businesses to make use of remaining Export Support Fund. You can read the blog <a href="#">here</a>.</p>	<p>Develop a revised Terms of Reference for the Steering Group and seek agreement from key partners.</p> <p>Begin to develop programmes for three additional country groups focused on export growth opportunities identified in the regional strategy.</p> <p>Update trade data on the evidence following release on 30 January.</p> <p>Identify a route to develop coordination capacity to support the work programme.</p>		<p><b>Green</b></p>
<p>Monitor and influence the ongoing development of the proposals in the Levelling Up White Paper and engage with new local institutions as they develop.</p>		<p>A further discussion is being sought with the Spatial Data Unit and ONS.</p>	<p>This action has been rolled over to the next period due to the prioritisation of Our Economy and Net Zero North East England</p>	<p><b>Green</b></p>

## Improving skills: Provide regional leadership and delivery on an integrated programme to increase partnership between education and employers to reduce the mismatch between skills supply and demand

Initiative	Progress since last Board meeting	Priority action for next two months	Decisions / issues / discussion points	RAG status
<p><b>Deliver the North East Ambition programme build and develop of true partnerships between SMEs and educators in the drive to lessen the gap between skills demand and supply through 1) supporting all schools and colleges to meet the eight Good Career Guidance Benchmarks and 2) linking employers to education through our Enterprise Adviser Network.</b></p>	<p>We've worked with the Youth Justice Service to extend an enhanced version of the Enterprise Adviser model into mentoring, and a project in South Tyneside will establish a small collective of employers to work with the local Youth Justice Service and will target 6-10 young people.</p> <p>DfE announced Provider Access Legislation (PAL) – details were shared with headteachers in December and continue to be shared through our wider networks.</p> <p>Gateshead BEEP project increased SME employer engagement. Phase two was completed, and resources were disseminated across wider education and enterprise networks.</p> <p>Realising North East Ambition research is complete and will be published by Newcastle University on their timescales.</p> <p>The Compass reports on benchmark progress show an average achievement up from 4.12 (August) to 4.43 (December).</p>	<p>Recruit primary schools as a trailblazer region for a new DfE funded project aimed at primary schools within Education Improvement Areas (EIAs) in the region.</p> <p>Youth Justice - Agree, manage and review project implementation.</p> <p>Mobilise external evaluation for BEEP.</p> <p>Support and promote the publication of the Realising North East Ambition report and participate in round table to discuss requirements to implement.</p>		<p><b>Green</b></p>
<p><b>Deliver local Careers Hubs on behalf of the Department for Education.</b></p>	<p>We hosted the North East College Hub at PROTO, focusing on embedding careers in the curriculum and agreed to expand the Careers Hub to include Independent Training Provider network from Term three.</p> <p>A series of Compass+ training sessions have been delivered for Career Leaders, as well as individual support. 117 out of 134 eligible schools are now onboarded onto Compass+. This is a significant increase (+40) since the last report.</p>	<p>Term two's College Hub meeting will focus on technical education, supporting the recommendations from the apprenticeship research and planning for a discussion with national stakeholders to support embedding Higher Technical Qualifications into careers practice.</p> <p>Work with currently unmatched Enterprise Advisers (EAs) to match them with an appropriate school/college or find an alternative way for them to engage with the wider network of schools and colleges within the Careers Hub.</p>		<p><b>Green</b></p>

<p><b>Deliver the Education Challenge programme, which aims to support teachers, school leaders, governors and employers to work collaboratively to integrate an understanding of the world of work and career opportunities into the curriculum. Delivery includes Opportunity North East, a two year careers and business engagement pilot; a CPD programme for careers professionals; supporting business leaders to take up opportunities as governors; and an employer engagement strategy.</b></p>	<p>The final report for Opportunity North East Challenge 4 project has been published on the Evidence Hub <a href="#">here</a> and shared with relevant stakeholders.</p> <p>The North East Provider Portal is now live <a href="#">here</a> providing easier access to Independent Training Provider information for young people, parents and carers.</p> <p>The North of Tyne Combined Authority Linking Curriculum to Careers pilot project is into delivery phase, with each of the 10 schools being matched with regional STEM employers.</p> <p>Funding has been secured to work in partnership with an Initial Teacher Training Provider to improve careers education knowledge of trainee teachers through CPD.</p>	<p>Facilitate planning with schools and employers as part of the NTCA project for delivery late spring and summer.</p> <p>Increase the number of Independent Learning Providers featuring on the North East Provider Portal.</p> <p>Develop the Initial Teacher Training project for delivery this academic year.</p>		<b>Green</b>
<p><b>Ensure the successful implementation of post-16 technical skills education policy across the region to ensure it addresses the imbalance between technical skills supply and demand in key employment sectors.</b></p>	<p>We have engaged in a number of forums to promote technical education:</p> <ul style="list-style-type: none"> <li>• Keynote to Higher Education Academic Teachers conference, resulting in collaborations with UCAS</li> <li>• Delivered 4 sessions to Hitachi Rail, Energi Coast, University of Sunderland and North Tyneside Primary School Cluster</li> <li>• Secondary school career leader CPD delivered on apprenticeships and T-levels</li> <li>• IoT board and national DfE Employer Skills groups on behalf of national LEP network</li> </ul> <p>Apprenticeship project launched, supporting 50 young people to access support in progressing apprenticeships applications.</p> <p>Presented Skills 4:0 to a delegation of European Skills Directors in Lyon leading to agreed commitment to collaborate Skills 4:0 Training development internally</p>	<p>Continue to influence and implement technical education policy developments through engagement with national stakeholders on technical education and progression into higher technical education through:</p> <ul style="list-style-type: none"> <li>• Supporting the DfE funded T-level Conference on 3 March in Newcastle</li> <li>• Developing Apprentice Ready Strategy</li> </ul> <p>Skills 4.0 - Exploratory meetings with thought leaders, Professor Anne Bamford and Scottish government to agree profile-raising across the region.</p>		<b>Green</b>

## Improving skills: Produce local skills analysis via Skills Advisory Panels, on behalf of the Department for Education

Initiative	Progress since last Board meeting	Priority action for next two months	Decisions / issues / discussion points	RAG status
<p>The Skills Advisory Panel (SAP) brings together local employers and skills providers to pool knowledge on skills and labour market needs, and to work together to understand and address key local challenges. The SAP will continue to deliver key functions that include advising the main LEP Board, providing oversight of delivery of regional skills, inclusion and progression programmes and projects, commissioning research into key skills challenges, and reporting into government.</p>	<p>We've started some research in partnership with the North of England Process Industry Cluster (NEPIC) on pharmaceutical manufacturing, and discussions regarding further opportunities including tourism, rural industries and film and media sectors to complement the Local Skills Improvement Plan (LSIP) delivery are underway.</p> <p>Final draft of the 16-18 apprenticeship report has been shared with Apprenticeship Provider group and the SAP.</p>	<p>Work closely with both ERBs on the production of the LSIPs. Keep SAP informed about skills bootcamps and progress against targets. Keep SAP informed with details as devolution progresses. Launch the apprenticeship research at an event on 6 February and develop and present an Apprentice Ready strategy and action plan to SAP on 7 March.</p>	<p>Participated in two OFSTED lead inspector interviews focused on skills.</p>	<p><b>Green</b></p>

**Added value: Our skills programme has always considered the skills agenda, the importance of improving labour market activation, ensuring communities are connected and that there is an strong agenda to deliver employability across the region. We will continue our work in this area during 2022/23 by:**

Initiative	Progress since last Board meeting	Priority action for next two months	Decisions / issues / discussion points	RAG status
<p><b>Support the rollout of phase three Skills Bootcamps in green skills and continue to promote the benefits of apprenticeships to businesses across the region.</b></p>	<p><b>Wave 4</b> Held three market warming events to respond to DfE Wave 4 funding opportunity 22 organisations submitted EoIs, which informed development of a Wave 4 Bootcamp proposal totalling £7.4million in green skills, technical sectors, accelerated apprenticeships and people and management skills for SMEs and the education sector. DfE confirmed intent to award £7.4million grant award for 70% is expected end January with full value expected mid-February (subject to ministerial sign-off).</p> <p><b>Wave 3</b> Provider performance review process agreed and planned for 10 January based on the first six months of Wave 3 delivery and in response to DfE's 'flex' in extending funding to 2023/24 financial years. Worked with DfE and delivery partners to develop a quality assurance system.</p>	<p><b>Wave 4</b> Meet with legal team to extend contracts of existing lead contractors up to value of £3million. Meet with Principals of existing college lead contractors (NCD and Gateshead College) to share Skills Bootcamp operational plans. Launch public procurement process to contract remaining £4.4million. Hold market warming events to inform interested organisations of the Wave 4 Skills Bootcamp funding opportunity. Secure sufficient staffing resource to manage the continued delivery of Skills Bootcamps (Wave 3, £2.7million to July 2022 to Dec 2023; and Wave 4 £7.4million April 2023 to Sept 2024).</p> <p><b>Wave 3</b> Revise delivery plans for Wave 3 providers, reprofile funding allocations and issue contract variations based on outcome of six month performance review.</p>		Green
<p><b>Develop and publish a regional digital inclusion strategy and, together with partners, explore funding and delivery opportunities for the strategy.</b></p>	<p>Strategy and mapping exercise complete. Presented draft strategy to consultees and wider networks, which was well received.</p>	<p>Publish the final strategy.</p>		Green
<p><b>Continue to support DWP's Fuller Working Lives initiative and work with key stakeholders and partners to support strategic regional programmes aimed at supporting disadvantaged groups into employment.</b></p>	<p>On hold while the North East LEP awaits policy guidance from DWP on the Fuller Working Lives initiative.</p>			Amber

## Growing businesses: Deliver the North East Growth Hub on behalf of the Department for Business, Energy and Industrial Strategy

Initiative	Progress since last Board meeting	Priority action for next two months	Decisions / issues / discussion points	RAG status
Secure investment to continue to deliver and develop the North East Growth Hub and the business and sector growth ecosystem.	<p>There has been no change since last board.</p> <p>We continue to work with Civil Servants to present a case to Ministers and His Majesty's Treasury.</p> <p>In coordination with the LEP Network a letter was sent to Secretary of State, Grant Shapps from the North East LEP Chair, Lucy Winskill, encouraging the continued investment in Growth Hubs.</p>	Continue to work with the other national Growth Hub Cluster Leads, Civil Servants and the LEP Network to promote the need for continued investment in Growth Hubs.	Future government funding priorities/ landscape/ devolution is currently unclear which puts the future of the Growth Hub at risk.	Red
In response to a 50% reduction in funding we will implement a new operating model for the North East Growth Hub which will fulfil government's requirement by continuing to provide a one-stop-shop for all businesses to access support and advice, whilst developing a more targeted approach for key growing sectors.	<p>Figures to end of November are <b>ahead of target</b> for light and medium assists with the following interventions delivered:</p> <p>Light assists (under one hour) - 10,214 (102%)</p> <p>Medium assists (one hour plus) - 306 (76%)</p> <p>High assists (12 plus hours) are reported on completion. Currently 28% of target, with 57 completed and 217 in progress.</p> <p>Embedded the triage team into the operational model and recommenced outbound activity, resulting in appointments for the connectors.</p> <p>Developed dashboards for segmentation and diagnostic platform.</p>	<p>Continue to deliver against Growth Hub KPIs and support the sector development plans.</p> <p>Review IP requirements and development opportunities to enhance platform.</p> <p>Integration of the segmentation and diagnostic platform with CRM.</p>	Although performance is high and above targets the pressures on staff are high due to reduced budgets and having to take on additional responsibilities to compensate.	Amber

<p><b>Work with government, local authorities, and regional stakeholders to help shape the UK Shared Prosperity Fund (UKSPF) and national programmes so that they collectively prioritise delivery of a more impactful, simplified, cohesive and better targeted business support ecosystem.</b></p>	<p>UKSPF plans have now been agreed. Each lead authority is at a different stage of development and we continue to work with each to consider how the Growth Hub can best integrate with their plans.</p> <p>It's unlikely that a 'one size fits all' approach will work and that a flexible model that can integrate with different delivery structures will be required.</p> <p>A policy priority is to, as far as possible, reduce duplication, fragmentation, confusion and to have all lead authorities working to a shared infrastructure.</p>	<p>Continue to work with UKSPF working group and individual lead authorities to consider how the North East Growth Hub can support their UKSPF plans.</p>	<p>Plans are not yet confirmed on how the North East Growth Hub will integrate with Lead Authority UKSPF programmes.</p>	<p><b>Red</b></p>
<p><b>Develop an evidence base to inform the development of a regional and local enterprise strategy and interventions designed to level up the North East's business birth rate.</b></p>	<p>Policy and strategy team exploring opportunities to progress this work with regional universities and the Productivity Institute.</p>	<p>Continue to progress Productivity Institute discussions and proposal.</p>	<p>Funding cuts put a hold on this activity – opportunities to access resources are required to commence this work.</p>	<p><b>Red</b></p>
<p><b>Develop an evidence base to inform the creation of a regional scaleup plan designed to build on the momentum generated in the North East over previous years.</b></p>				
<p><b>Establish the firm level drivers of productivity performance and consider how these drivers can be diffused across the wider business community by working with the Productivity Institute.</b></p>				

