

North East Local Enterprise Partnership Board



Thursday 31 January 2019

18.00 – 20.00

Venue: **SME Centre of Excellence, 19 Main Street,
Ponteland, NE20 9NH**

AGENDA

1. **Welcome from the Chair and apologies** (6.00pm)
2. **Declarations of interest** (6.00pm)
3. **Minutes of the last Board Meeting held on Thursday 29 November 2018** (6.00pm)
The Board will be asked to agree the Minutes.
4. **SEP Delivery Plan** – paper attached (6.05pm)
Helen Golightly to present to the Board.

Items 5a and 6a are confidential as they contain commercial information relating to the financial or business affairs of a particular person or organisation and is not for wider circulation.

5. **Strategy**
 - a) **Updated Strategic Economic Plan** – confidential paper attached (6.15pm) Richard Baker to present to the Board.
 - b) **Local Industrial Strategy Update** - paper attached (6.30pm)
Richard Baker to present to the Board.
6. **Funding**
 - a) **Fund Management Update** – confidential paper attached (6.35pm)
Paul Woods to present to the Board.
 - b) **Assurance Framework and Annual Conversation** – paper attached (6.45pm)
Ray Browning to present to the Board.
 - c) **Local Growth Fund video** (6.55pm)
Ray Browning to present to the Board.
7. **North East LEP 2019/2020 budget** - paper attached (7.05pm)
Paul Woods and Helen Golightly to present to the Board.
8. **Energy Strategy** - paper attached (7.15pm)
Andrew Clark to present to the Board.
9. **Inward Investment** – paper attached (7.30pm)
Mark Thompson to present to the Board.

THIS IS NOT A PUBLIC MEETING

10. IAMP Update – (7.45pm)

Vince Taylor to present to the Board.

11. Any Other Business

12. Date and Time of next meeting – Thursday 21 March 2019 from 5 - 7pm

North East Strategic Economic Plan Programme Delivery update

31 January 2019

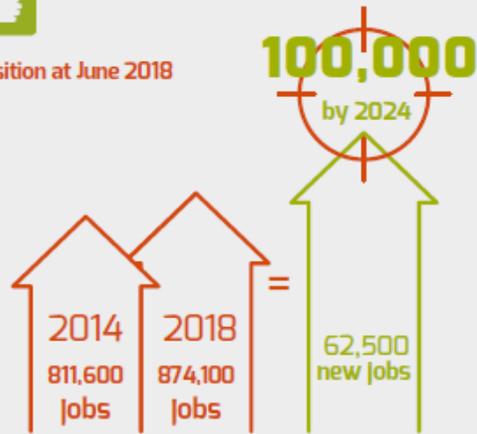


Performance against Strategic Economic Plan targets since 2014 (Last updated Oct 2018)

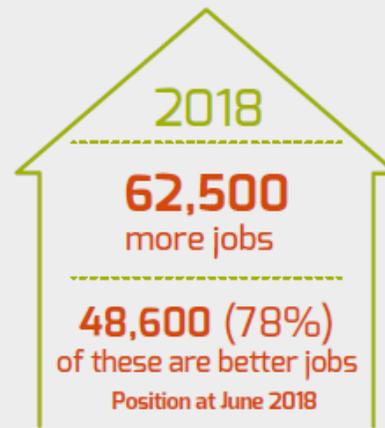
Target increase the number of jobs in the North East economy by 100,000 by 2024



Position at June 2018



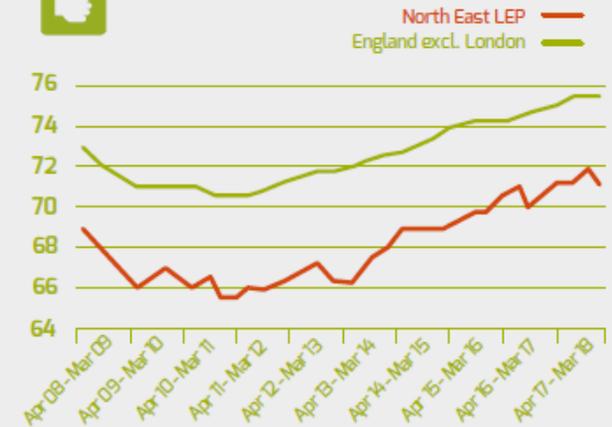
Target 70% of all jobs created from 2014 will be better jobs



Close the gap in the employment rate for people aged 16-64
Target 100% reduction in gap by 2024



Position at June 2018: 23% reduction



Reduce the gap in economic activity for people aged 16-64
Target 50% reduction in gap by 2024



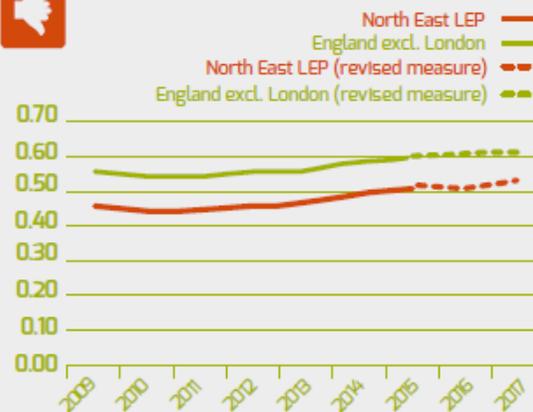
Position at June 2018: 4% reduction



Reduce the gap in private sector employment density
Target 50% reduction in gap by 2024



Position at 2017: 5% increase



Reduce the gap in GVA per full-time equivalent
Target 50% reduction in gap by 2024

Gross Value Added (GVA) measures the contribution to the economy of each individual producer, industry or region in the United Kingdom. GVA per full-time equivalent (FTE) job is a way of measuring the productivity.

Again, the GVA per FTE is lower in the North East LEP area than in England excluding London. Progress: Between 2014 and 2015, the gap between the North East LEP area and England excluding London had increased by 9%.

However, there has been a discontinuity in the data that underpins the FTE element of this measure. Changes have also been made to regional GVA data (with a new balanced GVA figure published for the first time in December 2017) and there is a case that it would be more appropriate to use a GVA per worker or GVA per hour figure as an alternative. As a result, this target is being reviewed by the North East LEP, in consultation with partners.

Innovation Programme | Lead: Alan Welby

Goals

Our vision is for the North East to take its place as an innovation hot spot in Europe – an exemplar in ‘smart specialisation’ and open innovation systems and practice. Our aim will be to encourage business growth and social development by creating an environment in which new products and processes can improve performance or solve challenges, embed new technologies and promote cross-sector learning and development for the economy.

SEP Action	Progress/ current position	High level risks	Lead	Status
Ecosystem development – provide business support, expertise, share knowledge and increase partnership learning				
Set up and deliver the Innovation Observatory project	<p>A draft Innovation Observatory report has been received to be presented to the next Innovation Programme Delivery Board (29/11/18) for consideration and discussion.</p> <p>This will be used to inform the next steps of development in considering routes to link research excellence and fore-sighting to business need.</p>	<p>Long-term funding is still to be confirmed</p> <p>Information developed is not shared or not shared in a way which meets business need.</p>	Alan Welby with Durham Uni	G
Set up a programme to support the development of a stronger innovation network environment in the region	<p>The Super-Network programme continues and the relationship has been enhanced with the secondment of Angela MacOscar into the LEP to work on the INVITE project. The third joint team meeting has taken place with joint activities being started around innovation programmes of support and access to finance.</p>	<p>SuperNetwork is not adequately embedded in LEP Innovation activities.</p>	Alan Welby	G
Develop programme to support growth in number of incubators and innovation hubs	<p>The second round of the Incubator call has been launched with 4 applications from the first round invited to progress to full application stage. The call closes in November however 5 projects have shown interest in applying.</p>	<p>Fund is not allocated due to inadequate applications.</p>	Alan Welby	G
Communicate the proof of concept funding landscape to business	<p>VentureFest was held on the 14th November and was a success with 800 attendees. The Finance Camp event was held on the 5th July.</p> <p>A further piece of work to understand further work needed around access to finance for innovation is being initiated with the SuperNetwork currently.</p>	<p>The funds fail to deliver against a shared understanding of innovation projects.</p> <p>Project pipeline is not strong enough to support the level of investment available.</p>	Alan Welby	G
Established North East Innovation Leadership	<p>The SEP update process is being taken forward with a review of the Innovation Programme being led by a small steering group established by the LEP to consider the next stage in the innovation programme.</p>	<p>Innovation Leadership is not recognised or understood by partners.</p> <p>Role not recognised in Government funding approaches</p>	Alan Welby	G
Secure support for relevant national Science and Innovation Audits	<p>The Science and Innovation Audit has been delivered with communications lined up to support the launch following the Government announcement.</p>	<p>Delivery of audits is incomplete or is not embedded in national policy.</p>	Alan Welby	G

SEP Action	Progress/ current position	High level risks	Lead	Status
Build a strong collaborative relationship with InnovateUK, UK Research and Innovation and across the Catapult Network	The relationship with InnovateUK continues to strengthen however a new regional lead is expected shortly. A new increased relationship with the central BEIS team for innovation has been started with a visit of officials to the North East. Good on going partnership with the Catapult Network.	Relationship is not maintained with key investment opportunities missed or focused on other areas of the country.	Alan Welby	G
Innovation Infrastructure – Projects and Programmes for Innovation				
Support the delivery of key innovation projects as set out in the SEP	The second Innovation Project development call is live until the end of November. One application has been received by the last review point although there is a strong pipeline of interest.	Projects do not deliver the Innovation Programme strategic objectives.	Alan Welby	G
Establish at least one test bed facility	The 5G team delivered a bid submission for the national 5G Urban Connected Communities Project. Unfortunately this was unsuccessful for government funding (coming second); however the private sector partners remain engaged with the North East project and the project team continues to develop the project, potential funding routes and commercial models. In September formal notification of the UCCP result received along with formal and informal feedback - correspondence from DCMS Minister Margot James praises efforts and encourages continued commitment to 5G ambition. DCMS outlines intent to issue further calls for Rural and Key Verticals later early in 2019. Reflection on feedback, consultation with major stakeholders and Launch of North of Tyne Combined Authority required re-consideration of focus and governance arrangements. Revised Strategic Outline Programme (SOP) drafted and delivered in October. This outlined several options including preference for additional sites and premises concession linked to demand accelerator con-investment Project Director, Xavier Priem left the programme in December. DCMS convenes and invites 5GNE to meeting with the 5 other 'leading' city regions in London on 17/12/18 5GNE focuses on ensuring the commercial roll-out of 5g Infrastructure rather direct public funding of Trials and Testbed activity.	Government and/or the market and/or the region do not back this.	Alan Welby	A
Set out long term North East Innovation Infrastructure needs	A new narrative and programme to develop our asset base has been undertaken during 2018. Plan to take to Innovation Board in January 2019.	The programme is incomplete or not based on evidence.	Alan Welby	G
Smart Specialisation – Focus on four key sectors				
Produce four Smart Specialisation strategies	To be reviewed during the SEP update to ensure appropriate actions are taken forward.	All strategies are not completed or do not bring together the right sector lead partners.	Alan Welby	A
Establish the Data for Growth project	The Data for Growth project has been completed with the findings incorporated into the Science and Innovation Audit process which will produce a shared action plan.	Lack of a clear lead partnership to deliver against Data for Growth delays progress.	Alan Welby	G
Establish a challenge approach for the Health Quest North East project	The Health Quest North East project requires an alternative funding approach due to an absence of appropriate funding routes to take the current approach forward. This is still supported by the outcomes of the County Durham pilot project which has highlighted the need to consider alternative funding approaches to achieve the aspiration.	Funding for the project is not secured.	Alan Welby	R

Business Growth Programme | Lead: Colin Bell

Goals

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

- Increasing the number of scaleup businesses in the North East LEP area by 50%, creating an 6,000 additional jobs
- Securing growth in inward investment averaging 4,000 new jobs each year

SEP Action	Progress/ current position	High level risks	Lead	Status
Scaleup North East: More high growth businesses will help us to secure economic resilience and increase private sector employment				
Scaleup North East Programme	239 businesses are on the programme, including 34 programme completions. These latter businesses form the embryonic Scaleup North East 'community', in development following November's Scaleup Summit. A further 82 businesses are in the pipeline. An additional Scaleup Partner is being recruited to ensure digital skills within the team, currently of five Scaleup Partners. Programme restructuring will refine delivery model and build the applicant pipeline. Independent evaluation commenced January 2019 with peer support from the What Works Centre and the Scale Up Institute.	Fulfilling demand Maintaining high quality	Colin Bell	G
Growth Hub: High Potential	Urban Foresight report in January on research on high growth start-ups. Programme development has commenced, supported by the external steering group.	Effective programme design Cost management	Colin Bell	G
Inspiring leaders: Encouraging and facilitating peer mentoring and introduction				
Growth through Mentoring	43 matches made with our pool of 38 mentors, with 8 matches made this year. Independently procured interim evaluation concludes in January. Reports high quality delivery and positive economic impact. Recommendations for process and impact to be considered to improve further the experience for mentees and mentors. 'Be the Business' mentoring programme underway. 17 mentors confirmed. 14 mentees matched to date - mentors from GSK, KPMG, BAE Systems, Siemens and Accenture.	Retaining high quality mentors Increasing mentor numbers to match demand Attracting suitable mentees	Helen Lee	G
Access to finance: Ensure access to the finance required to grow and scale by developing new and existing partnerships that provide objective and impartial access and attracting investment funds from outside of the region				
The North East Fund	80 investments made (up from 61 at last report), total value £10.9m (up from £8.8m). 39.5% (value) and 47.5% (number) are Newcastle-based but there are increasing numbers of investments in most local authority areas indicating uptake across the region. Engagement activity continues raise awareness and drive demand.	Failure to attract high quality investment bids	Michelle Rainbow	G
Rural Growth Network (LGF)	Programme value = £ 31.3m (including £6m LGF) 2015/16 to 2019/20. 35 projects are complete or in progress (up from 32 last report). Spend and impacts are as last reported: 84% of grant budget committed, 67% been paid out to applicants. On target to achieve 100+% of jobs target creation by programme closure next year.	Delays in project completions not achieving required outputs	Dinah Jackson	G
RDPE (Rural Development Programme for England) (EAFRD)	Applications still under assessment by RPA since programme closure. Pipeline has reduced to 106% of allocation with a corresponding increase in attrition rate from 40% to 42% as latter Eols are processed. As at 16 January, of the 137 Eols endorsed for full application, 37 projects are contracted, up from 34 at last report, 21 of which are for business development projects and 15 for tourism projects.	Attrition rates	Dinah Jackson	G
Support business growth focused on areas of opportunity				
Work with sector groups	Supply Chain North East is operational. Activity, focused on diversification and supply chain resilience, is underway through delivery partners, integrating with sector deals. Separately, the NP11 supply chain work stream continues.	Driving awareness and demand Managing partnership delivery of programme	Colin Bell	G

SEP Action	Progress/ current position	High level risks	Lead	Status
North East Growth Hub: A single access point for business information, advice and financial support				
An effective platform and events programme	Our third Growth Hub Connector joined the team on 14 January. Bringing digital experience, this ensures full business access to 1-2-1 Growth Hub support. Further development of content through new Export and Brexit Preparation Toolkits . The platform continues to develop and interest is strong, currently interaction with the Growth Hub is 144% of annual target (2018/19), 14,439 against target of 10,000.	Fulfilling demand Growth Hub doesn't generate leads effectively	Helen Lee Jen Robson	G
Building our trade flows: Increase export activity				
Building trade flows	Government continues to progress with the new contracting arrangements for ERDF-funded export support. We published the Growth Hub Export Toolkit in November with local Exporting is GREAT partners. North East Export Strategy to be developed.	Future DIT model does not meet the needs of the North East	Colin Bell	A
Strengthening flows of inward investment: Driving growth and employment				
Build the strength, profile and coherence of the North East's inward investment offer	<p>Figures for the first six months of 2018/19 show that the region attracted 30 new inward investment projects creating 720 new jobs. These projects were primarily in the advanced manufacturing/automotive and business services sectors. There are some significant projects expected to land in Q3 and Q4.</p> <p>Promotional videos across the five key sectors plus a generic North East England video have been produced. These showcase companies operating in the North East plus regional key selling messages to highlight the region as a desired investment location.</p> <p>Invest North East England continues to have a presence at key national and international events which complement the key sectors. Key events attended in Q1+2 were MIPIM UK; Wind Hamburg; Web Summit, Lisbon, Offshore Wind North East.</p> <p>NECA continues to deliver the DIT Key Account Management Programme through circa £153k of DIT Northern Powerhouse funding. NECA has sub contracted with six local authorities to deliver this programme for 2018/19. This is progressing very well.</p> <p>On-going concern that key competitors have access to financial incentives not available in the North East. Work with local authorities to test the viability of establishing a North East LEP grant scheme to help land 'game changing' investments.</p>	Impact of Brexit on ability to attract new FDI. Absence of access to financial incentives impacts interest. The creation of the North of Tyne Combined Authority may confuse the inward investment landscape for investors or dilute the current regional model.	Guy Currey	A
Develop strategic approaches to opportunities, working with key areas of specialism to strengthen region's supply chains	<p>Proactive lead generation work continues, primarily focused on companies based in London and South East England, with additional focus on opportunities in Ireland, in digital and as financial, professional and business services sectors.</p> <p>A new website Energy Gateway North East England was launched (July 2018) to highlight the region's Offshore Sector. This, along with other promotional materials, has been used in conjunction with a number of visits to the North East from companies interested in the offshore wind sector</p>	a	Guy Currey	G
Early response and managing change: Ensure a rapid response to economic shocks and other impacts				
Develop a collaborative approach to responding to negative economic and other impacts	<p>Growth Hub: The Growth Hub Connect service provides direct recourse to deploy in response any economic shocks or changes. Brexit Preparedness toolkit published and Business Resilience toolkit planned. Providing weekly information to BEIS on EU exit business issues.</p> <p>Programmes: Supply Chain North East addresses potential business of Brexit.</p>	Poor coordination between partners Lack of information	Colin Bell	G