<p><b>Ensure that the business support framework and taxonomy support business resilience by supporting businesses to identify and mitigate areas of risk around net zero plans and the effects of rising energy prices as businesses adapt to new ways of working.</b></p>	<p>A Cost of Living Toolkit has been published on the North East Growth Hub that you can view <a href="#">here</a>.</p> <p>The Growth Hub is gathering real time intelligence to assess how the current landscape is affecting the business landscape.</p> <p>Decarbonisation is being considered as one of the areas of regional collaboration for the UKSPF.</p>	<p>Continue to gather intelligence on the business landscape to gauge the effects of inflation, energy costs, supply chains, supply and levels of demand (i.e. recession).</p> <p>Continue to update the Growth Hub's Cost of Living toolkit.</p> <p>Continue to support development of UKSPF decarbonisation theme.</p>	<p>Although plans are in place to bring forward new programmes, existing ERDF funding programmes to support energy efficiency are coming or have come to an end.</p>	<p><b>Amber</b></p>
<p><b>Work with Invest North East England (INEE) to identify and convert investment opportunities to create more and better jobs for the region.</b></p>	<p>We have led project visits to the region in a variety of sectors: battery technology, aerospace, life sciences, energy and digital technology.</p> <p>We attended key sector events to drive enquiries and raise the North East profile including EV London and Offshore Wind North East.</p> <p>A visit to Ireland took place to deepen relationships with digital/VR/AR sector</p> <p>We hosted a variety of visits from key DIT teams (Digital, Business Services, Life Sciences and the Office for Investment) to deepen their understanding of regional offer.</p> <p>Ongoing refinement of web content.</p>	<p>Organise inward investment visits to the region for key projects and continue to manage and grow a pipeline of investment projects.</p> <p>Update toolkits of regional information. These act as the basis for regional propositions.</p> <p>Attend events and conferences in key sectors (space and digital conferences in UK and US).</p> <p>Showcase regional strengths and propositions at the Convention of the North's Investor Zone.</p>		<p><b>Green</b></p>

## Growing businesses: Identify actions needed to support priority sectors, aligned to the relevant leveling up missions:

Our delivery activities have always focused heavily on areas and sectors of opportunity, specifically energy, tech, health and life sciences and advanced manufacturing. Our delivery activity in these areas is included below.

Initiative	Progress since last Board meeting	Priority action for next two months	Decisions / issues / discussion points	RAG status
<b>Energy</b>				
<p><b>Accelerate regional low carbon energy projects across all seven local authority areas, to deliver on net zero goals.</b></p>	<p>Feasibility studies continue for Newcastle City Centre, Byker, Blyth and Cramlington heat networks and decarbonisation survey project.</p> <p>The Killingworth heat network and Northern Spire Park heat network feasibility studies are nearing completion.</p> <p>The deep geothermal scenario study involving both Newcastle and Durham Universities has started.</p> <p>One of the mine water boreholes (at Hebburn) has encountered difficulty establishing permeability (and therefore mine water flow) from the intended coal seam.</p> <p>Eight delegated decisions have been approved with grant offers of £150,000 in total.</p>	<p>Supporting Hebburn mine water project to explore an alternative heat extraction and discharge approach with specialist consultant, Northumbrian Water and coal authority.</p> <p>Support applications to government for funding for detailed project development work for these projects.</p> <p>Support the Killingworth project in the detailed project development phase.</p>		<p><b>Green</b></p>

<p><b>Work with partners in the North East and Yorkshire to ensure the successful transition of the Local Energy Hub to the Net Zero Hub, supporting the UK Net Zero strategy and wider Net Zero action.</b></p>	<p>The draft final evaluation report of the North East and Yorkshire Hub was considered at a full Board and Team away day in December 2022 and will be finalised in January in time for submission to BEIS.</p> <p>The visit from the region by Catherine Wright was successful and supported by a presentation of the work of the North East and Yorkshire Hub.</p> <p>The next three-year funding agreement for the Hub, which formalises the requirements of the transition to a Net Zero Hub, has been received from BEIS and accepted by the Board.</p> <p>A draft funding agreement for the North East LEP post has been received and is being reviewed.</p>	<p>The Hub Board will begin the process of developing a three-year implementation plan to deliver on the requirements of the funding agreement. Appropriate engagement arrangements in region will be developed.</p> <p>Work is required to develop project concepts for the Hub's strategic project fund.</p>		Green
<p><b>Coordinate the North East Energy Catalyst, enhancing collaboration through the partner and SME networks, and enabling delivery of the Energy Innovation Pipeline and an Energy Innovation Challenge Programme 2.</b></p>	<p>The second Energy Innovation Challenge programme has five regional SMEs in the cohort.</p> <p>A Catalyst board meeting was held where the project pipeline was shared, with an ask of partners to review and identify collaborative opportunities.</p> <p>Preparations have begun for delivery of the successful Clean Maritime Round 2 bid for the Clean Tyne project. The North East LEP assisting with dissemination. Consortium agreement has been signed off.</p> <p>A Spotlight on Green Hydrogen Event was hosted by Sunderland City Council early 2023.</p>	<p>Continue to refine the North East Energy Catalyst's project pipeline, identifying priority projects.</p> <p>Support the cohort of energy innovation challenge businesses.</p> <p>Prepare communications outputs based on the work of the Catalyst's Hydrogen working group, which together with partners can raise awareness of the region's hydrogen strengths.</p> <p>The Energy Innovation Partnership Manager is leaving at the end of January 2023 and the future of the North East Energy Catalyst is under discussion with Innovation SuperNetwork. There is a commitment to continue the role under the remit of Net Zero North East.</p>	<p>Agreement to be reached with Innovation Super Network on forward resourcing model for Energy Catalyst.</p>	Green

<p><b>Work with industry and public authorities to support cluster development in key energy and net zero sectors needed to level up the region, including offshore wind, EV and battery, and low carbon heat.</b></p>	<p>The Heat Network 22 conference was held in partnership with the Association for Decentralised Energy (ADE), Danish Embassy and BEIS. The event was hugely successful and well attended by national industry, regional partners and government, to shape a heat network cluster approach for the North East.</p> <p>An action plan has now been developed to take forward the development of the heat network cluster, and a follow up event will take place in 2023.</p> <p>An approach has been agreed to provide seven months' extension funding to the Energi Coast Offshore Wind cluster, to allow a longer-term funding strategy to be developed.</p> <p>The North East LEP energy team attended the Green Trade and Investment Expo, promoting the region's heat network opportunities.</p>	<p>Finalise and share the follow-up action plan with partners from the heat network conference and cluster growth senior leaders forum. Organise, in partnership with Newcastle University and the Danish Embassy, the next cluster event in the first quarter of 2023.</p>		<p><b>Green</b></p>
<p><b>Position the North East as a lead region in energy and net zero, e.g. by leading the national geothermal and mine energy taskforce, and progressing an energy masterplanning approach.</b></p>	<p>The UK Geothermal White Paper project has commenced with the British Geological Survey, due to complete in March 2023.</p> <p>A draft report has been received for review for the Heat Network Investment opportunities study by Amberside Capital.</p> <p>The North East LEP has supported Newcastle City Council to prepare a direct-to-Government proposal for a regional deep geothermal investment programme. This will be tabled at LA7 Economic Directors.</p>	<p>The first two tasks (out of four) of the geothermal white paper are now completed and the paper is expected to complete by the end of February.</p> <p>Finalise a communications plan further positioning the North East as the lead region for heat network investment nationally, utilising outputs from the heat networks event and studies.</p> <p>Work with government contacts and regional stakeholders to develop a forward plan for the Geothermal Taskforce.</p> <p>Support the launch of the Net Zero North East programme and event.</p>		<p><b>Green</b></p>

<b>Tech</b>				
<b>Establish a North East Tech Sector Strategy Group as part of the Business Growth Board.</b>	Establish a North East Tech Sector Strategy Group as part of the Business Growth Board.	Group established and the development of the Tech Sector Strategy is ongoing.		<b>Green</b>
<b>Work with the strategy group to develop North East tech sector development plan.</b>	Progress reported to LA7 Economic Directors early January 2023, who advised to progress strategy development to its next level. An opportunity to submit an Innovation Launchpad bid has been progressed and a bid focused on digital tech has been submitted.	Define strategic priorities and how to take forward plans in the context of devolution and the changing funding/delivery landscape. Await the outcome of the Innovation Launchpad bid – expected mid-January.		<b>Green</b>
<b>Publish the sector evidence base</b>	The digital tech evidence base has been published <a href="#">here</a> .	NA – the evidence base will be updated annually.		<b>Green</b>
<b>Establish a tech sector development plan delivery group to deliver the plan.</b>		To be established once strategy intervention discussion is completed.		<b>Amber</b>
<b>Secure resources and funding required to deliver the plan.</b>		Define resource requirements as strategy develops.		<b>Amber</b>
<b>Health and life sciences</b>				
<b>Following the COVID-19 pandemic, we will refresh the North East Health and Life Science strategy governance.</b>	Current Chair (Michael Whitaker) requested a pause in plans to create two groups (SMEs and Delivery Partners) until devolution is confirmed and this request has been granted.	Presentations made to the existing group for the Life Science Manufacturing Innovation Zone by Urban Foresight. Plus, an update from Karen Burgess on specific skills support in the sector particularly around hard-to-fill vacancies. Presentations discussed and shared.		<b>Amber</b>
<b>Modernise and grow pharmaceutical manufacturing by supporting diversification into new and emerging markets, supporting the adoption of industrial digitisation technologies and creating a framework to develop a pipeline of skills.</b>	Made Smarter continues to engage businesses across the sector to adopt industrial digitisation technologies.	Continue delivery of Made Smarter. Connect with skills team work on mapping the sector training needs and routes to support.		<b>Green</b>

<p><b>Increase the number of life science businesses that are born, grow and scale in the region by supporting the formation of university, NHS and corporate spinouts, developing a skills framework to create a skills pipeline that meets the needs of the sector and promoting the region's strengths.</b></p>	<p>Present and seek advice on how best to take forward the Life Science Zone recommendations from the Life Science Steering Group, Innovation and Business Growth Boards and LA7 Economic Directors.</p> <p>Extensive work looking at skills needs, key role shortages and potential training/progress routes has been progressed.</p> <p>The Life Science Innovation Zone proof of concept has incorporated recommendations on how to develop the ecosystem so more businesses start, scale and stay in the North East.</p>	<p>Monitor and report on partner progress in delivering the Health and Life Science Strategy.</p> <p>Develop closer links between businesses and the skills support and training pathways developed for life science companies.</p> <p>Explore opportunities to progress Life Science Innovation Zone as part of government's university-led Innovation Investment Zones (new approach to Investment Zones announced in Nov 22 spending review).</p>		<b>Amber</b>
<p><b>Ensure that the right infrastructure, connectivity and investment is in place to grow the sector.</b></p>	<p>Confidential developments continue to progress to support logistics and supply chains. Round table discussion was held with North East Pharma members to support the progression of these discussions.</p>	<p>Progress confidential discussions. Primary focus on routes into the US market.</p>		<b>Green</b>
<p><b>Broker access to a range of expert support and services across the health and care sectors through the Innovation Pathways through development of the AHSN's Innovation Pathway Omnia brokerage system – integrating it into the North East Growth Hub to support sector innovations and to help businesses break into the NHS.</b></p>	<p>AHSN have further developed the Omnia brokerage system.</p> <p>Meeting completed with AHSN to discuss AHSN collaboration with the North East Growth Hub.</p>	<p>Collaboration discussions between Growth Hub and AHSN around referral processes and key service profiles.</p>		<b>Green</b>
<p><b>Progress ecosystem development by completing the proof-of-concept study for the development of the Life Science Manufacturing and Innovation Zone and consider the findings and recommendations made.</b></p>	<p>LSMIZ project published in December and presented for consideration to the Innovation and Business Growth Boards, the Health and Life Sciences Steering Group and LA7 Economic Directors.</p> <p>Results shared with key organisations such as DIT, NGI and INEE to support inward investment opportunities and Biosphere 2 development.</p>	<p>Pursue and build on developments with DIT, NGI, INEE and LA7 to make best use of research findings and recommendations.</p> <p>Explore opportunities to progress Life Science Innovation Zone as part of government's university-led Innovation Investment Zones (new approach to Investment Zones announced in Nov 22 spending review).</p>		<b>Green</b>