Skills Programme | Lead: Michelle Rainbow

Goals

Our vision for 2024:

- Providers and education establishments provide a mix of world class academic, technical and professional education, apprenticeships and higher level apprenticeships in all of the growing areas of our economy, ensuring that those entering the labour market have the right skills to thrive
- That skills supply underpins business growth and talent is retained in the region
- Every young person can identify routes into work, supported through experience and exposure to the world of work and inspiration. We want them to understand that life and work experiences, alongside career and formal qualifications, are incredibly valuable
- A reduction in inactivity levels in our 50+ workforce, as skills investment enables older workers to remain in work.

SEP Action	Progress/ current position	High level risks	Lead	Status
North East Ambition - A programme of activity centred around the Good Career Guidance benchmarks.				
Support secondary schools and colleges who wish to adopt the benchmarks	<p>The LEP is now engaged with over 160 secondary schools and all colleges in the region. 146 Career Leaders attended our latest North East Ambition: Regional Careers Leader Network Meeting, the next meeting is planned for February 2019.</p> <p>The LEP's 'Careers Hub' is now operational. Of the 40 schools in the Careers Hub 20 had been visited by mid-January. There is already a substantial amount of rich data on which to base shared learning on the first Hub NE progress day at the end of February and a clear set of key themes emerging. In general schools are succeeding in providing personal guidance to their students, delivering careers education in a variety of ways and ensuring their CEIAG offer is displayed on their websites in line with the statutory guidance. Some stubborn challenges remain though, most notably encouraging subject areas to incorporate CEIAG into their curriculum (benchmark 4), how to record encounters and link them to individual school records, and how best to approach Labour Market Information (LMI). The overarching aim of the first progress day will be to formulate shared vision of the North East Ambition Careers Hub and to ensure a cohesive community of practice develops. The LEP's college hub facilitator is setting up initial meetings with colleges in the college hub and developing a strategy.</p> <p>The LEP is currently developing a bid for the extension (to September) of the Schools Hub. The extension provides the resources to add an additional 20 schools to the existing schools hub. The bid will be submitted on 22nd February.</p> <p>As a Cornerstone Hub we have supported the development of a Guide for New Career Leaders and videos supporting the implementation of each benchmark, featuring career leaders from North East Schools and Colleges. These resources will 'go live' nationally in January 2019. Additionally, the LEP is in discussion with the CEC about a series of learning visits to for the careers leads from Careers Hubs nationwide.</p>	There is misalignment with the Careers & Enterprise Company (CEC), workings nationally, and the LEP, working locally.	Michelle Rainbow	G
Ensure all secondary schools have access to Enterprise Advisers	116 Enterprise Advisers (EAs) have been recruited from a broad range of both large employers and SMEs. 136 schools and colleges and reported upon via the Careers and Enterprise Company EAN register. 118 of these schools and colleges have now completed and returned their audit documentation and 97 of these schools are now matched with an Enterprise Adviser. A new enterprise coordinator has been appointed to the team. And, if approved by the ESF Managing Authority, ESF funding will enable the North East Ambition project to scale up activities of the EA network and increase the number of the Enterprise Coordinators within the team to give capacity to support each and every school and college in our region and ensure that SMEs have the support to be involved in the EAN.	<p>Changes in government and policy may mean a change to the funded element of the programme.</p> <p>Securing ESF to enable the scaling up of activity and provision.</p>	Michelle Rainbow	G

SEP Action	Progress/ current position	High level risks	Lead	Status
Develop and deliver the Pupil Mentoring programme	RTC North and Young Enterprise delivery has been going well. Feedback and take up from schools has been positive. The North East LEP participated in the end of year evaluation of these programmes as part of the CEC national evaluation. Further provision has been funded through 'CEC Virtual Wallets' which will be available to approx. 70 schools and colleges in our region from December 2018.	Initial projects are funded to Sept 18, but successful projects will be funded to 2020.	Michelle Rainbow	G
Develop and roll out a pilot Primary Schools Benchmark programme	<p>The North East LEP has signed the co-funding contract with the EY Foundation to deliver a primary benchmark pilot. A school selection process has been concluded and will be presented to the steering group at the end of January for sign off. The pilot consists of 70 schools. This represents approximately 10% of schools in the North East LEP region. Schools within constituent authorities are represented. The schools are representative of school types across the region. The Pupil Premium Range is between 0 – 73%, the English as a foreign language range is between 0-40%. The pilot includes 4 SEND schools, 4 first schools and 2 middle schools. The schools range in size from 14 – 1337 and include rural and urban areas.</p> <p>The Department for Education are supportive of our work and are interested in the outcomes of the pilot. The CEC has launched its primary fund, which will inform the national strategy for careers related learning in primary schools. The North East is submitting a bid in February to provide more resources to the pilot over the academic year 2019-20 and to provide additional evaluation resources to ensure the results of the pilot can be used to inform the national pictures.</p>	Funding is not secured or is withdrawn	Michelle Rainbow	G
Excelling in technical and professional education - Working with providers, education establishments and businesses to develop the capacity and facilities to provide world-class academic, technical and professional education.				
Promote higher skills	<p>In the North East, there are a small number of organisations will be the first providers of T-levels. The LEP is working with other LEPs and the ESFA to start to develop trial placements for T-level students with regional employers.</p> <p>The LEP continues to work with partners in relation to Institutes of Technology (IoT) in the second phase of the application process.</p>	<p>Government amend policy on T-levels.</p> <p>Government do not award an IoT in the NE area</p>	Michelle Rainbow	G
Encourage more and higher level apprenticeships with a key sector focus	<p>The Apprenticeship Growth Partnership (AGP) meetings continue with a focus:</p> <ul style="list-style-type: none"> To assess the impact of changes to the delivery of apprenticeships on employers To promote Higher and Degree level apprenticeships with employers To promote the benefits of apprenticeships to employers <p>The LEP is supporting national campaigns to raise awareness and promote apprenticeships to employers, young people, schools and parents. The LEP is planning a media campaign to align with The DfE's new 'Fire it Up' campaign, which raises awareness of the variety of apprenticeship options available.</p> <p>We have supported the ASK (Apprenticeships, Skills, Knowledge) Programme and the contracted provider of this service in the North East has had their contract extended into this academic year and we will continue to support their work within schools. We also have LEP representation who sits on the Apprenticeship Ambassador Network (AAN) which is a group of employers whose main aim is to spearhead the drive to engage new employers. The AANs action plan is aligned with our key objective within the SEP.</p> <p>We have continued our campaign with the objective of driving scheme referrals and general understanding around apprenticeships to our Growth Hub. A priority for the LEP remains to monitor the KPIs regarding uptake of apprenticeships. The end of year data showed that 16,600 were started in the region in the academic year 2017/18. This represents a drop in the number of starts that is above the England average. The region still has the highest number of apprenticeship starts per employed person.</p>	Apprenticeship reforms are creating some uncertainty and therefore nationally apprenticeships starts appear to be lower than the previous year. Preliminary analysis demonstrates that this trend holds in the North East.	Michelle Rainbow	G