## Advanced manufacturing

<p><b>Mobilise and begin delivery of the three year Made Smarter digital adoption in partnership with government and Tees Valley Combined Authority to support regional manufacturers to adopt industrial digitisation technologies.</b></p>	<p>New Advanced Manufacturing Programme Manager in place.</p> <p>Marketing campaign and Growth Hub Connectors-focused approach has seen an upturn in grant applications. Defrayment of grant on PO placement agreed with BEIS. Both should now ensure budget targets achieved.</p> <p>Procurement selected for SME Grants' Administration.</p> <p>Second 2022 cohort has started with nine businesses on board, the third cohort is starting end of January, with 14 businesses interested currently and 10 moved to onboarding. The third cohort will complete by March 2023.</p>	<p>Finalise grant management procurement. TVCA partnering agreement to be signed.</p> <p>Benchmark North East roadmaps and Made Smarter offer with North West and other areas.</p> <p>Complete cohort two. Ensure all grants are applied for and timely defrayed.</p> <p>On board minimum of 12 businesses for cohort three by mid January 2023.(10 onboarded so far). TVCA also currently on track.</p>	<p>Likely that some partners'/ suppliers' positions will change post ERDF - monitor situation and consider how this may affect Made Smarter delivery.</p>	<p><b>Green</b></p>
<p><b>Establish a North East Advanced Manufacturing Strategy Group as part of the Business Growth Board.</b></p>	<p>Evidence base has been published.</p> <p>Members of the strategy board have been identified. This has been slightly delayed due to the establishment of the Made Smarter programme board.</p>	<p>Arrange the first meeting of the strategy group. Present the evidence base for consideration.</p>	<p>Need to focus resource on mobilising Made Smarter and the recent transfer of Programme Management responsibilities has caused slight delays.</p>	<p><b>Amber</b></p>
<p><b>Work with the strategy group to develop a North East advanced manufacturing sector development plan.</b></p>	<p>Will commence once the strategy group recruitment has been finalised.</p>	<p>Arrange the first meeting of the strategy group. Present the evidence base for consideration.</p>	<p>First meeting held.</p>	<p><b>Amber</b></p>
<p><b>Establish an Advanced Manufacturing Sector development plan delivery group to deliver the plan.</b></p>	<p>Will commence once the strategy group has been established and strategic themes defined.</p>	<p>Work with strategy board to consider delivery group membership.</p>		<p><b>Amber</b></p>
<p><b>Secure resources and funding required to deliver the plan.</b></p>		<p>Define resource requirements as strategy develops.</p>		<p><b>Amber</b></p>

<b>Innovation</b>				
<b>Stimulate new business opportunities through the North East Open Innovation Challenge, with specific delivery focused on the £880,000 North of Tyne project.</b>	During this period, 108 EOIs were received which led to 93 applications (61 for the ageing challenge and 32 for the decarbonisation challenge).	Accept up to 50 businesses onto the programme, launch accelerator programme and appoint evaluators.		<b>Green</b>
<b>Work intensively with the nine priority innovation projects to support them into delivery and understand how we can support 11 more to develop their business cases.</b>	Reviewed status of innovation projects on the pipeline in terms of refining the broader North East LEP priority project pipeline.	Work with wider North East LEP team to prioritise, lobby and add value to the development of our key projects.		<b>Amber</b>
<b>Work with regional partners to shape the region's response to the innovation component of the Levelling Up White Paper, to capitalise on the region's research and innovation capability and agree an approach to embed innovation into businesses across the region.</b>	The innovation board discussed the future focus of the innovation programme at December's meeting. The board tasked the innovation team with reviewing the evidence base and proposing two or three areas of focus for the future programme.	Innovation team to review evidence and propose areas of focus for future programme. Support the completion of regional UKSPF commissioning framework.	It is widely accepted that Innovation activities are best delivered regionally – it's unclear how the emerging funding landscape (e.g. UKSPF) will support/enable regional delivery models. and system issues.	<b>Amber</b>
<b>Increase private sector investment into growing innovation businesses, ensuring innovation is positioned within the successor to the North East Fund, Venture North and Northern Accelerator.</b>	We are working with the North East Fund (NEF) Ltd and North East Access to Finance to prepare for the British Business Bank consultation on the Northern Powerhouse successor fund 2024. LA7 Economic Directors positively received the North East Fund Ltd extension proposition	Continue to work with NEF, NEA2F and LA7 Executive Directors and Financial Directors on the successor plan for the North East Fund. Next step is for the LA7 to sign off on the principle of the proposal.		<b>Green</b>
<b>Deliver the UK Community Renewal Fund project, 'future markets acceleration project' by October 2022, as awarded by Gateshead and Sunderland local authorities.</b>	All delivery is now complete and final claims submitted to funders. 61 businesses and organisations were supported in the Gateshead area which led to 15 outcomes. 49 businesses and organisations were supported in Sunderland which led to 19 outcomes.	Approve programme evaluation and share with funders and interested parties.		<b>Green</b>

<p><b>Work in partnership with local and combined authorities to highlight the investment opportunities from the innovation project pipeline to secure investment from the UK Shared Prosperity Fund.</b></p>	<p>Innovation pipeline being integrated into broader North East LEP priority project pipeline. We continue to work closely with SPF lead authorities on the development of regional commissioning and programme frameworks and highlight the innovation opportunities and projects to local authority and combined authority colleagues making decisions around investment.</p>	<p>Develop case studies on the priority projects and why they have been selected.</p>		<p><b>Amber</b></p>
<p><b>Support seven Innovation Delivery Partnerships to develop their plans.</b></p>	<p>Discussions were held with two IDP leads to understand the main benefits of partnership.</p>	<p>Evolution of the model and prioritisation of IDPs will be incorporated into the ongoing work to determine the future focus of the innovation programme.</p>		<p><b>Amber</b></p>
<p><b>Publish the Economic Markets Foresight Analysis study and integrate findings into future strategy and funding development.</b></p>	<p>The Emerging Markets section of the Evidence Hub was presented to Innovation board in December and next steps were discussed. Autonomous and Electric Vehicles, Bio Pharmaceuticals and Smart Grids were the most viewed market profiles on the Evidence Hub during this period.</p>	<p>Create additional pages on Evidence Hub to provide further insight into global trends. Launch comms campaign to raise awareness of evidence base and illustrate how the evidence can be used by businesses, education institutes, support organisations and investors. Evidence base to be used to underpin future focus of innovation programme.</p>		<p><b>Green</b></p>
<p><b>Facilitate connections and collaborations between national and regional partners including UKRI/ Innovate UK, NP11 and the Innovation SuperNetwork to boost innovation activity in the region.</b></p>	<p>UKRI were engaged in the appraisal process for the Challenge North Tyne programme to help select cohort from 90+ applications.</p>	<p>Monitor Innovation Launchpad application progress. Stakeholders will be engaged in process to determine future focus of innovation programme.</p>		<p><b>Amber</b></p>

## Managing funds: Monitoring and assurance pertaining to existing local growth programmes and funds for which LEPs are responsible

Initiative	Progress since last Board meeting	Priority action for next two months	Decisions / issues / discussion points	RAG status
<p>We will continue to manage the following funding streams in line with the North East Assurance Framework. Activity will involve working with partners to develop project business cases and agree investments, then ensure legal and financial compliance and documentation is in place for management and audit purposes. We will continue to monitor delivery and output generation with partners and report to government quarterly.</p>	<p>Annual Performance Review documentation prepared and submitted to government. Assurance framework annual review with necessary changes is being reported to this Board meeting. Board Member Registers of Interest updated and published on website. Publication of funding awards on North East LEP website.</p>	<p>Publish latest Subsidy Awards on National Transparency database. Hold Annual Performance Review meeting between the North East LEP and government in February.</p>		Green
<p>Local Growth Fund Legacy £9 million planned expenditure 2022/23.</p>	<p>Quarterly monitoring forms issued for Q3. Review of projects with remaining expenditure and delivery risks in Newcastle. EV charging infrastructure project meeting held to review slow progress and assess likelihood of full completion in 2023/24. Report to this Board meeting includes mitigation to help achieve full and final budget spend in 2023/24.</p>	<p>Undertake quarterly project review meetings and receive Q3 monitoring returns and claims. Continue to receive final project audits and/or evaluations. Resolve with Newcastle City Council all outstanding historic project audits. Assess delivery and sustainability risks for a voluntary sector project in Durham.</p>	<p>The 'Delivery theme' rating by government in the Annual Performance Review this year may be adversely impacted by slippage in project spend into 2023/24.</p>	Amber
<p>Getting Building Fund legacy £11 million planned expenditure 2022/23.</p>	<p>Quarterly monitoring forms issued for Q3.</p>	<p>Undertake quarterly project review meetings and receive Q3 monitoring returns and claims. Arrange press releases for those projects coming to fruition.</p>	<p>The 'Delivery theme' rating by government in the Annual Performance Review this year may be adversely impacted by slippage in project spend into 2023/24</p>	Amber

Enterprise Zone sites infrastructure programme £25 million.	<p>Quarterly monitoring forms issued for Q3.</p> <p>Further review of interest rates on local authority loans to minimise costs of higher rates of interest.</p> <p>Still on budget income projections for 2022/23 however expenditure on infrastructure is below forecast.</p> <p>Project monitoring visits held for sites North of Tyne.</p>	<p>Receive Q3 monitoring returns and claims.</p> <p>Full EZ update report planned to go to March Board.</p> <p>Port of Tyne are exploring opportunities for further investment on Tyne Dock EZ – discussions planned.</p> <p>Explore opportunities to extend incentives on existing EZ sites with government departments to attract new investment.</p>		<b>Amber</b>
North East Investment Fund programme £7 million Commercial Property Investment Fund North East Property Investment Fund schemes.	New Commercial Property Investment Fund Legal Partnership Agreement was signed.	Formal launch of Commercial Property Investment Fund programme with successful fund manager, FW Capital, in late January.	There are three projects where loan repayments are under review, with plans to update and report to the Investment Board on 2 March 2023.	<b>Green</b>
Enterprise Zone surpluses programme £2 million (Project Acceleration Development budget allocation).	No further project calls planned from budget balance.			<b>Red</b>
Project Development Accelerator Fund £1 million planned expenditure 2022/23.	Quarterly monitoring forms issued for Q3.	<p>Receive Q3 monitoring returns and claims and meet with project leads to discuss progress.</p> <p>Arrange press releases for those projects coming to fruition.</p>	Two projects will now complete in early 2023/24.	<b>Green</b>

Added value				
Initiative	Progress since last Board meeting	Priority action for next two months	Decisions / issues / discussion points	RAG status
We will work with partners to inform and support delivery of a number of regionally significant projects using the funding available to us.	Flexible support is being offered to approved projects where project delivery challenges have been experienced.			Green
<p>We will lead the coordination of the regional access to finance work to ensure future programmes meet the needs of North East businesses. This includes preparation work to understand the supply and demand issues and reaching regional consensus to inform the development of:</p> <ul style="list-style-type: none"> <li>• The second tranche of the Northern Powerhouse Investment Fund for implementation by the British Business Bank in autumn 2023.</li> <li>• The successor fund to the regional North East Fund Limited for implementation in January 2024.</li> </ul>	<p>We have developed a submission to British Business Bank (BBB) for consideration ahead of their regional engagement sessions.</p> <p>We are progressing the LA7 approval for the NEF2 extension.</p>	Liaise with BBB on the regional engagement session for NPIF2.		Green

## Highlights from the past two months

Below is a summary of the content we have issued to support projects and initiatives as well as strategic announcements and activity from November 2022 to 13 January 2023.

### Corporate

#### North East LEP comment on devolution deal announcement

Commenting on December's announcement of a devolution deal for North East, Lucy Winskell OBE, Chair North East Local Enterprise Partnership said: "This devolution deal is a hugely positive move for the region and marks a step change in our levelling up journey. The region has come together and is committed to seeing the North East succeed. The development heralds new funding and decision-making powers that will unlock the creation of more and better jobs, allow us to seize new opportunities, address issues that are holding us back and critically, to compete where we have strengths on a national, sectoral and global stage, and most importantly to do this in partnership. As things progress, the North East LEP will come together with the new mayoral combined authority, allowing for a co-ordinated approach with one strong voice and a laser focus on delivery of everything this proud region and its diverse communities need to thrive." Read the announcement press release [here](#).

#### Opportunity to join the North East LEP Board

The North East LEP is looking to recruit new private sector Board members, who have a strong connection to and knowledge of the North East and its economy and who can provide a significant contribution to the creation of more and better jobs and is especially keen to hear from people who have experience of leadership within the tech and life sciences sectors. More details can be seen [here](#). Six applications were received and a short list and interviews have been scheduled.

#### North East LEP response to autumn statement

Helen Golightly OBE, Chief Executive of the North East LEP, commented on November's autumn statement, saying: "Jeremy Hunt's priority was to stabilise the economy and protect the most vulnerable at a time when the economic prospects look bleak for a sustained period. The OBR have confirmed that the UK is in a recession. The changes to tax and spending will impact across people in most income bands in the region and reduce money available for public services. We welcome the commitment to continue to support our residents through the energy price cap. For businesses and the economy,

the continuing commitment to capital and research expenditure is welcome, as is the additional support to people in the labour force given OBR predictions of a rise in unemployment. For the North East, we await to hear more about our devolution deal, Shared Prosperity Funding and the revised Investment Zones proposal."

#### Airport Advertising

Final install of the replacement of the existing Newcastle Airport advertising was completed in November. The adverts were refreshed using the same style and branding as the previous ones as they had become damaged and worn.

The new imagery, taken from all seven local authority areas, shows examples of our regional economic and business assets as well as our quality of life.

### Business, Innovation and sector growth

#### Showcasing our regional innovation and demonstration capabilities

2022 has been a busy year for the region's energy sector, with new investments, major events, and progress towards achieving the North East's net zero goals. David Lynch, Energy Innovation Partnership Manager at the North East Local Enterprise Partnership, takes a look back in his new blog post which you can read [here](#).

#### North East Growth Hub Connectors

New profiles of the Growth Hub Connectors have been published and shared via social media, with the aim of increasing enquiries to the team. Case studies with businesses that have benefited from the Connector service are also underway. See the profiles [here](#).

#### Made Smarter Adoption North East

Following the successful campaign to recruit manufacturing businesses to join the Made Smarter Adoption North East programme in September - November 2022, the communications campaign is being delivered again through January - March 2023. The campaign in 2022 generated 54 EOIs, with a conversion rate of 42% in the North East LEP area and 63% in the Tees Valley Combined Authority area. Find out more about Made Smarter Adoption North East [here](#).