SEP Action	Progress/ current position	High level risks	Lead	Status
Higher Education - Working in partnership with our four universities, colleges and employers to support economic growth and to ensure we have job ready graduates with the skills needed and high quality opportunities for them.				
Support universities spin-outs and start ups	The North East universities have developed two ERDF funding projects to drive increased spin-out activity. The Northern Accelerator project has now launched with Durham and Newcastle universities aiming to create 15 dynamic, high tech spin-out companies in the next three years. The Arrow project is being led by Newcastle University and has applied for ERDF funding to translate research into commercial focused projects through the Innovation Catalyst alongside the Accelerator project.	The outputs are not achieved	Michelle Rainbow	G
Support universities to retain graduate talent in the North East	We continue to work with the four universities in the region on graduate retention. A meeting was held with the Office for Students (OfS), where the work of the North East LEP and the North East Collaborative Outreach Programme (NECOP) was identified as the example of good practice nationally. We attended an OfS national working group to extend this work in October. We have identified further good practice at a university outside of the region and are in discussions with both Oxford and Cambridge Universities about their careers programmes. We are working closely to share this with North East universities and will finalise details of a pilot with Universities UK (UUK).	The Universities do not support graduate retention in the NE		
Support universities to develop knowledge transfer partnerships (KTPs)	We continue to work with the Business Growth and Innovation Programmes to understand how the universities and their R&D can support economic growth and benefit businesses and wider communities in the North East.	The Universities do not support KTPs	Michelle Rainbow	G
Education Challenge - reduce the gap between our best and lowest performing schools and to target all schools in the North East achieve 'good' or 'outstanding' OFSTED rating.				
Develop and deliver an Education Challenge programme	<p>Opportunity North East: We are delighted with the announcement from the DfE in October 2018 to launch Opportunity North East, across the wider region including Tees Valley and pledge £24m to boost social mobility and raise aspirations for children. Opportunity North East will aim to tackle these issues by:</p> <ul style="list-style-type: none"> Investing £12 million in targeted approaches to improve the transition from primary to secondary school, drive up standards – particularly at secondary level – and improve outcomes for pupils post 16; Working with secondary schools and colleges to encourage young people to consider university, degree apprenticeships and other high quality technical education options; Partnering with local businesses to improve job prospects for young people across the region; and Investing a further £12 million to boost early career training for new teachers and help improve the quality of teaching and raise standards in the region's schools, ahead of roll-out in other regions. <p>Governance: We continue with our communications campaign to raise the profile and showcase case studies of good practice in school governance through the Academy Ambassadors programme which aims to recruit business leaders to join the boards of Academies. We are also supporting Governors for Schools and will contribute by presenting at their next regional event.</p>	Inability to secure funding or influence spend to roll out further	Michelle Rainbow	G

SEP Action	Progress/ current position	High level risks	Lead	Status
<p>Develop and deliver an Education Challenge programme (cont.)</p>	<p>Teacher retention and recruitment. We continue to build relationships with teacher training providers and Teach First we have joined a working group at Newcastle University to develop a programme focused on employability skills with an initial target of primary to secondary transition.</p> <p>Placement opportunities for teachers and lecturers: The 2016/17 pilot providing STEM placement for teachers was evaluated it by University of Derby and the evaluation report was released in October 2018. The success of the 17/18 pilot resulted in a larger pilot being developed to deliver STEM placements at scale as part of North East Ambition. The Edge Foundation, as key partners, are currently recruiting for a position that will drive uptake of teacher externships.</p> <p>Next Generation Learning UK: The Steering Group, facilitated by the North East LEP and chaired by Edge Foundation continues to work strategically to shape the implementation of elements of the Ford Next Generation Learning model. Schools continue to work with a range of stakeholders to develop their 'tactical' action plans for the key elements, as the process has continued there has been an aligning of current school development plans with the key elements.</p> <p>In December Newcastle University School of Computer Science hosted a showcase for the curriculum work that has taken place with 60 year 8 students and a PHD student from the University. Teacher CPD was a key element of this particular project and it will continue with further students through the academic year. Feedback from the Head of the School of computing who was invited and parents was extremely positive.</p> <p>In partnership with FutureMe the HE Parent Safari pilot was delivered with students opting to follow a route aligned to 3 of the NE Growth Sectors. We have started to draft a model for Growth Sector specific experiences from the learning of pilot.</p> <p>The Regional Lead and Industry Alignment team are now supporting other schools as this has led to further partnerships, for example The WOW Show which will focus on the Construction Industry highlighting Industry at the Port of Blyth will be live streamed into classrooms and a direct link for students to talk to apprentices and industry representatives into one of the regions schools. The Regional Lead in partnership with NuSTEM Northumbria University and Accenture delivered a Careers in the Curriculum CPD session and workshop.</p>			G
<p>50+ Workforce – retrain, regain, retain: To reduce inactivity levels in our older population by helping to develop their skills and make in-work transitions as the labour market changes.</p>				
<p>Develop a Fuller Working Lives (FWL) strategy</p>	<p>We have considered the FWL report from DWP, the Industrial Strategy and IPPR's FWL recommendations for the North East which should feed into the Local Industrial Strategy. The LEP has consulted with DWP about their midlife MOT toolkit, aimed at SMEs.</p>	<p>The Strategy does not meet the opportunities and address the challenges in the NE</p>	<p>Michelle Rainbow</p>	G
<p>Understand and provide focus on work force skills for the older workforce to maintain their position within the labour market as skills' needs change.</p>	<p>Events ran until September 2018. Virgin Money, focusing on financial and professional services was the first event. A similar Digital / Tech sector event ran in mid-May & Advanced Manufacturing in June. Feedback to date has been extremely positive.</p> <p>The LEP highlighted the FWL strategy at sector events including CBI Diversity Conference, BIONow, NOF, Tech Talent Charter and People Power. The FWL toolkit is now live via the North East Growth Hub. The toolkit features local employers demonstrating best practice; calls to action and employer support services.</p> <p>The DWP central policy team for FWL continues to attend our Task & Finish Group and is supportive of our strategy. The DWP produces a monthly bulletin to national stakeholders and highlighted the North East LEP's approach as best practice.</p>	<p>The uptake through the Growth Hub is not maximised.</p>	<p>Michelle Rainbow</p>	G

Employability and Inclusion Programme| Lead: Michelle Rainbow

Goals

Strengthening our employment rate is key to our economic resilience. Ensuring local people are prepared and fit for work and have access to good quality employment opportunities will improve their lives and ensure that businesses can recruit and retain the people they need in a changing labour market

SEP Action	Progress/ current position	High level risks	Lead	Status
Fit and well for work - support people with health conditions to find and maintain employment				
<p>Support primary care professionals in helping people access support to get them back into work</p>	<p>The DWP 'Opt-In' programme for the North East is utilising £6m ESF to test a local approach to support 2,500 long term unemployed residents with health conditions to find work over 2017-19. The programme is delivered by Working Links.</p> <p>Performance data from January 2017 to end of December 2018 show::</p> <ul style="list-style-type: none"> • 2,499 people referred to the programme. This breaks down to 1,703 in the more developed area and 796 in the transitional area. • 723 first job starts (including those with more than one job start) and 903 jobs in total, 75% in the more developed region and 25% in County Durham. • Around two-thirds of participants are long-term unemployed, the majority for five years or more. • 76% are residents of 'jobless households', where no-one works. • Almost one-third are aged 50 and over. <p>Due to early problems with receiving referrals from Jobcentres in adequate volumes, the contract had been in a performance recovery position and did not achieve 85%. The decision communicated by DWP is that they will not grant a contract extension. DWP has stated that no other provision will be procured or resource made available, effectively meaning a large scale programme is lost to the LEP area without replacement. The LEP is in discussion with the LEP Network and other areas to consider how a cross-area challenge to the decision can be launched.</p> <p>If the programme comes to an end, options for alternative provision will need to be explored. The gap in provision will need to be taken in consideration when issuing any further ESF open calls and all other funding opportunities explored.</p>	<p>Partners do not embrace and take the recommendations forward</p> <p>A contract variation widening the eligibility criteria changes the strategic focus of the programme.</p> <p>The contract is not extended</p>	<p>7 LA Chief Executives</p> <p>Michelle Rainbow</p>	A
<p>Use initiatives to provide more joined up support for individuals with moderate mental health issues return to work.</p>	<p>The Mental Health Trailblazer is piloting integration of employment and mental health services through intensive support to help unemployed residents to find work and sustain recovery. The programme runs until December 2019.</p> <p>Performance against ESF targets is strong data from January 2017 to the end of October 2018 show:</p> <ul style="list-style-type: none"> • 237 participants attached to the programme between Oct-Nov 18 • Total ESF performance of 863 participants on the programme • 143 job outcomes. • 53% of participants are male and 47% female. Almost one quarter (24%) of participants are aged 50 or over, and over one fifth (22%) aged 18-24. • The rising number of UC claimants demonstrates that as more claimants move to UC, there remains a large demand for the services the project delivers. <p>ESF targets are 1,250 participants and 225 job outcomes by December 2019 and therefore look achievable</p>	<p>Delay from DWP in trial launch, below profile referrals from Jobcentres and ESF eligibility requirements continue to impact performance.</p>	<p>Northumberland County Council</p>	G

SEP Action	Progress/ current position	High level risks	Lead	Status
<p>Use initiatives to provide more joined up support for individuals with moderate mental health issues return to work (cont.)</p>	<p>Job outcomes from the randomised control trial group will be made available in April 2019 with the full report to follow.</p> <p>As the project is in its final year, sustainment of the Trailblazer or similar activity will be a priority. The high level of demand illustrates that a significant gap will be created if no other intervention is implemented. This would have a particularly significant impact in County Durham. All evidence suggests the need for mental health services is increasing, making availability of integrated employment support and psychological therapy critical. Jobcentres have been advised and discussions will be underway with CCGs and other partner organisations. An options analysis will be presented to both JCP and the CCG forum. It will be recommended to NELEP that ESF open calls, expected in early 2019, include provision for integrated employment and mental health support.</p>			G
<p>Monitor and evaluate the impact of the Work and Health Programme in the North East</p>	<p>Reed in Partnership has been awarded the contract for the Work and Health Programme (WHP) across the North East. The contract area covers 31 Local Authorities and 8 LEP areas; from Northumberland to Derbyshire. The aim of the Programme is to help people with a disability or health condition (80% of starts), the long term unemployed (11% of starts) and early disadvantaged groups (9% of starts) find and sustain work. Referrals will come through JCP and participants can access WHP support for up to 15 months, with an additional 6 months of support once participants are in work. A total of 55,542 people will be supported across the North East contract area but the actual target for the North East LEP area is still to be established.</p> <p>A number of delivery organisations across the North East LEP area: Northumberland (Northumberland County Council), Newcastle Gateshead, Sunderland and North Tyneside (Ingeus), South Tyneside (Northern Rights), Durham (Durham Council).</p> <p>Reed presented to the Employment and Skills Board in early 2018 and a further update was provided in late 2018. There are significant challenges to the delivery of this project and the LEP has sought to facilitate dialogue between the sub-contract providers RiP and DWP. In some areas small improvements have been noted but this is still a challenge.</p>	<p>Mis-alignment with ESF existing and new provision; such as the DWP opt-in and Mental health Trailblazer (see above)</p> <p>Referral numbers are insufficient</p>	Michelle Rainbow	A
<p>Work with employers to improve take up of the Better Health at Work Award Scheme (BHAWA).</p>	<p>The Programme Leader for BHAWA, based at the TUC is part of the Fuller Working Lives Task & Finish Group and delivered a seminar about BHAWA and provided information as to how employers can access it.</p> <p>The LEP are promoting the Award and have undertaken an assessment of their own BHAWA led by two members of the LEP team. The LEP was awarded a bronze award and is now working towards a silver award.</p>	Scheme awareness in the NE is low	Michelle Rainbow	G
<p>Continue to address the importance of in work progression and job equality</p>	<p>A number of ESF calls, which focus on up-skilling and re-skilling those in work to aid job progression, closed late last year.</p> <p>A number of projects submitted full businesses cases and will be assessed by DWP Managing Authority before being considered by ESIF committees.</p>	<p>Projects are not submitted or selected that deliver the intended outcomes.</p> <p>Delays in the appraisal and contracting process cause delivery issues.</p>	Michelle Rainbow	A

SEP Action	Progress/ current position	High level risks	Lead	Status
Youth Employment - develop pathways for the most vulnerable and disadvantaged young people to help them move into education, training and employment				
Create and scale up initiatives that adopt innovative and agile approaches to meeting local needs	<p>Generation NE has been operational since July 2014 and the programme has supported over 5000 young people, delivering around 2100 job outcomes to date; with a significant number of those gaining employment having sustained employment for six months or more.</p> <p>An ESF call for projects to support young people into employment and training was closed in autumn last year. A full application was submitted to the ESF managing authority by Newcastle City Council on 9th March 2018 which included a proposal to extend the Generation NE project and Newcastle council was notified on the 14th December 2018 that the application was successful.</p> <p>Mindful of the significant amount of time it is currently taking for DWP to appraise ESF applications the Generation NE ESF project begun delivering support 'at risk' from April 1st 2018, pending the outcome of the application for ESF funds and to date has over 350 young people registered on the new programme. From January 2019, The Princes Trust will be joining the Generation NE project as a delivery partner, offering Get Started, Get Into and Fairbridge programmes.</p> <p>Generation NE continues to develop its fully digital support offer for young people who are unemployed, underemployed or in precarious employment, with over 700 young people being supported entirely online. A full Randomised Control Trial evaluation of this service has begun and new services including an in-work progression service are due to be launched in 2019.</p>	<p>Projects do not adequately align services to ensure there is adequate coverage across the whole of the North East LEP area geography</p> <p>ESF funding is not secured for delivery projects</p>	Michelle Rainbow	G
Deliver the Durham Works project	<p>Generation NE funds have also provided match funding for Durham Works (YEI) enabling support for a significant number of young people in Durham. The project has exceeded all original targets and continues to perform well.</p>		Durham County Council	G
Ensure young people have the access to support and skills required to progress employment.	<p>Newcastle College Group secured funding from ESFA / ESF for this project. The project commenced delivery in late 2016 and ran to July 2018 with the aim of supporting 1300 young people who are NEET or at risk of becoming NEET. 1011 young people were supported through this contract against a profile of 1182 and the contract is looking to extend delivery up to March 2019.</p>	<p>Collaboration across service providers is voluntary; making it challenging to collaborate and cross-refer clients to more appropriate services.</p>	Michelle Rainbow	G
50+ workforce retrain, regain, retain - Reduce inactivity levels in our 50+ workforce, by reconnecting older people to work				
Develop and implement a 50+ workforce strategy in partnership with key stakeholders.	<p>Development of project in initial stages. As described in the Skills section of this report, the challenge is Retain, Regain and Retrain. The first stage, Retain, will involve working with employers to 'retain' their existing older workforce. Regain – a pilot commenced in Autumn 2017</p> <p>LEP and partners are also looking at promoting case studies of 50+ apprenticeships to promote this as an alternative way to 'retrain' and 'regain' core skills needed by businesses today.</p>	<p>The strategy does not meet the needs of the workforce or economy</p>	Michelle Rainbow	G

SEP Action	Progress/ current position	High level risks	Lead	Status
Active inclusion – increasing levels of economic activity in our economy for those individuals with multiple barriers to employment, which are furthest from the labour market.				
Build capacity in the voluntary and social enterprise sectors to support people who are excluded from work.	<p>Gateshead Council has been awarded ESF / ESFA funding £2million to support third sector organisations who will work with 1894 unemployed learners. This project is performing extremely well and has been well received by the voluntary and community sector, with 1199 unemployed learners supported to date. The project has a reserve list of applicants waiting for more funds to be released through the contract extension.</p> <p>A further £19 million worth of contracts have been issued by Big Lottery's Building Better Opportunities (BBO) programme to support those furthest away from the labour market. This will support 4500 individuals on pathways to employment.</p>	Securing additional ESF/Big Lottery funding currently being considered at a national level. No date has been given for a decision as yet.	Michelle Rainbow	A
Provide targeted support to those with protected characteristics.	An ESF call was launched in 2017, with a focus on supporting those with protected characteristics who are furthest away from the labour market.	Projects are not supported and delays to starts impact on customers.	Michelle Rainbow	A
Seek to address long term imbalance within the work place and key sectors that relate to gender, discrimination and disadvantage.	<p>Over £70m of ESF projects are currently live, with many more coming on stream later this year. ESF projects have a strong focus on supporting disadvantaged groups and we expect to see some important results from these projects to help address long term imbalances in future. These projects in themselves will not solve the problem; however good practice can be captured and lessons can be learned to ensure future provision via the UK Prosperity Fund is structured appropriately.</p> <p>There is still a substantial amount of the allocation of European Social Fund not under contract, with a relatively small time to deliver compliant and impactful Interventions. The ESIF committee, the ESF working group and LEP are working together with the Managing Authority, DWP to look at ways delivery of programmes can be maximised</p>	<p>Maximum impact from the allocation and contracting.</p> <p>ESF notional allocation is not secured in the North East.</p>	Michelle Rainbow	A
Adopt a community-led local development (CLLD) approach within our communities suffering from significant deprivation.	All CLLD projects have been approved and are now in delivery. A number of projects will be invited to present at future Employment and Skills Board meetings.	Projects do not delivery requisite outputs	7 Local Authorities' Chief Executives	G

Economic Assets and Infrastructure Programme | Lead: Helen Golightly

Goal

We must supply the right land and develop our critical infrastructure and sites to support the growth of our industrial strengths and clusters, accommodate the changing structure of the economy, foster innovation and deliver the housing required for our changing population.