## Skills, employment, inclusion and progression

### Success for Opportunity North East Careers Pilot

A ground-breaking pilot has demonstrated the importance of targeted and personalised Careers Education, Information, Advice and Guidance (CEIAG) in improving post-16 destinations for young people. The two-year pilot project, led by the North East Local Enterprise Partnership (LEP), was part of the Department for Education's (DfE) Opportunity North East programme and commitment to improve education and boost productivity in the North East. Overall, 28 schools were involved – 16 in the North East LEP area. Each school identified up to 30 pupils identified as having an increased risk of becoming NEET (Not in Education, Employment or Training). [Find out more.](#)

### Importing and exporting knowledge and ideas to help bring economic benefits to the North East

A delegation from the North East, including the North East LEP, the CBI, Department for Work and Pensions, education providers and Transport North East, was invited by the British Embassy in Berlin to share learning on tackling climate change through sustainable transport, while also creating economic benefits for communities. Following the visit, Michelle Rainbow, Skills Director at the North East LEP, gave an update on the resulting knowledge exchange with Bavaria which can be seen [here](#). A news release about the visit can be read [here](#).

### Primary schools in County Durham, South Tyneside and Sunderland offered the opportunity to participate in £2.6m Department for Education (DfE) backed programme

The Careers & Enterprise Company (CEC) and North East LEP invite primary schools in County Durham, South Tyneside and Sunderland to be one of 300 primary schools nationally to be involved in Year 1 of 'Start Small, Dream Big' - a new career-related learning project. More information can be found [here](#).

### Pathways to Success

From January 2023 the new, strengthened Provider Access Legislation will require all maintained schools and academies to provide six encounters with providers of technical education or apprenticeships for year 8 to 13 pupils. Key information from the Careers & Enterprise Company can be found [here](#). Michelle Rainbow, Skills Director at the North East Local Enterprise Partnership, places the forthcoming [Provider Access Legislation](#) within the context of the [North East Strategic Economic Plan](#). Read more [here](#).

## Funding

### Getting Building Fund and Local Growth Fund

Project milestones for both programmes are continuing to be championed via the North East LEP's social media platforms. The North East LEP is also working with recipients to ensure funding from the Getting Building Fund and the Local Growth Fund is credited in all marketing and communications activity.

The North East LEP is planning to develop a video showcasing the positive impact of the Getting Building Fund in advancing key infrastructure projects across the region.

## Priorities for the next two months

- Support the devolution communications and engagement process where required
- Plan and execute the LEP's Annual General Meeting to be held on 16 February 2023.
- Re platform of the North East Growth Hub as the final site to move into the new infrastructure model.
- Deliver a communications and engagement plan around the Emergent Markets study that has been published on the Evidence Hub

## Forward plan of content

Topic	Description	Type	Estimated date of issue
<b>Corporate</b>			
Net Zero North East England	Publish and share findings from engagement session and next steps	<ul style="list-style-type: none"> <li>• Web content</li> <li>• E-newsletter</li> </ul>	WC 23 Jan
North East Evidence Hub	Focus on driving traffic and engagement to the site. Content for the next two months includes publication of apprenticeship research, Growth Hub evaluation, and a number of data released around trade and higher education.	<ul style="list-style-type: none"> <li>• Web content</li> <li>• Digital marketing</li> <li>• Blogs</li> </ul>	Ongoing
Northern Insight magazine	Use of monthly page to highlight the recent devolution announcement	<ul style="list-style-type: none"> <li>• Advertorial</li> </ul>	Monthly
<b>Business and sector growth</b>			
North East Growth Hub Connectors	Campaign to increase enquiries to Connectors	<ul style="list-style-type: none"> <li>• Business case studies</li> <li>• Photoshoot</li> </ul>	Ongoing
North East Growth Hub toolkits	Ongoing review, updates and promotion	<ul style="list-style-type: none"> <li>• Content development</li> <li>• Digital marketing</li> </ul>	Ongoing
Growth Hub bulletins	Monthly updates issued to business support providers and our Growth Hub database	<ul style="list-style-type: none"> <li>• E-newsletter</li> </ul>	Ongoing

## Innovation

<b>Challenge North Tyne</b>	Campaign activities to encourage awareness of the programme	<ul style="list-style-type: none"><li>• Social media</li><li>• Website development</li></ul>	Ongoing
<b>North East Energy Catalyst</b>	Highlight benefits of engaging with Catalyst	<ul style="list-style-type: none"><li>• Video case study</li></ul>	January 2023
<b>Emergent markets</b>	Communications campaign on evidence base	<ul style="list-style-type: none"><li>• Comms campaign</li></ul>	January - March 2023

## Skills, employment, inclusion and progression

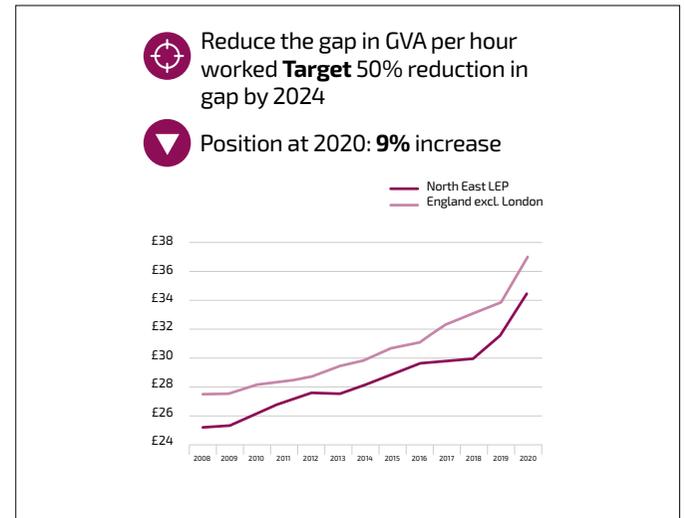
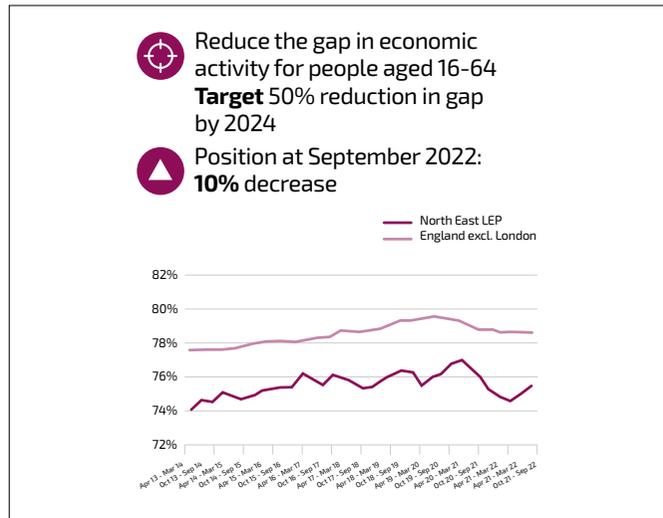
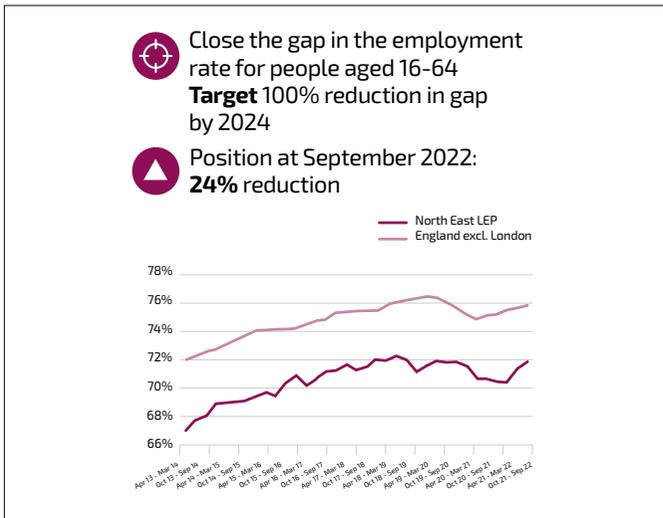
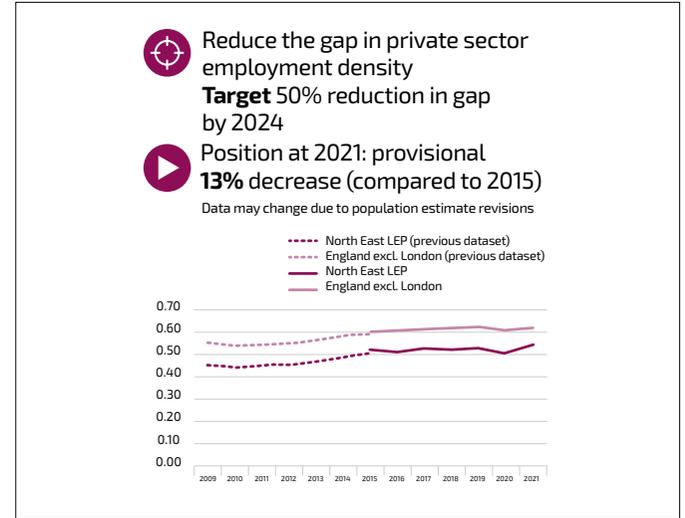
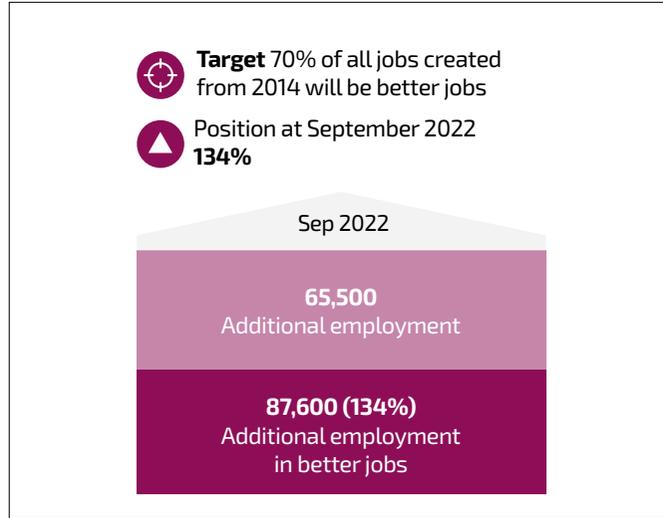
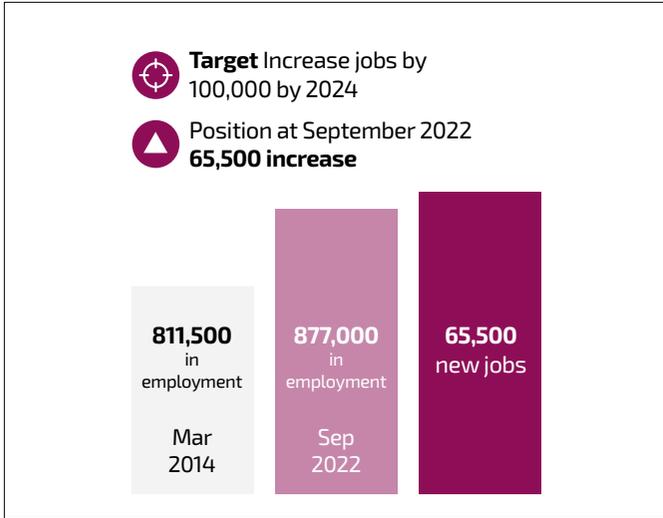
<b>Apprenticeships</b>	Event support for Future Proof Your Workforce event and publish and promote report on the Evidence Hub.	<ul style="list-style-type: none"><li>• Event comms</li><li>• Social media</li><li>• Evidence Hub content development</li></ul>	January - February 2023
<b>Regional Careers Network Meeting</b>	Event support for the quarterly Careers Network Meeting	<ul style="list-style-type: none"><li>• Event Comms</li></ul>	February 2023
<b>Skills Bulletins</b>	Creation and distribution of monthly skills bulletins	<ul style="list-style-type: none"><li>• Newsletter comms support</li></ul>	January - February 2023
<b>Skills Summit Event</b>	Event support planning for a Skills Summit event in Spring 2023	<ul style="list-style-type: none"><li>• Event Comms</li></ul>	Spring 2023
<b>LMI content development</b>	Website development to translate LMI data across platforms	<ul style="list-style-type: none"><li>• Website development and comms support</li></ul>	February - March
<b>Website audit</b>	Audit of content on the North East Ambition website	<ul style="list-style-type: none"><li>• Website development</li></ul>	Spring 2023

## Investment

<b>VCSE funding</b>	Rolling communications plan highlighting outcomes of funded projects		Ongoing
<b>Getting Building Fund</b>	Rolling communications plan highlighting outcomes of funded projects	• Liaison with partners	Ongoing
<b>Local Growth Fund</b>	Rolling communications plan highlighting outcomes of funded projects	• Northern Gas Network and ORE Catapult projects to advance in 2023	January 2023

# North East Strategic Economic Plan

## Target update January 2023



**26<sup>th</sup> January 2023**

**ITEM 6: Update on the projected 2022/23 revenue budget outturn;  
and indicative budget for 2023/24**

**1. Introduction**

- 1.1 The purpose of this report is to provide an update to the Board on the North East Local Enterprise Partnership (North East LEP) revenue budget position for the current financial year (2022/23), and to provide an indicative budget for next financial year (2023/24). This report also provides an updated budget position in relation to the Enterprise Zone (EZ) account, and an update on the Local Growth Fund (LGF), the Getting Building Fund (GBF), and the North East Investment Fund (NEIF).
- 1.2 As in previous years, we bring an indicative outturn report for 2022/23 and an indicative budget for 2023/24 to the January LEP Board each year, followed by an updated position about funding and an updated budget position to the May LEP Board each year.
- 1.3 The Government's LEP Review concluded in March 2022 with the publication of 'Guidance on integrating Local Enterprise Partnerships into local democratic institutions' which anticipated that LEPs will fully integrate into local democratic institutions. In the North East, it is proposed that the North East LEP along with the North East Combined Authority, the North of Tyne Mayoral Combined Authority, Transport North East and Invest North East England will come together to create the new North East Mayoral Combined Authority (NEMCA) in May 2024. The North East LEP is currently working with its accountable body, the North of Tyne Combined Authority, to develop an integration plan, which will inform the budget paper coming to the May 2023 LEP Board.