SEP Action	Progress/ current position	High level risks	Lead	Status
Develop Local Plans which support North East economic ambitions				
Develop 7 local authority statutory Local Plans	<p>Local Authorities are progressing through the stages of their Local Plan preparation. Local authorities have a duty to cooperate and the seven local authorities have all signed an MOU to cooperate.</p> <p>Local Plans adopted to date:</p> <ul style="list-style-type: none"> Newcastle and Gateshead joint core strategy adopted North Tyneside local plan adopted July 2017 <p>Local Plans in development are:</p> <ul style="list-style-type: none"> Durham Sunderland South Tyneside Northumberland County Council <p>3/7 Local Authorities have an approved plan. The LEP's ambition is that each Local Plan will consider the SEP in its development. The LEP has contacted each LA without an approved Local Plan to provide a timeline for its adoption and confirmation that it encapsulates the ambitions set out in the SEP.</p>	Local Plans are not adopted in the short term resulting in elements of the SEP delivery being stalled.	7 LA Chief Executives	A
Securing investment – to deliver strategic employment and housing sites				
Develop a robust pipeline of sites for business development and housing investment	The LEP holds a list of projects and are reviewing the strategic contribution of each to inform the development of a Regional Investment Pipeline, which will in turn inform the updated SEP during 2018 and the early development of a North East Local Industrial Strategy.	Insufficient capacity to progress	Helen Golightly/ LA7 Economic Directors	A
Secure businesses on the phase one and phase two Enterprise Zone (EZ) sites	<ul style="list-style-type: none"> EZ Financial model has been updated (March 2018) EZ overarching legal agreement signed by all 7 local authorities (May 2018) Investment business cases being developed and appraised (on-going) Economic Directors provide the challenge forum for the rate of progress (on-going) 	EZ Business Rate Income is not received at the expected level.	Helen Golightly	G
Collaborative development of spatial planning framework for the North East, supporting the SEP				
Publish a North East Development Framework	Further work should continue through the LA7 Housing and Planning group to update the relevant Duty to Cooperate documents. This has been stalled by the devolution discussions and regional governance changes.	The LA7 group is ineffective and progress is not made	7 LA Chief Executives	A
Explore a collaborative approach to strategic mitigation to deliver the mitigation hierarchy set out the National Planning Policy Framework	The LA7 Housing and Planning group are assessing a collaborative approach. This has been stalled by the devolution discussions and regional governance changes.	The LA7 group is ineffective and progress is not made	7 LA Chief Executives	A

Transport and Connectivity Programme | Lead: Philip Meikle

SEP Action	Progress/ current position	High level risks	Lead	Status
North East Transport Delivery				
Deliver transport LGF schemes	Schemes are at various stages of delivery, risks are being actively managed and progress is being monitored. 9 transport schemes are now complete. Completed schemes are required to fulfil ongoing monitoring requirements.	Projects slip outside LGF funding window. Projects do not deliver specified outputs and outcomes.	Philip Meikle	A
Continue to roll out flexible public transport ticketing	There are two major ticketing initiatives 1. development of Host Card Emulation, a trial that replicates an ITSO Smart (Pop) card onto an android mobile phone. Nexus are a lead partner and have commissioned an app to integrate ITSO tickets which has undergone successful final testing. A range of products to be rolled out across the financial year starting with season tickets and then introducing Pay as you Go. 2. TfN are progressing their contactless (EMV) card solution which would allow customers to touch in and out on all public transport using a contactless bank card and be offered a Fair Price Promise. TfN are currently discussing with potential suppliers and expect a Full Business Case submission to DfT by late 2019.	TfN does not progress specification for ABT Back Office Beta test does not progress satisfactorily	Tobyn Hughes	G
Continue joint management working of our transport system	TfN intend to adopt their Strategic Transport Plan (STP) in February. Officers are briefing members on the latest changes to the STP ahead of the February 7th Board meeting. It is the intention to hold a joint briefing session in the region in late February / early March. In rail we continue to prioritise the need to promote the future of the East Coast Mainline, especially future investment in the York – Newcastle section for Northern Powerhouse Rail and HS2 services for 2033. We also continue to support the case for Transpennine Route Upgrade and the creation of a shared narrative with Network Rail to agree joint work programmes and governance to help to meet a joint vision for rail in the North East.	TfN plan not adopted	Philip Meikle	G
Develop and expand the Urban Traffic Management and Control Centre (UTMC)	UTMC NPIF bid received funding. The back office technical refresh of the UTMC common database is now largely complete. The detailed technical specification for the traffic signals hosted back office solution is complete and will go to tender by the end of January 2019. Variable Messaging System (VMS) site selection, 14 new sites have been undertaken, procurement planned for early 2019. Initial orders for Automatic Number Plate Recognition (ANPR) and Close Circuit Television (CCTV) assets have been placed.	Project does not deliver outputs	UTMC team	G
Identify and begin to deliver strategic schemes to enhance connectivity	We are one of 12 city regions shortlisted to bid for funding from the Transforming Cities Fund which aims to improve connectivity. We are currently sifting potential Tranche 2 schemes.	Funding is not secured. Schemes are not deliverable within the funding period. Schemes do not meet the criteria.	Philip Meikle with local authority Heads of Transport	G
Identify and begin to deliver pinch point solutions	Work continues on delivering schemes funded via the Highways Maintenance Challenge Fund and National Productivity Investment Fund. The increased amount of funding (£430m) for potholes and structural and junction schemes will be provided direct to local authorities following the self-assessment questionnaire. Preparation is underway for Highway England's Roads Investment Strategy 2 and the evidence to underpin the strategy.	Funding is not secured	Philip Meikle with local authority Heads of Transport	G

SEP Action	Progress/ current position	High level risks	Lead	Status
Identify and begin to deliver a long term project pipeline	Working with scheme promoters to develop a pipeline of projects. Approach to be discussed with Heads of Transport, Economic Directors and the LEP.	A prioritised list is not agreed	Philip Meikle	G
Transport Innovation				
Commission the Go Ultra Low Cities Programme	Construction of the Sunderland Electric Vehicle (EV) Filling Station at Sunderland began on 7 th January 2019. The EV Filling Station at Newcastle Helix and the EV rapid hubs have received planning permission and construction is anticipated to commence early in 2019.	Delays in construction due to weather conditions and installation of the electrical connections	Philip Meikle	G
Regional Transport Planning				
Develop and agree a North East Transport Plan	The development of a Regional Transport Plan and associated sub-documents continues.	Change in Governance may affect delivery timescales.	Philip Meikle	A
Strengthen the alignment between the transport plan and the planning process	A workshop between town planners and transport planners is contemplated to support the transforming cities process. There is an opportunity to develop the NE Planning Framework following discussion at Economic Directors and to develop a region wide resource working with statutory consultees.	Change in Regional Transport Governance may affect delivery timescales.	Philip Meikle	G
Explore opportunities presented to us in new legislation	Nexus sits on a DfT programme board to steer the provision in the 2017 Bus Services Act 2017 for open data in relation to bus services. Nexus is also examining the provisions of the Act in relation to a new Regional Bus Strategy.		Tobyn Hughes	G
Develop transport investment programme	A bid for funding from the Transforming Cities Fund Tranche 1 has been submitted and an application for funding from Tranche 2 is being progressed and potential schemes are being identified. Other sources of investment will be sought.	Match funding is not identified.	Philip Meikle	A
Identify opportunities for improved freight infrastructure	The North East Freight Partnership continues. Meetings offer the opportunity for freight operators and shippers to discuss their infrastructure needs and a special meeting was held with the National Infrastructure Commission for this purpose on 10 th January. The associated Rail Partner Group engages with developers working on potential rail-served freight sites, and a separate Water Freight Group involves port operators. In association with TfN, studies are planned to assess the need for more lorry parking provision.		Philip Meikle	G
Improve transport proposals to employment sites (by 2020)	The Transforming Cities Fund application will aim to improve connectivity to key employment sites.	Transforming cities submission is not successful	Philip Meikle with Heads of Transport	G
Implement an enhanced public transport offer (by 2020)	A programme of initiatives continue across the system such as South Shields Transport Interchange, now under construction, and the Smart ticketing project. Design options on Sunderland Station are developed by Network Rail in collaboration with Sunderland City Council and Nexus for consideration with funding options such as the Transforming Cities Fund being explored.		Tobyn Hughes	G