**2. North East LEP 2022/23 Revenue Budget**

- 2.1 The North East LEP core Budget covers LEP operational activity and also the fund management of LGF, GBF, EZ income and NEIF. Table 1 provides a summary of the revised revenue budget for 2022/23 showing changes to previous versions brought to the Board in January 2022 and May 2022, with supporting notes provided below.
- 2.2 The North East LEP Board agreed a provisional revenue budget for 2022/23 of £5.878m in January 2022 and an updated revenue budget of £6.480m in May 2022. With a higher gross income estimate in May 2022 of £6.937m, the projected drawdown from the EZ reserve had reduced from £0.254m in January to £0.083m in May.
- 2.4 The total revenue expenditure in 2022/23 is estimated to be £8.320m, which is £1.840m more than estimated in May 2022. This increase in revenue expenditure is due specifically to new funding streams being secured to

deliver skills activity and the associated operational expenditure budgets. Gross income has also increased in line with expenditure estimated to be £8.342m compared to £6.697m in May 2022, an increase of £1.945m. This increase in income is estimated to result in a positive surplus position at year end of £0.022m compared to the net budget position of £0.083m deficit reported to the May 2022 LEP Board.

2.5 This follows the pattern in previous years, where a cautious view on income and a prudent provision for costs, results in an estimated call on reserves at the start of the year, and additional income or lower costs in the year reduces the call on reserves at the year end.

2.6 The original 2022/23 budget reported in January 2022, and subsequently in May 2022 shows the estimated net budget deficit being funded by Enterprise Zone (EZ) Account surpluses. It was agreed by LEP Board some time ago that up to £0.500m in any one year could be utilised from the Enterprise Zone Account surplus. This has not been called upon in previous years, as the LEP has always secured additional income. Due to the decrease in core LEP funding provided by central government in 2022/23, a conscious decision was made to maintain the LEP Reserve and draw on the EZ Reserve as required. At the point of writing this report there has been no confirmation on LEP Core funding for 2023/24 from government, it is therefore intended to utilise the £0.500m EZ reserve in 2022/23 to enable a higher reserve to be carried forward into 2023/24, with the anticipation that a further £0.500m will be drawn down in 2023/24 to support the preparation work and provide transition funding, whilst continuing to deliver LEP activity as the LEP transitions into the new Mayoral Combined Authority.

<b>LEP Reserve (May 2022)</b>	<b>2022/23 Estimated Surplus</b>	<b>Drawdown of EZ Reserve</b>	<b>LEP Reserve c/f (May 2023)</b>
<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
0.701	0.022	0.500	1.223

2.7 The main budget variations for 2022/23 revised budget are summarised below.

### **Employee Costs**

2.8 Employee costs have increased slightly from £3.171m in May to £3.209m (£0.038m). This increase is due primarily to recruitment of additional staff following securing additional skills funding.

### **Other Costs**

2.9 Other operational cost budgets show an increase of almost £1.8m, this primarily relates to new grant income streams, primarily in the skills work programme, such as Bootcamp Funding (£1.506m), in addition to CODE (Collaboration of Digital Expertise), CEC Effective Transition Funding and DfE Funding (£0.302m).

Table 1. North East LEP Revenue Budget	Original Budget 2022/23 (Jan 2022)	Original Budget 2022/23 (May 22)	Revised Budget 2022/23 (Jan 2023)	(Under)/Over Variance to Original Budget (May 2022)
	£'000	£'000	£'000	£'000
Employees	3,332	3,171	3,209	38
Strain on the Fund	0	0	18	18
Redundancy Costs	0	62	67	5
Premises	228	207	240	33
Communications	250	200	200	0
Other Operational Costs (Core)	619	587	301	(286)
Business Growth Business Support	153			
Growth Hub Operational Costs (L6019)	244	229	103	(126)
Made Smarter	437	473	558	85
LGF High Potential Operational (L6047)	0	40	53	13
Life and Health Sciences (L6059)	0	48	48	0
Peer Networks	0	0	0	0
Energy Operational Costs	0	0	26	26
BEIS NEY HUB Geothermal/Heat Network/Energy Accelerator	0	0	100	100
Innovation Challenge Covid	0	0	0	0
Future Markets Acceleration Fund Ghead	68	137	92	(45)
Future Markets Acceleration Fund Sunderland	0	186	36	(150)
Challenge North of Tyne	0	438	470	33
Brexit Policy Work Programme (Strategy & Policy)	27	0	0	0
Trade and Export Strategy	6	20	18	(2)
NP11	0	0	0	0
North East Ambition Operational Costs 1	0	59	9	(50)
North East Ambition Operational Costs 2	135	126	126	0
Skills Operational BOSS, KS, CODE	187	0	200	200
Bootcamps	0	0	1,561	1,561
Skills Operational CEC, DfE	0	316	418	102
CEC Effective Transitions Fund	0	0	62	62
NTCA Careers	0	0	20	20
Inward Investment Contribution	0	0	0	0
EZ, NEIF Costs	95	100	100	0
CPIF	0	0	0	0
LGF Project Management	22	22	195	173
GBF Project Management	76	61	91	30
<b>GROSS EXPENDITURE</b>	<b>5,878</b>	<b>6,480</b>	<b>8,320</b>	<b>1,840</b>
LEP Core & Strategy Grant from DCLG	(500)	(375)	(375)	0
Local Authority Match Contributions	(250)	(250)	(250)	0
<b>CORE FUNDING</b>	<b>(750)</b>	<b>(625)</b>	<b>(625)</b>	<b>0</b>
LGF Project Management	(512)	(431)	(541)	(110)
GBF Project Management	(201)	(196)	(215)	(19)
Interest Generated on Funds	(110)	(110)	(110)	0
Growth Hub	(780)	(390)	(390)	0
Growth Hub Business Support	(154)	0	0	0
Made Smarter	(600)	(600)	(697)	(97)
LGF High Potential	0	(40)	(53)	(13)
Peer Networks	0	0	0	0
Academic Health Science Network (AHSN)(LGF)	(40)	(48)	(48)	(0)
Energy Accelerator	0	(180)	(90)	90
Energy Strategy BEIS / TVCA / LGF	(36)	(64)	(159)	(95)
BEIS NEY HUB Geothermal/Heat Network/Energy Accelerator	(180)	0	(100)	(100)
Energy Commissioning Studies	(163)	0	0	0
Innovation Challenge Covid	0	0	0	0
CRF Future Market Acceleration Programme Ghead	(68)	(148)	(92)	56
CRF Future Market Acceleration Programme Sunderland	0	(186)	(73)	113
Challenge North of Tyne	0	(498)	(470)	28
Internationalisation Policy Work	(67)	(92)	(58)	34
Trade and Export Strategy	(6)	(20)	(18)	2
NP11	0	0	0	0
European Social Fund North East Ambition 1	(167)	(169)	(243)	(74)
European Social Fund North East Ambition 2 (Mar 23)	(896)	(859)	(859)	(0)
FRIC Monies	0	(321)	(260)	61
Skills BOSS CODE KickStart	0	0	(157)	(157)
Bootcamps	0	0	(1,561)	(1,561)
Enterprise Adviser grant - CEC	(330)	(715)	(723)	(8)
CEC Effective Transitions Fund	0	0	(62)	(62)
Education Challenge	0	(21)	(21)	0
DfE	(75)	(79)	(76)	3
DfE - One Vision	(47)	(192)	(181)	11
NTCA Careers	0	0	(20)	(20)
NTCA Transitions	0	0	(13)	(13)
NEIF Contribution to cover activity costs	(110)	(147)	(125)	22
EZ Contribution to cover activity costs	(87)	(32)	(62)	(30)
Contribution Pension - NTCA	(145)	(134)	(140)	(6)
Other Income	(100)	(100)	(100)	0
<b>EXTERNAL FUNDING</b>	<b>(4,874)</b>	<b>(5,772)</b>	<b>(7,717)</b>	<b>(1,945)</b>
<b>GROSS INCOME</b>	<b>(5,624)</b>	<b>(6,397)</b>	<b>(8,342)</b>	<b>(1,945)</b>
<b>NET BUDGET</b>	<b>254</b>	<b>83</b>	<b>(22)</b>	<b>(105)</b>
<b>BROUGHT FORWARD BALANCE</b>	<b>(748)</b>	<b>(701)</b>	<b>(701)</b>	
<b>Use or (Contribution) LEP Reserves</b>		<b>0</b>	<b>(22)</b>	
<b>EZ Contribution</b>	<b>(254)</b>	<b>(83)</b>	<b>(500)</b>	
<b>CARRY FORWARD BALANCE</b>	<b>(748)</b>	<b>(701)</b>	<b>(1,223)</b>	

### **3. LEP 2023/24 revenue budget**

- 3.1 The indicative revenue budget for 2023/24 reflects the latest known information of income for 2023/24 with the employee and operational costs required to meet the delivery associated with the individual income streams.
- 3.2 The estimates in this report are an indicative estimate, with a more accurate budget position expected to be known in March before the start of the new financial year, when more information about grant income available for 2023/24 should be known. In previous years, government have announced funding for the following year in March, the month before the financial year begins.
- 3.3 A summary of the indicative budget for 2023/24 is set out in Table 2 overleaf. The indicative figures show a 16.5% decrease in gross expenditure from £8.320m to £6.950m and a 26.4% decrease in gross income from £8.342m to £6.135m. The overall effect is an indicative net deficit of £0.815m.
- 3.4 Employee costs reflect a decrease of £0.172m from £3.209m estimated for 2022/23 to £3.037m in 2023/24. The estimate takes into account an increase to employer's pension contribution from 5.2% to 15.1% in 2023/24. An assumed 2% pay award has also been factored into employee costs for 2023/24, although a flat rate was agreed for 2022/23 of £1,925, it is unclear what level of pay award may be awarded in 2023/24, hence 2% is a prudent estimate. Taking these factors into account, employee costs show a real reduction of approximately £0.300m which is due to the full year effect of the redundancies made in 2022/23, and also in part through staff leaving for jobs elsewhere.
- 3.5 A contribution equivalent to the level of the employer's pension contribution (£0.366m) is received from the Accountable Body NTCA, following an agreement reached between the LEP and NTCA, when the LEP changed accountable bodies from the North East Combined Authority.
- 3.6 The reduction in gross income is due to the cessation of grant funding streams, either due to the project coming to a natural close in line with the expected term of the project, such as Challenge North of Tyne and Future Funds Accelerator Funding (£0.392m); or where future funding is not secured as yet, such as North East Ambition (£0.272m) and Enterpriser Advisor Grant (£0.493m).
- 3.7 The Local Growth Fund (LGF) and Getting Building Fund (GBF) programme management income, (£0.349m) and (£0.176m) respectively, is also contributing to the reduction in gross income as the legacy schemes funded through LGF and GBF come to a close and subsequently the programme management costs reduce in line.

Table 2 North East LEP Revenue Budget	Revised Budget 2022/23 (Jan 2023)	2023/24 Base Budget (May LEP Board)	Variation
	£'000	£'000	£'000
Employees	3,209	3,037	(172)
Premises	240	240	0
Communications	200	200	0
Other Operational Costs	301	600	299
Reduction in Operational Costs	0	(150)	(150)
Redundancy including Strain on the Fund	85	0	(85)
Growth Hub Operational Costs	103	229	126
Made Smarter	558	665	107
LGF High Potential Operational	53	0	(53)
Academic Health Science Network (AHSN)	48	0	(48)
Energy Programme Operational Costs	26	5	(21)
BEIS NEY HUB Geothermal/Heat Network/Energy Accelerator	100	0	(100)
Future Markets Acceleration Fund Gateshead	92	0	(92)
Future Markets Acceleration Fund Sunderland	36	0	(36)
Challenge North of Tyne	470	242	(228)
North East Ambition Operational (ESF) 1	9	9	0
North East Ambition Operational (ESF) 2	126	141	15
Bootcamps	1,561	1,130	(431)
Skills Operational CEC, DfE, BOSS	618	230	(388)
CEC Effective Transition Funds	62	50	(12)
NTCA Careers	20	49	29
NTCA Transitions	0	25	25
Trade and Export Strategy	18	22	5
Norther Powerhouse11	0	15	15
EZ NEIF Costs	100	100	1
LGF Project Management	195	93	(102)
Getting Building Fund Project Management	91	18	(73)
<b>GROSS EXPENDITURE</b>	<b>8,320</b>	<b>6,950</b>	<b>(1,370)</b>
LEP Core & Strategy Grant from DCLG	(375)	(375)	0
LEP/GBF Capacity Funding		0	0
Local Authority Match Contributions	(250)	(250)	0
<b>CORE FUNDING</b>	<b>(625)</b>	<b>(625)</b>	<b>0</b>
Local Growth Fund (Programme Mgmt)	(541)	(192)	349
Getting Building Fund (Programme Mgmt)	(215)	(39)	176
Interest Generated on Funds	(110)	(100)	10
Growth Hub	(390)	(390)	0
Enterprise Adviser grant - CEC		(234)	(234)
Future Markets Acceleration Fund Gateshead	(92)	0	92
Future Markets Acceleration Fund Sunderland	(73)	0	73
Challenge North of Tyne	(470)	(243)	227
Academic Health Science Network (AHSN)	(138)	0	138
NEIF Contribution to cover activity costs	(125)	(153)	(28)
EZ Contribution to cover activity costs	(62)	(35)	27
Education Challenge	(21)	0	21
North East Ambition 1 (ESF)	(243)	(194)	49
North East Ambition 2 March 2023	(859)	(636)	223
FRIC Monies	(260)	0	260
Skills, BOSS, CODE, Kickstart	(157)	(226)	(69)
Bootcamps	(1,561)	(1,130)	431
Enterpriser Advisor Grant	(723)	(230)	493
NTCA Careers	(20)	(49)	(29)
NTCA Transitions	(13)	(25)	(12)
DfE	(76)	(50)	26
CEC Effective Transition Funds	(61)	0	61
LGF High Potential	(53)	0	53
Brexit Policy Work Programme	(58)	(34)	24
NTCA Contribution	0	(50)	(50)
Trade and Export - World Wide Chamber	(18)	(22)	(4)
Norther Powerhouse11	0	(15)	(15)
Made Smarter	(697)	(800)	(103)
Energy Accelerator LA Contributions	(259)	(75)	184
Energy Strategy BEIS/TVCA/LGF	0	(59)	(59)
DFE - One Vision	(182)	(62)	119
Contribution Pension - NTCA	(140)	(366)	(226)
Other Income	(100)	(100)	0
<b>EXTERNAL FUNDING</b>	<b>(7,717)</b>	<b>(5,510)</b>	<b>2,206</b>
			0
<b>GROSS INCOME</b>	<b>(8,342)</b>	<b>(6,135)</b>	<b>2,206</b>
			0
<b>NET BUDGET</b>	<b>(22)</b>	<b>815</b>	<b>836</b>
	<b>2022-23</b>	<b>2023-24</b>	
LEP Reserves brought forward	(701)	(1,223)	
In year (surplus) /deficit	(22)	815	
Contribution from EZ	(500)	(500)	
Reserves carry forward	(1,223)	(908)	

- 3.8 In November 2014, the Board agreed that Enterprise Zone Business Rates Growth Income (EZ BRGI) surplus of up to £0.500m per annum could be utilised to support the revenue budget if required. To date there has not been a requirement to use this facility and therefore in effect saving £2.500m of potential spend from the EZ account. However, due to the anticipated drop in funding and core funding remaining fixed at the same level as 2022/23, although this may reduce further in line with the LEP Review and the integration into the New Mayoral Combined Authority. It is anticipated that £0.500m will be required from the EZ BRGI in 2022/23 to mitigate against the (£0.815m) net deficit budget in 2023/24 bringing the carry forward LEP Reserve into 2023/24 to £1.223m.
- 3.9 A further £0.500m of EZ BRGI will be drawn down in 2023/24 to contribute towards the anticipated £0.815m net budget deficit, the balance (£0.315m) will be met from the LEP Reserve. This will leave a LEP reserve balance at the end of 2023/24 of £0.908m which is seen as necessary to support the LEP transition. Table 3 below summarises this position.

**Table 3 LEP Reserve Summary**

	2022-23 £'000	2023-24 £'000
<b>LEP Reserves brought forward</b>	<b>(701)</b>	<b>(1,223)</b>
<b>In year (surplus) /deficit</b>	<b>(22)</b>	<b>815</b>
<b>Contribution from EZ</b>	<b>(500)</b>	<b>(500)</b>
<b>Reserves carry forward</b>	<b>(1,223)</b>	<b>(908)</b>

#### **4. Local Growth Fund (LGF)**

- 4.1 The Local Growth Fund (LGF) has been a significant funding stream £270.1m over six years, funding ceased in March 2021, however, temporary project funding swaps, using budget freedoms and flexibilities from DLUHC over the LGF programme, have allowed legacy funding to fund projects beyond March 2021. It is estimated that £7.288m will be spent in 2022/23 on residual projects, this expenditure forecast for the year has reduced from £9.5m due to significant further slippage into 2023/24 on the East Pilgrim Street (public realm works project), Central Gateway (Newcastle Central Station - access and amenity improvements) and a lower than expected take up of the Invest in North East England inward investment fund. Investments include the establishment of Project Acceleration Fund to assist with the development of a strategic capital projects to support efforts to achieve Net Zero Carbon, complementing progress on the implementation of EV Rapid Charging points across all local authority areas.
- 4.2 An impact and VFM assessment of the LGF programme was commissioned externally from Steer Ed during the year. The report highlighted that the programme is ahead of target in terms of job creation to date with over 6,300 reported. Despite this ongoing activity project management costs associated with LGF over the life of the scheme are set at 2 % hence the reduction shown in LGF Project Management Income in 2023/24 (£0.192m).

## **5. Getting Building Fund (GBF)**

- 5.1 A revenue stream to fund programme management costs on Getting Building Fund is reflected in 2022/23 (£0.215m) and reducing in 2023/24 (£0.039m), in line with delivery on the programme. The GBF programme funding from DLUHC covered financial year 2020/21 and £2021/22 (£23.5m in each financial year). Reflecting the wider economic context, many building projects have faced a challenging year with tenders coming in above budget due to rising construction costs, delays in the supply of materials and COVID related and inflationary constraints. Due to the requirement by DLUHC to spend Yr.1 allocation of £23.5m in 2020/21 temporary funding swaps were necessary to maximise the grant funding. This has meant there was legacy GBF funding running into 2022/23. It is forecast that the majority of the GBF budget will be fully spent by end of 2022/23 financial year, with some residual spend in 2023/24.
- 5.2 Although there are no major programme level financial concerns as the GBF £47m was fully spent on time before 31/3/2022, there is nevertheless an expectation from DLUHC that the temporary project funding swaps in previous years are fully returned and spent this year. There are some projects where there is low to moderate risk of not all funds being spent by 2022/23. Overall, the risk of underspend is assessed is less than £1.5m.
- 5.3 It will not be until the end of Qtr. 4 that more significant progress on forecast project outputs will be reported as achieved, however, some targets will be significantly below that forecast, in particular jobs created and commercial floorspace constructed.

## **6. North East Enterprise Zones (EZs)**

- 6.1 Ten Round 1 Enterprise Zones were designated in 2013 in four local authority areas: Newcastle, North Tyneside, Northumberland, and Sunderland. In April 2017, these were joined by a further ten Round 2 sites across, Durham, Gateshead, Newcastle, Northumberland, South Tyneside, and Sunderland, with the additional EZ site at the International Advanced Manufacturing Park (IAMP) launched on the 1st April 2018, to complete the coverage of our 21 Enterprise Zones.
- 6.2 Business rates growth generated on Enterprise Zones accrues to the North East LEP for a 25-year period, in accordance with national regulations. This income is used to fund the capital financing costs of approved Enterprise Zone capital infrastructure, revenue administration costs, a contribution towards Inward Investment activity and other uses approved by the LEP Board. The financial administration of Enterprise Zones is managed in accordance with the local Enterprise Zone Business Rates Income Pooling Agreement. This agreement helps to pool and manage risk relating to borrowing undertaken by councils to fund Enterprise Zone capital works; helps to minimise costs and to help to avoid additional revenue costs for councils. The administration of the agreement has succeeded in achieving a positive cash flow on the Enterprise Zone account, which has enabled a cumulative

surplus to be generated. This acts as a contingency to help mitigate the risk of income shortfalls.

- 6.3 Table 4, below, provides a summary of the Enterprise Zone account income and costs for 2021/22 (actual) and the estimated income and expenditure figures for 2022/23 and 2023/24. The Business Rate Income figures includes an element of contributions from the Section 31 grant provided by DLUHC to compensate for the under-indexation of the business rate multiplier, which should have been increased by the Retail Price Index. This grant has been confirmed as 26/499th in 2021/22, 51/499th in 2022/23, and potentially 85/499th in 2023/24. The Business Rate estimates are in the process of being updated by Councils and several of the figures shown below will be refined and updated in time for the report to the LEP Board in March.

**Table 4: Enterprise Zone Account**

<b><u>Enterprise Zone Account</u></b>	<b><u>2021/22</u></b>	<b><u>2022/23</u></b>		<b><u>2023/24</u></b>
	<b>Actual</b>	<b>May 2022 Estimate</b>	<b>Latest Estimate</b>	<b>Estimate</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b><u>Business Rate Income</u></b>				
<b><u>Round 1 Sites</u></b>				
Newcastle (Neptune)	543.1	531	530.9	691.9
North Tyneside (Swans)	198.9	124	207.6	238.5
Northumberland (Blyth)	316.4	326	353	496
Sunderland (A19)	830.7	765	764.0	1,469.9
<b><u>Round 2 Sites</u></b>				
Northumberland (Ramparts)	61.1	49	49	44
Gateshead (Follingsby)	258.5	3,450	3,258	2,465
IAMP	927.9	599	525.2	912.1
South Tyneside (Holborn)	0	60	60	200.0
Durham (Jade)	185.1	261	260.8	276.9
Newcastle (Airport)	0	341	213.7	204.0
Business Rate Income	3,322.8	6,506	6,222.2	6,998.3
Interest of Account Balance	15.0	24	150	250
<b>Total Income</b>	<b>3,337.8</b>	<b>6,530</b>	<b>6,372.2</b>	<b>7,248.3</b>
<b><u>Expenditure</u></b>				
Capital Financing Costs	2,170.7	2,832	2,832.0	4,208.0
INEE Team Contribution	157.0	300	241.0	250.0
EZ Account Operation	95.5	82	108.0	100.0
<b>Total Costs</b>	<b>2,423.2</b>	<b>3,214</b>	<b>3,181.0</b>	<b>4,558.0</b>
<b>Annual Surplus</b>	<b>913.6</b>	<b>3,316</b>	<b>3,191.2</b>	<b>2,690.3</b>
<b>Cumulative Surplus</b>	<b>4,568.6</b>	<b>7,885</b>	<b>7,759.8</b>	<b>9,045.1</b>
<b><u>Less - Use of Surplus</u></b>				
- To Fund LEP Costs	0	-500	-500.0	-500.0
- Project Development Acceleration Fund (PDAF)	0	-1,000	-905.0	-40.0
- INEE Strategic Inward Investment grants*	0	-1,000	0	-1,000.0
- CPIF Incentives*	0	0	0	-1,000.0
<b>Residual Surplus Balance</b>	<b>4,568.6</b>	<b>5,385</b>	<b>6,354.8</b>	<b>6,505.1</b>

- 6.4 The increase in income in 2022/23 is mainly due to the inclusion of income from buildings on the Follingsby EZ site, assuming that the rateable value is set this year by the Valuation Office and rates are then collected this year, and the receipt of income from buildings completed in 2021/22 on the Newcastle Airport sites, where business rate income for that year is due to be received in 2022/23. The income estimates include a contingency of at least 10% and it is hoped that actual income for the year will be higher than the estimates shown here.
- 6.5 Income for 2023/24 is expected to increase as a result of the occupation of additional buildings on several EZ sites; a net increase in the rateable value of buildings on EZ sites as a result of the latest business rate revaluation; and an uplift in the Section 31 grant from Government to compensate for the under-indexation of the business rate multiplier.
- 6.6 The costs mainly relate to capital financing costs including borrowing costs (which includes interest). Borrowing costs in 2022/23 are in line with the original budget, with the impact of higher interest rate being offset by slippage of the cost capital infrastructure works on some EZ sites, including the IAMP EZ site, into future years. Borrowing costs are expected to rise significantly in 2023/24 as more longer-term loans taken out by Councils to finance completed works commence their repayments. Also included is the repayment of previous interest free loans from the LEP's North East Investment Fund (NEIF) and the repayment of LGF funding swaps. It should be noted that a proposal elsewhere on this agenda would reduce the costs of LGF repayments in 2023/24 and the impact of this saving is not yet reflected in the figures in this report.
- 6.7 The cumulative surplus is expected to increase both this year and next, with increasing surpluses in future years.
- 6.8 One of the agreed uses of the Enterprise Zone surplus is to contribute £0.500m each year to the LEP's revenue budget. The original 2022/23 LEP Team budget, agreed in January 2022, envisaged a call on the EZ surplus of £0.5m, which will be utilised to strengthen the budget position as we move to transition into the new MCA. The contribution of £0.5m per annum is built into the Enterprise Zone model. More information will be reported in March and May when a report on the projected lifetime surplus on the EZ account will be presented.
- 6.9 The use of the EZ surplus to fund the Project Development Fund is shown in 2022/23 and 2023/24 and is lower than previously approved due to a reduction in the cost of the initiative. The potential use of £1m of the EZ surplus to fund Strategic Investment Fund Grants\* and £1m to fund the Commercial Property Investment Fund (CPIF) Incentives\* is also shown, which is still subject to the consideration and approval of individual grants by the LEP Board.