SEP Action	Progress/ current position	High level risks	Lead	Status
National and international connectivity				
Enhance east-west road and rail connectivity	<p>The interventions from TfN's East-West Corridor Study, Connecting the Energy Coasts have been modelled using TfN's suite of models and a combined Strategic Outline Programme and Case is being finalised. This will inform TfN's investment Programme.</p> <p>Work is progressing on the Northern Powerhouse Rail project including corridor option development for the Leeds to North East corridor (including significant upgrades to the ECML). Also aligned to the East Coast Route study. Strategic Outline business case for NPR to go to the February TfN Board for approval.</p>	The needs of the North East are not adequately considered as part of the study	Philip Meikle	G
Develop an initiative to support air, sea and rail transport hubs	<p>Consultation responses by the RTT continue to be issued on time. Work is now underway around the detail of the Major Road Network. We are working closely with bodies such as Transport for the North, the National Infrastructure Commission, and Transport for New Homes and the Urban Transport Group on collective common issues.</p> <p>The North East is now the secretariat to the East Coast Mainline Authorities (ECMA) Consortium and also supports the All Party Parliamentary Group (APPG) on the East Coast Mainline, chaired by Catherine McKinnell, MP for Newcastle upon Tyne North.</p>	A coordinated strategy for unlocking growth opportunities for high speed rail in the North East is not adopted	Philip Meikle	G
Make our region HS2 ready	<p>It was agreed previously at TNEC that continued support be given to the aims of the High Speed 2 project and maximum benefit be sought for all areas of the North East from this significant national investment.</p> <p>We continue to lobby to promote the need from the East Coast Mainline to be ready for HS2 traffic between Newcastle and York in 2033. A response to the latest consultation on HS2 has been sent by the Chair of the Joint Transport Committee emphasising the importance of HS2 to the region and the need to make the ECML HS2 ready.</p>	No committed funding for East Coast Mainline enhancement	Philip Meikle	G
Digital connectivity				
Map and influence superfast broadband coverage	The North East Digital Leaders Group which brings together the 7 LA Digital Leads and the LEP has developed a comprehensive mapping of superfast broadband coverage.	100% coverage is not achieved due to cost	Steve Smith, Northumberland Council Ben Kaner, North Tyneside Council	G
Develop and begin delivery of 5G test-bed	The 5G team is developing a 5G proposal for the region.	Insufficient resources and private sector appetite to deliver.	Alan Welby and 5G team	A
Explore the potential to develop fibre-optic connectivity to Europe	<p>Private sector led consortium of Aqua Comms and Stellium Datacenters plan to build North Sea Connect - a high capacity system connecting the North East to Denmark, with branching potential to Germany and the Netherlands.</p> <p>It will provide the first modern high capacity system crossing the North Sea from the region to mainland Europe, providing unique routing and UK diversity. It will provide with a unique link between the US, Ireland and northern Europe avoiding London.</p> <p>The plan awaits investment and customer demand, but permissions are in place.</p>	Market demand	TBC	G

Strategy, Policy and Analysis | Lead: Richard Baker

Goals:

To ensure that the SEP remains updated and drives priorities for the North East economy, that key policy influencing actions are undertaken and that the North East LEP places up to date economic analysis, evaluation and evidence development at the heart of its work, and is looked to as a focus for innovative, collaborative and policy oriented evidence development

SEP Action	Progress/ current position	High level risks	Lead	Status
Strategy and development				
Update of the North East Strategic Economic Plan	<p>The Steering Group continues to meet. This group will also will also input into the development of the North East Local Industrial Strategy (LIS).</p> <p>Conversations with North East LEP Sub-Boards, the LA7 Chief Executives and Economic Directors and key stakeholders have taken place. The LIS Strategic Steering Group is now meeting monthly.</p> <p>The final draft will be brought to the LEP board Meeting on the 31 January.</p>	<ul style="list-style-type: none"> Data availability Changing UK policy framework towards SEPs Co-ordination as regional structures change 	Richard Baker	G
Development and delivery of strategies for SEP areas of opportunity	<p>Strategies are being developed for each of the areas of opportunity set out in the SEP - Digital; Advanced Manufacturing; Life Sciences Innovation; Energy.</p> <p>The Digital Lead commenced in Post December 2018. Funding is now in place for the Health Lead post and the LEP is awaiting sign off of the memorandum of understanding by the AHSN.</p> <p>The Energy Strategy will be taken to the LEP board on 31 January. The Automotive Brochure is now ready to be sent out to designers to work up.</p>	<ul style="list-style-type: none"> Internal capacity – need to identify resources for lead officers Data availability Management of relationships 	Richard Baker	A
Delivery of comprehensive SEP communications programme	<p>The current focus of communications is in relation to the SEP is the update process. A full communications plan will be developed around the publication of the Progress Review and the updated SEP. The launch event is planned for 14 February 2019.</p>	<ul style="list-style-type: none"> Dependency on progress with the Review process 	Richard Baker	G
Delivery of year 1 of interim SEP evaluation	<p>We have signed off on the baseline report, and the first draft of the annual report will be submitted in January 2019.</p>	<ul style="list-style-type: none"> Complexity given project nature and multiple monitoring arrangements Timetabling 	Richard Baker	G
Economic Evidence and Analysis				
Produce and promote annual 'Our Economy' report	<p>The 'Our Economy 2019' report will be published in May 2019.</p> <p>A topic under consideration as the focus of Section 2 in the 2019 report is 'competitiveness and place'.</p>	<ul style="list-style-type: none"> Internal capacity Data availability 	Richard Baker	G
Expand the content, functionality and promotion of the Data Hub	<p>Our web developers Daykin and Storey have delivered a number of improvements to the Data Hub functionality as part of our ongoing programme of development. Meetings are planned to scope out the next phase of developments.</p> <p>A marketing campaign for the Data Hub will run throughout February and early March.</p> <p>The Economic Analyst post commenced in January 2019, and will play a key role in adding capacity to the Data Hub amongst other things.</p>	<ul style="list-style-type: none"> Data availability Resources Management of relationships with partners 	Richard Baker	G

SEP Action	Progress/ current position	High level risks	Lead	Status
Support the role of the North East LEP as a regional economic commentator	The North East LEP continues to comment on key economic data linked to the delivery of the Strategic Economic Plan.	<ul style="list-style-type: none"> Internal capacity 	Richard Baker	G
Agree research and evidence development plan to improve the evidence available to core SEP programmes and to strengthen the shared use of economic evidence in the region	<p>The LEP-led North East Economic Evidence Forum has been established for over a year. It brings together research users and commissioners from a range of nation, regional, and local organisations.</p> <p>The Forum will continue to deliver its forward work programme, with members actively sharing current economic evidence and research at meetings. The Evidence Forum considered the findings from the first phase of the North East Productivity Review in early January, and will continue to advise on the evidence base for the North East Local Industrial Strategy.</p> <p>The Strategy and Policy team has established an internal programme of research and evaluation activities across all programmes of delivery.</p>	<ul style="list-style-type: none"> Management of partner relationships Developing resources to support projects 	Richard Baker	G
Informing economic policy nationally and regionally				
Manage key North East LEP policy contacts in Government and strengthen influencing position	The North East LEP introduced a new CRM system in August which will support better understanding and management of relationships with Government and stakeholders.		Richard Baker	A
Co-ordination of the regional response to Brexit	The North East Brexit Group continues to meet on a monthly basis. The group has now developed a work programme across different Brexit scenarios including evidence gathering activities, proposition development and business messaging. For example the group has also supported the development of the Brexit Toolkit which is now live on the North East Growth Hub.	<ul style="list-style-type: none"> Management of partner relationships Political sensitivity 	Richard Baker	G
Devolution to the North East	The North of Tyne Combined Authority formally came into being in early November. Work will continue to support the implementation of the North of Tyne devolution deal, ensuring strong alignment between North of Tyne and South of Tyne activity with SEP programmes.	<ul style="list-style-type: none"> Internal capacity Management of partner relationships 	Richard Baker	G
Development of new policy proposals	<p>In July 2018 the Secretary of State for Business, Energy and Industrial Strategy (BEIS) announced that the North East would be one of six areas that Government would work with to develop a LIS. The North East LEP continues to meet BEIS as part of the LIS working group on a regular basis to monitor progress against the project plan. A LIS Steering Group has now been established and is meeting monthly to oversee the development of the LIS and terms of reference for the group. The North East LEP has appointed external contractors to undertake a review of North East productivity to inform the LIS, and a programme of meetings with national policy teams around sector deals and grand challenges is being planned.</p> <p>The North East LEP is working with regional stakeholders to develop a North East response to the National Infrastructure Assessments and led a roundtable with the National Infrastructure Commission in November.</p> <p>The North East LEP has worked with Tees Valley Combined Authority on a proposal for a Made Smarter pilot in response to the Made Smarter review. If supported this will be delivered through the Growth Hub, working in partnership with the Tees Valley Business Compass.</p>	<ul style="list-style-type: none"> Internal capacity Developing resources to support project 	Richard Baker	G