## **7. North East Investment Fund (NEIF)**

- 7.1 During 2022/23 the North East Investment Fund continued to receive repayments from its projects continuing its record of 0% default on investment. Of greatest significance to the Fund, after long period of

negotiation and having satisfied requests made by the Finance Investment Sub Committee (FISC) of BEIS, the North East LEP (and its Accountable Body) were released from the contractual obligations of the £30m Regional Growth Fund contribution to the North East Investment Fund. This has provided the North East LEP with the flexibility to use the NEIF to pursue a strategic objective of setting up an independently fund managed Commercial Property Investment Fund (CPIF) to help tackle weaknesses in the North East commercial property market. During 2022/23 continued progress has been made with procurement of an independent fund manager for the CPIF, with the expectation of launch early in 2023/24. The CPIF will be £35m of senior debt, supported by up to £15m of grant incentives. It will primarily be financed from the NEIF.

<b>NEIF Fund December 31 2022</b>	
Regional Growth Fund (RGF)	£29.3m
Growing Places Fund (GPF)	£24.7m
Total Fund Budget (including interest)	£54m+(£2.1m)
Total Investment made to date (no. of projects)	£79m (31)
Current Balance for Investment	£13.1m

- .2 Repayments have continued from significant projects, however, NEIF beneficiaries have been amongst the many businesses effected by COVID19 pandemic, and this has resulted in several projects renegotiating repayment terms. The secured nature of NEIF investments has meant the Partnership has been able to agree to such requests when they have come forward when supported by satisfactory evidence. The major investment of the year has seen the expansion of the North East Property Development Fund, managed by FW Capital (FWC), providing loans up to £1m to developers of small scale residential and commercial development. The additional investment occurs following the successful piloting of the Fund and growth in demand from SME developers in region.
- 7.3 FW Capital are currently working on 11 investment opportunities totalling £12.326m, which are either active or under review. The current qualified loan pipeline is £8.389m and relates to six schemes. A further application with a facility of £0.337m has been agreed since the quarter end. FWC are actively working on the four remaining enquiries, which a potential borrowing requirement of £3.6m. Of these, two applications have been received seeking £2.1m of funds. This call on the Fund across deals, has led FWC drawing on the final tranche of approved NEIF funds of £2.5m, which was paid at the beginning of November. The fund is now at maximum capacity.

## **8. Recommendations**

- 8.1 The Board is requested to:
- i. Note the positive indicative budget outturn position for 2022/23.
  - ii. Note the indicative budget for 2023/24, with an update on the 2023/24 budget being reported to the LEP Board in May 2023.
  - iii. Note the estimated end of year position of the Enterprise Zone account.

**26 January 2022**

**Item 8: Impact of EU Exit: Report of the EU Exit Implementation Group**

**1.0 Background**

- 1.1 Following the vote to leave the European Union in 2016, the Board requested that a group of officers from the North East LEP, local authorities, business organisations and other regional partners to convene, in order to monitor and organise a regional response to the EU Exit, including through engagement with a wide range of other partners<sup>1</sup>.
- 1.2 Named the Brexit Group in the first instance, the Group has met monthly throughout this period and delivered a range of outputs directly, and also co-ordinated research and intelligence material and engagement through mainstream channels.
- 1.3 Following completion of the UK's departure from the EU, the group re-positioned itself as the EU Exit Implementation Group and sought to shape aspects of implementation.

**2.0 Key activities and outputs**

- 2.1 The group has been flexible in its approach and outputs over this period, responding to the EU Exit agenda as it has developed, and the needs of the region at the time.
- 2.2 Key outputs of the work programme have included:
  - An agreed statement of key messages setting out North East ambitions for the EU Exit, approved by the North East LEP Board in 2016, and further updated in 2020 following EU Exit to reflect the ambitions from the process of departure<sup>2</sup>
  - Multiple research and engagement activities which have underpinned policy and influencing activities
  - Multiple policy submissions to Government and its advisers such as the Migration Advisory Committee on key issues in the Statement of key messages
  - Delivery of evidence to Parliamentary Committees
  - Hosting visits to the region from senior Politicians and Civil Servants and convening round table type meetings to support work on EU Exit issues from a number of departments

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<sup>1</sup> Membership of the group has changed during the period. Current membership includes: Adam Bedford (NFU); Alex Jarvis (CLGU); Carol Botten (VONNE); Carolyn Clayton (Gateshead Council); Catherine Auld (Sunderland Council) Chris Nicholls (AOC); Christopher Wallis (BEIS); Daniel Monnery (Northumbria University); Dawn Huntrod (Make UK); Guy Currey (INEE); Joe Gallant (Resilience Forum); Jonathan Lamb (Entrepreneurs Forum); Liz Blackshaw (TUC); Matt Bratton (CBI); Neil Warwick (FSB); Paul Carbert (North East LEP); Reshma Begum (FSB); Richard Baker (North East LEP); Rob Hamilton (North of Tyne CA); Robin Beveridge (Newcastle Council); Rory Sherwood-Parkin (South Tyneside Council); Sarah McMillan (Northumberland Council); Simon Heydecker-Dent (CLGU); Sue Graham (Northumbria University); Suzanne Nestor-Robson (Newcastle University); Tom Smyth (CLGU); Tony Gates (Northumberland National Park); Jack Simpson (Chamber of Commerce)

<sup>2</sup> <https://www.northeastlep.co.uk/wp-content/uploads/2018/02/nel328-brexite-the-north-east-key-messages-v3.pdf>

- Supporting co-ordination of resilience planning with partners in key infrastructure and civil contingency bodies at planned and actual points of departure from the EU
- Leading key work, including three research projects, business case development, and project co-ordination, to support the development of the North East's joint proposals for a Freeport
- Supporting the development of material for the business advice and support through the North East Growth Hub
- Monitoring and organising material about the transition from European to UKSPF funding
- Analysing and enabling training sessions for Local Authorities and other partners on new Subsidy Control arrangements
- Improving the analysis of data and evidence in key impact areas – for example trade and migration
- Encouraging and supporting collaboration on key strategic responses, including for the North East Trade and Export strategy approved in 2021

2.3 Two years on from the date of the completion of the transition period in December 2020, the group has now commissioned and worked together on an impact report which:

- brings together data and intelligence about the impact of EU Exit, with a focus on the key areas in the Statement of Key Messages, and noting the challenges of disentangling the impact of EU Exit from other economic shocks
- highlights key areas of ongoing negotiation between the EU and UK for the North East as they seek to finalise the various negotiations triggered by the Trade and Co-operation agreement
- makes recommendations about pieces of work which should continue, to respond to issues raised by the report, identifying groups or programmes where appropriate to lead the work.

2.4 A summary of the report is attached (Appendix 1) for information and discussion.

### **3.0 Next steps and recommendations**

3.1 The Group is proposing to stand down its work at this stage, on the basis that key work is now ongoing through other mechanisms and the rationale for a group focused solely on EU Exit is now passed.

3.2 However, the back catalogue of its outputs remains available<sup>3</sup>, with more recent work is being prepared for uploading.

3.3 A Brexit Toolkit, aimed at supporting businesses to trade into Europe is available on the North East Growth Hub<sup>4</sup>

3.4 The Board is recommended to note this report and receive and discuss the impact report.

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<sup>3</sup> <https://www.northeastlep.co.uk/leading-and-supporting-on-regional-strategy-and-policy-projects/>

<sup>4</sup> <https://www.northeastgrowthhub.co.uk/toolkit/markets-toolkit/>

# Leaving the European Union: Impact on the North East in 2023 - Executive Summary



## 1 Introduction

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The decision to leave the European Union (EU) was strongly supported by voters across the North East with majorities in all local authority areas, except Newcastle, voting to leave.

Policy makers and business leaders were keen to ensure that the process of departure led to a positive outcome for the region and its businesses and economy. This led to the creation of the North East EU Exit Implementation Group (the Group), to monitor and influence the EU Exit process.

A number of key areas were identified by the Group as critical to the achievement of a successful EU Exit for the North East: Economic and Business Growth; International Trade; Migration and Skills Supply; Inward Investment; the Replacement of EU Funding Programmes; and ongoing support for Science and Innovation programmes and international student recruitment. A statement of key messages was approved by the North East LEP Board in January 2018<sup>1</sup>, setting out regional aspirations in these areas.

There has been considerable debate about the impact of the UK's departure and the resultant policy changes on the country and the economy, which has been mirrored in the region. This report has been developed by the Group two years after the UK's signing of the EU-UK Trade and Cooperation Agreement on 30<sup>th</sup> December 2020 and the end of the transition period on 31<sup>st</sup> December 2020.

The aim is to gather and report on data and evidence to help understand how the North East's economy has been impacted by EU Exit, and to help ensure that future regional strategy can build on opportunities and address challenges. In so doing the report has acknowledged and aimed to disentangle the impact of other events, in particular the economic shock created by the Covid-19 pandemic and subsequently inflation challenges caused by the Ukraine war, which have also been key in shaping the region's current economic position.

## 2 Methodology

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The impact of EU Exit on the North East is analysed through a number of data and evidence sources, and through engagement.

- 1) The report interrogates relevant economic data from 2016 onwards, to the latest available datasets. It focuses particularly on the six key priority areas identified in the statement of key messages. In addition to analysing data, the Group has also looked at the reports of other key bodies such as the Office of Budget Responsibility, Bank of England and Migration Advisory Committee who have analysed the impact of departure. It also analyses reports, surveys and evidence from key partners.
- 2) The Group met regularly throughout the post-referendum period. One of the key areas of focus for the meetings was engagement with regional representatives from sectors that

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<sup>1</sup> <https://www.northeastlep.co.uk/wp-content/uploads/2018/02/nel328-brexite-the-north-east-s-key-messages-v3.pdf>

were forecast to be significantly affected by the EU Exit. In addition to assessing impact from data analysis, this report also aims to understand the impact on regional businesses and key sectors by looking at case studies from the Automotive; Health and Life Sciences; Agriculture, Food and Rural economy; Wider Manufacturing; and Digital, Tech and Knowledge Intensive Business Services.

- 3) This information was gathered in conjunction with partners and considered through discussion generated through the sector representatives' attendance at Group meetings.

After summarising the impacts of EU Exit on the North East's economy two years after the transition, the report looks forward to future opportunities and challenges and makes recommendations as to how the region can respond to seek to promote growth, and benefit from the changes brought about in the last six years.

### 3 Overall Economic Growth

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The North East statement of key messages called for the economic interests of the North East to be clearly considered in the framework of the Trade and Co-operation agreement and future working relationship with the EU. It concluded that the outcome of the negotiations on a free trade agreement between the UK and EU must deliver an economic and policy framework that can ensure the delivery of the aims and programmes set out in the North East Strategic Economic Plan to deliver economic growth and more and better jobs.

In advance of EU Exit, national surveys and reports had suggested that the North East would be likely to be one of the most challenged areas economically because of the combination of its sectors and the importance of EU markets to trade and investment.

#### ***Economic Impacts***

Between 2016 and 2020, overall North East LEP area GDP increased by 4% to £46.2 billion.

However, in 2019, prior to Covid-19, North East LEP area GDP was higher at £48.8 billion, indicating that a slowdown in growth occurred after 2019 to the tune of about £2.6 billion, which could be attributable to individual, or to a combination of, factors.

Data also shows that the North East's GDP increased by almost 10% between 2014 to 2020, which was the lowest percentage change among the eight core-city LEP areas and below the England average of 16%, although the trajectory was comparable prior to 2019.

Looking in detail, data shows that the North East region's GDP deviated from England's between Q3 and Q4 in 2019 when the North East declined slightly while the England average increased. This time period coincides with the original end date for the Article 50 process that would have seen the UK leave the EU, before an extension was agreed in October 2019. The relative drop in North East GDP at this point could point to business concerns about changes to the trading relationship with the EU, the largest market for EU exports.

Further deviations occurred in Q1 2022 when the North East's GDP was 0.4% higher than in Q1 2019, whereas in comparison England's GDP was 1.3% lower in the same period. Commentary has suggested that these later deviations could be due to differences in stockpiling arrangements post Covid 19, and engagement with EU markets, however it is difficult at this point to isolate the individual impact of Covid-19 and the EU Exit at this stage.

Further analysis of the impact will be needed as more data becomes available, however looking forward this analysis suggests a need to continue to invest to strengthen economic growth in the region to recover previous reduced economic performance and return to the post 2019 trajectory.

**Key Recommendations:**

Further and ongoing analysis is needed of GDP growth to track the progress of recovery, specifically at a LEP and sectoral level as data becomes available.

Secure investment to return the North East to the trajectory preceding economic shocks.

## 4 International Trade

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A key priority identified in the statement of key messages was that new trade arrangements should deliver frictionless, barrier-free trade between the North East and the EU, and for the UK to take advantage of the new Free Trade Agreements with non-EU countries. To support this, the Group received important information on the concerns about emerging non-tariff barriers to trade between the UK and EU following EU Exit. This feedback was used to inform submissions to national government consultations and calls for evidence to ensure issues faced by North East businesses were heard and addressed.

### **Economic Impacts**

The impact of Covid-19 on export figures makes it difficult to draw a definitive conclusion of the impact of the TCA on international trade at this stage.

A significant drop in total goods exports from the North East region to both EU and non-EU markets was recorded in Q2 2020, due to Covid lockdowns. Furthermore, in 2021 goods exports were 12% lower than in 2019, which is likely to have been influenced by the pandemic.

However, by looking across the full EU Exit time period, 2016 to 2021, it is possible to identify hypothesised impacts which EU Exit had on international trade markets in terms of the balance of recipient markets. Within this time period, goods exports from the North East region to Europe fell by £552 million (8%), while exports to non-EU markets increased by £211 million (4%). Despite this change of focus, and the net reduction, the EU remains the North East's largest trading partner for goods exports.

Particularly significant to international trade in the North East is the impact of the EU Exit on SMEs. This has been an area of focus for both regional surveys and stakeholder intelligence, with both of these sources suggesting that SME's are more likely to have stopped or reduced their exporting activity compared to larger firms. This is attributed to increases in paperwork and costs, or a lack of resources to allow SMEs to adapt to the changing regulatory landscape, challenges which larger businesses have overcome. Specific administrative barriers identified include Rules of Origin requirements, logistical challenges, insufficient Government guidance and regulatory issues.

**Key Recommendations:**

Continued monitoring and analysis of trade data is needed to compare the recovery in the North East region with national performance and to demonstrate long term trends, especially given lags in key parts of the data.

Analysis of new data for lagged datasets such as trade in services and the number of individual exporters will help to identify challenges for particular sectors, and the impact of the TCA and the pandemic on SMEs.

Analysis of comparative trade performance between the North East and other UK regions, and with competitor countries would be useful to provide a fuller picture of the impact of the TCA on international trade.

Looking forward, full implementation of the North East Trade strategy developed between the LEP, Chamber of Commerce and DIT in 2021 will provide a framework for supporting SME's to export and to target and take advantage of new Deals.

## 5 Inward Investment

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The Statement of Key messages identified inward investment as a priority to ensure the continued success of existing foreign-owned companies located in the region and to secure continuing future flows of inward investment

**Economic Impacts**

The pattern has been quite volatile in the region. The number of jobs created by FDI projects in the wider North East region decreased following the referendum in 2016. There was an increase in 2019/20 before the implementation of the TCA, and a sharp fall in 2020/21 during the height of the Covid pandemic.

However, the wider North East region including the Tees Valley, saw a significant increase in the number of new projects and jobs created by FDI in 2021/2022 with the North East region creating more new jobs through FDI per head than both England excluding London and London itself in 2021/2022.

Looking over the period, between 2019 – 2022 37% of FDI projects in the North East were funded by investment from EU countries and 63% from non-EU countries, this is slightly lower than the 42% of FDI projects funded by EU countries in England excluding London.

Even though the proportion of EU funded FDI projects was lower in the North East, they created a higher proportion of new jobs in the North East, compared to those created across England excluding London. This highlights the continued importance of the economic links between the EU and the North East on employment levels.

North East LEP-level data on new FDI projects and jobs is available for the first time in 2021/22, and this shows that the North East LEP area attracted a strong degree of investment in 2021/2022, with the largest number of new jobs created outside of London (5,495) and the second largest number of new projects (59).

**Key Recommendations:**

Continued monitoring of LEP-level and regional data will provide insight into the region's performance compared with other city-regions and the national average.

Continued support for securing Inward investment should be priorities and there is an opportunity to align Trade and Inward Investment activity to target the priority countries identified in the North East Trade strategy given agreement to establish country groups in these places.

## 6 Replacing European funding programmes

A response to the APPG on Post-Brexit Funding for Nations, Regions and Local Areas inquiry was produced and submitted by the Group in September 2018 highlighting how the aspiration that the replacement to European funding be commensurate should be achieved.

A detailed review of this can be found in the 'Replacing European Funding Programmes' section of the impact report and a review of previous flows is available on the North East Evidence Hub<sup>2</sup>

### **Economic Impacts**

The UK Shared Prosperity Fund (UKSPF) has been designed in part to replace the European Social Fund (ESF) and European Regional Development Fund (ERDF) elements of the European Structural and Investment Funds (ESIF) programme, and in so doing to provide greater flexibility to local and Mayoral Combined Authorities in designing appropriate interventions for their areas.

The North East LEP 2014 - 2020 ESIF allocation was approximately £436 million.

Government have stated that the amount of UKSPF available in the North East LEP area will be expected to match ESF and ERDF allocations from the 2014-2020 ESIF programme by 2024/25. In 2022/23 and 2023/24, the region will receive less funding from the UKSPF than it would have received from the ESIF programme. However, some ESIF programmes are still being delivered up to 2023.

Although there are some positive steps towards simplifying the funding process for lead local authorities, and providing increased flexibility for developing interventions, the UKSPF is not fully devolved as the parameters of the Fund are set at the national level. The objectives framework is also broader with its alignment to the Levelling Up White Paper. Commentary from partners has indicated that the short funding window, tight timescales for funding in 2022-23 and the lack of clarity about the future of the Fund post-March 2025 provide a challenge for lead local authorities and long-term regional strategic economic planning.

However, the Devolution Deal has proposed that the new MCA will be responsible for the UKSPF from 2025.

### **Key Recommendations**

The replacement of EU Structural Funds for rural development, and funding from the Common Agricultural Policy for farming and environmental measures are not included as part of the UKSPF. The government has pledged that these will be replaced separately. Changes to the funding system for agricultural land and farming could have a significant impact on the North East LEP area and need monitoring and assessment.

<sup>2</sup> <https://evidencehub.northeastlep.co.uk/esif-review>

Due to the extension of some ESF and ERDF programmes to 2023, there is currently a lack of evaluation data to identify successes and areas for improvement from the ESIF programme. Recent reports have begun to address this and should be explored.

The regional ESIF committee model is not replicated with the UKSPF. Partner commentary has suggested that regional collaboration would be useful for sharing best practice on UKSPF delivery and evaluation, delivering business support and innovation projects at scale, and reporting feedback to central government on the design and requirements of the UKSPF programme.

## 7 Migration and skills supply

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The Statement of Key Messages called for future migration policy to be developed in a way which would support the North East economy and a number of actions were taken to support research into the potential impacts of the EU Exit on migration and feed data and recommendations to the Migration Advisory Committee and Home Office.

The Group commissioned analysis into the age profile of international migrants to the North East region in 2017 – 2018. The group also responded to a number of calls for evidence issued by the Migration Advisory Committee, specifically in 2017, 2019, 2020 and 2021, these responses included an analysis of migration trends and population change in the North East and recommendations for the design of migration policy to meet the needs of the North East economy.

A number of key issues were raised by the Group, informed by feedback from North East businesses.

### ***Economic Impacts***

The EU Settlement Scheme (EUSS) opened in 2018 and almost 55,000 applications to the Scheme were made up to June 2022 from the North East LEP area. Almost 36% were Polish or Romanian nationals and approximately 20% were from Italian, Portuguese or Spanish nationals. The area with the highest number of North East applications was Newcastle upon Tyne with 43% of applications.

The most recent data shows that the North East region has the lowest number and proportion of EU nationals in terms of the total population of any UK region. The number of EU nationals employed in the North East (excluding self-employed) increased from 24,000 in June 2016 to 27,500 in June 2021. The number of non-EU nationals employed in the North East increased from 25,300 to 37,600 over the same period. Growth in the number of non-UK, non-EU nationals employed in the North East has outpaced growth in the number of EU nationals since 2019. The factors contributing to this change could include changes to UK migration policy, increasing employment opportunities in EU countries, and the impact of the Covid pandemic on employment decisions of EU citizens.

In June 2021, non-UK national employments in the North East region were most likely to be in health and social work, accommodation and food services, or administrative and support services. Approximately 12,500 employees in health and social work in the North East were non-UK nationals, however only about 3000 of these individuals were from the EU.

For EU nationals, employments were most likely to be in manufacturing where EU nationals made up 4% of the total workforce. This suggests that the sectors that make up most of the

non-UK national employment in the North East, don't necessarily attract a high number of EU nationals. The non-UK national population which is now resident in the North East is more likely to be undertaking health, accommodation and food services roles, compared with a previous concentration in manufacturing.

Since the agreement of the TCA and the end of free movement with the EU, North East businesses, particularly SMESs, have reported challenges with the cost and administration of the points-based system for skilled workers, and with the cost and administration of visas for business travel in the EU.

**Key Recommendations:**

The dual impact of Covid-19 and the end of free movement with the EU on the North East labour market and migration patterns will require ongoing monitoring and analysis as more data becomes available.

It is noted that access to education, and the capacity to utilise migrant labour features as a priority for potential trade partners in the context of trade negotiations.

Over time, continuing work to embed migrant populations and to consider labour market requirements will be required, including as the North East population continues to age.

## 8 Universities, science and innovation

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The Statement of Key Messages called for future science and innovation to enable UK universities and innovation organisations to continue to be involved in European science and innovation programmes to secure funding and retain key leadership roles. It also focused on the importance of EU based staff and students to North East Higher Education institutions and called for this to be sustained.

**Economic Impacts**

The number of EU nationals studying at North East universities has increased but slowed relatively since the EU referendum, but the number of non-EU, non-UK nationals has increased by a greater amount, over the same time period.

The delay in the UK fully associating to the Horizon Europe research and innovation programme has caused concern among North East universities that it may impact their research capability, and their ability to attract and retain international staff. Particular challenges have been reported with UK academics being prevented from leading Horizon projects due to uncertainty over the UK's participation. The UK government has pledged to provide additional funding and have published a policy paper which sets out a long-term UK alternative to Horizon, in the event that the UK cannot fully associate to the programme.

University representatives are key members of the Group and have provided valuable feedback on student recruitment and issues such as visa restrictions. The Group raised scientific cooperation and investment in research, development and innovation as an ongoing key priority, with a focus on North East universities maintaining productive partnerships with their EU counterparts.

**Key Recommendations:**

Monitoring should include the number of international students recruited to study at North East institutions, and the progress of negotiations with the EU over the Horizon Europe programme.

The region should support its innovators and HE institutions to collaborate with research and scientific projects elsewhere

## 9 Wider recommendations

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Six key recommendations are identified:

1. There are a number of areas for ongoing analysis, monitoring and evaluation of economic, trade and labour market data to ensure continued understanding of the impacts of the EU Exit and Covid-19 on the North East and to allow for robust responses to issues identified through influencing policy or shaping delivery.
2. Attention should be given to the development of trade trends and trade deals within the North East Trade and Export Strategy Steering Group and the North East LEP and partners can influence policy and shape future trade deals. Discussion on these issues has commenced at the Steering Group on these issues including the potential to co-ordinate Trade and other Internationally facing activities whilst simultaneously monitoring issues raised in this report.
3. Monitor and evaluate the effectiveness of the UKSPF and other post-EU funding programmes, specifically the proposed Environmental Land Management Scheme which is still in development as a replacement for EU rural funding programmes. Use this intelligence to continue to shape investment programmes.
4. Monitor migration trends to ensure there is a sufficient skills supply in the region and to secure the sustainability of public services. The Skills Advisory Panel and the North East LEP should support businesses in securing international workers, influencing UK migration policy, working with the Migration Advisory Committee and developing robust regional skills strategies.
5. Support should be offered to ensure our universities are able to collaborate with their European counterparts and recruit international students and staff. Further work will be needed to support the North East's universities in increasing public and private spending on R&D to contribute to the Government's Levelling Up Missions.
6. Ongoing regional coordination of monitoring and advocacy will be required to ensure the North East is well-represented in unresolved areas of the Trade Deal. Whilst the Northern Ireland protocol is the most visible ongoing part of the negotiation between the EU and UK a number of other negotiations will impact on the regional economy and justify input. These include;
  - reform of the relationship with the EU around data use and protection
  - the replacement of EU agricultural funding schemes

- the introduction of the UKCA marking scheme and changes to product regulation
- changes to Rules of Origin requirements for electric vehicles

**26 January 2022**

**Item 9: Chair and Chief Executive Update**

**1.0 Background**

1.1 The Chair and Chief Executive would like to provide an update to Board Members on some of the discussions and meetings that they have been involved in since the last Board meeting in November.

**2.0 Chair's key meetings and discussions**

2.1 Since the last Board meeting on the 24 November 2022, the LEP Chair has been involved in a variety of meetings and discussions as outlined below:

- Regular meetings with the North East LEP CEO;
- North East Combined Authority Leadership Board;
- North of Tyne Combined Authority Cabinet;
- NP11 Board in Leeds;
- North of Tyne Combined Authority Shared Prosperity Group;
- Transport for the North Board.

**3.0 Chief Executive's key meetings and discussions**

3.1 Since the last Board meeting, outside of the internal and external 'business as usual' and project meetings, the Chief Executive has been involved in a number of meetings that continue to move the regional economic growth agenda forward. These include:

- Meetings with the LEP Network;
- Meetings with government officials;
- North East Fund Limited Board;
- Net Zero North East Shadow Board;
- Convention of the North;
- Tyne Taskforce;
- Regional Economy Group.

**4.0 Recommendation**

4.1 The Board is recommended to note the report.