Investment Programme | Lead: Helen Golightly

Local Growth Fund		North East Investment Fund		Enterprise Zone development	
Total funding available	Capital grant funding £270.1m 2015-21	Total funding available	Capital loan funding £54m evergreen fund	Total funding available	£108m invested from EZ Business Rate income.
Amount allocated	<p>£258.2 contracted and £10.3m allocated to projects in pipeline development (all of which are anticipated to come forward for decision during 2019). Under-programme level currently at £2m</p> <p>Budget allocation for 2018/19 is £51.7m. Total forecast spend currently is £49.7m (£2m under-programme).</p>	Amount allocated	<p>Over £67m invested through the programme to date with repayments underway.</p> <p>Approximately £10m available to invest at present.</p>	Amount allocated	1,417 new jobs (excluding construction jobs) created with 45 businesses located on the EZ sites.
Projects supported	<p>48 major projects alongside 4 mini-programmes approved to date.</p> <p>Innovation 'mini-funds' for Incubators and Project Development have both undertaken a second project call. To date four projects have had a grant award through the Innovation Project Development Fund, and two projects have received a grant award through the Incubator Support Fund.</p>	Projects supported	28 projects supported over last four years, developing strategic infrastructure in support of economic growth in North East LEP area, including investment in Enterprise Zones and employment sites.	Projects supported	<p>The Enterprise Zone sites have attracted significant investment to date. During 2018 £41m has been approved from the Business Rate income pool to support activity on 8 Enterprise Zone site. Further applications are being developed for 2019.</p> <p>Feasibility Studies are being progressed for four further sites to accelerate the development.</p> <p>A legal agreement is now in place and a full implementation plan has been finalised covering all 21 sites and signed by all 7 LAs.</p>
Issues	Net budget under programme of £2m to be mitigated through accelerated LGF spend against some projects with allocations in future years and through potential funding swaps with NECA.	Issues	<p>To date NEIF projects have reported a yearly average jobs figure of 532 (against target average of 1,661).</p> <p>These figures reflect an upward trend in output as projects move from build out to occupation and delivery. In addition funds are now being repaid, providing more finance available for re-investment / job creation. We are also reviewing other options to boost the output delivery of the NEIF with the Investment Board and Local Authority partners.</p>	Issues	<p>Overall performance continues to show slower development, build out and occupation of sites than originally envisaged. However, there is still a positive financial model and significant pipeline of interest in the sites.</p> <p>Large developments have attracted large occupiers to the sites in the last quarter including SNOP (IAMP) and Bellway (Newcastle Int. Airport) announced developments on the sites and Brenntag opening their premises at Turbine Business Park.</p>

Communications Update – December 2018 - January 2019

Social Media



Followers: 9,493 (+1.6% since 29 November 2018)
Reach: **71.2k** since 29 November 2018)



Followers: 3,404 (+1.8% on last month)
Reach: 10.4k (Impressions since 7 December)

Benchmarking against top three LEPs on twitter
(as of 23 January 2019)



The top three posts for engagement
(i.e. someone clicked or expanded the link) during this period were:

LinkedIn Top Posts, by Engagement

Post	Impressions	Engagement	Clicks	Likes
<p>North East Local Enterprise Partnership</p> <p>Even at the age of 3 or 4, children are already starting to form their first aspirations - that's why we're working with #NorthEast primary schools to strengthen careers guidance & help open pupils' eyes to the range of possibilities their futures hold: https://lnkd.in/dsQH_2u</p> 	794	8.3%	34	21

(Update) by Jen R. December 05, 2018 12:55 pm

Top Tweets

Top Tweets:

Tweet	Potential Reach	Responses	Clicks	Retweets
<p>northeastlep</p> <p>Even at age 3 or 4, children are already starting to form aspirations - that's why we're working with #NorthEast primary schools to strengthen careers guidance & help open pupils' eyes to the range of possibilities their futures hold #NEAmbition: https://t.co/5nTKOQULaw</p> <p>(Tweet) by Jen R. December 05, 2018 12:54 pm</p>	16,070	14	0	13
<p>northeastlep</p> <p>A huge well done to all the North East schools and colleges that pioneered the @GatsbyEd Benchmarks. One year on we're continuing to see the positive impact. Long may it continue https://t.co/bsSCarvXQ #NEAmbition</p> <p>(Retweet with Comment) December 04, 2018 2:20 pm</p>	23,760	12	0	12

Mentions Nov - Dec

No. of Mentions
1,021

(in articles, blogs, social media posts)

Sentiment:

Neutral: 425

Positive: 60

Negative: 1

Negatives: One negative tweet this month in response to regional data promotion.

Highlights:

RT @careersnorthgo1: Thank you to @northeastlep for your support in bringing the staff at North Gosforth Academy @NorthGosforthAc up to speed with the Gatsby Benchmarks this morning as part of our staff training.

Upcoming events

24 January 2019: Supply Chain North East launch

14 February 2019: North East Strategic Economic Plan Launch

Priority actions for the next two months

Action 1

Continue to work on the refresh of the SEP – including document and launch event

Action 2

Launch the Live Work Stay Campaign and also continue to promote the Preparation for Brexit Toolkit on the Growth Hub

Action 3

Support the team in preparing the Local Industrial Strategy and Our Economy 2019

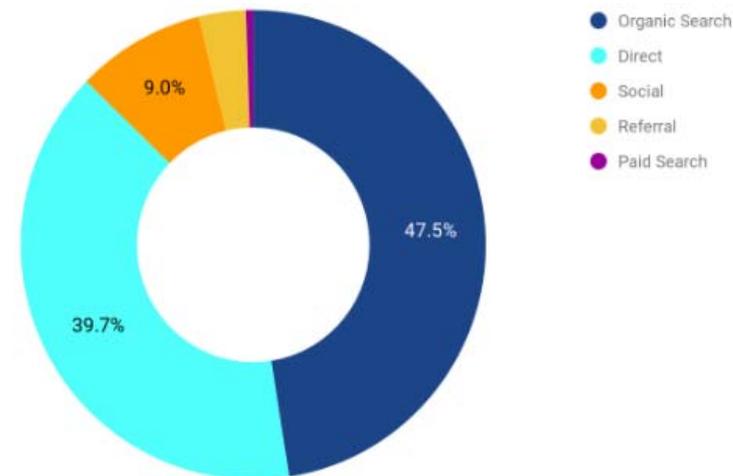
Website Performance Summary (note we expect to see a seasonal dip in traffic during December)

DECEMBER 2018



Performance summary

- Website traffic is down -27% month on month (MOM) due to seasonality and also slightly down -7% year on year (YOY)
- Bounce Rate and Average Time on Page have seen positive improvements both MOM and YOY
- Social traffic has seen a considerable +311% increase MOM, with LinkedIn referring 198 users alone
- Contact form submissions remained consistent MOM, totalling 15 in December
- General enquiries decreased MOM but saw an improvement YOY, with email enquiries up by +119%



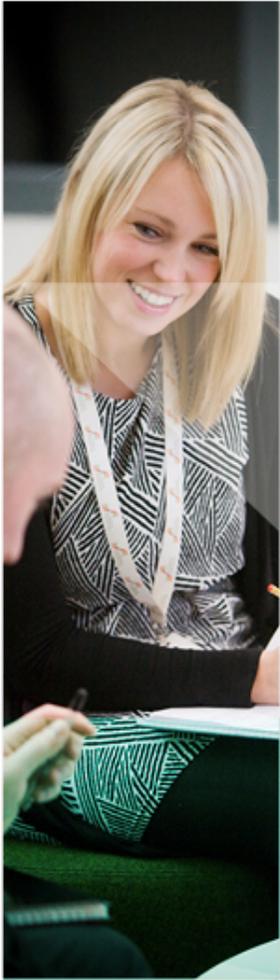
Site sessions: 3,988 -27%

Bounce rate: 55% -2%

General click to call: 2 -60%

General click to email: 35 -5%

Contact form submissions: 15 0%



North East

Local Enterprise Partnership



info@nelep.co.uk



uk.linkedin.com/company/north-east-lep



0191 338 7420



www.northeastlep.co.uk



[@northeastlep](https://twitter.com/northeastlep)



1 St James Gate,
Newcastle upon Tyne,
NE1 4AD

31st January 2019

ITEM 5b: Local Industrial Strategy Update

1.0 Background

1.1 As previously advised to the Board, the North East LEP area has been identified as one of the first 6 areas to be invited to work with the Government on the development of a Local Industrial strategy (LIS), following pilots in the West Midlands and Greater Manchester.

The North East LEP will lead a process working closely with Government, the two Combined Authorities and economic partners to deliver the North East Local Industrial Strategy in 2019. This will build on a strong evidence base represented by the annual *Our Economy* report and the priorities set out in the updated North East Strategic Economic Plan 2019.

2.0 Purpose and focus

2.1 A policy prospectus for Local Industrial Strategies was published by Government in October 2018. It set out an aim that LIS's will be focused on:

- Developing an evidence-based approach to improving regional productivity, and through this enhancing standards of living
- Mapping of specific opportunities and challenges for the region in terms of assets, capabilities and barriers and their alignment to national priorities set out in the Industrial Strategy

It envisages that LIS's will:

- Develop an agreed strategic overview of regional opportunities and challenges prioritising local action and informing national decisions
- Build on range of existing strategies and initiatives, in the case of the North East to include the SEP, and devolution and growth deals
- Inform local approaches to the envisaged UK Shared Prosperity Fund following the Spending Review which can
 - Increase productivity and realise potential
 - Set out spatial impacts of national and local policy to spread prosperity
- That the development of the LIS should be collaborative, both with Government and with economic partners within the region, and where relevant with other

areas where there are complementary assets

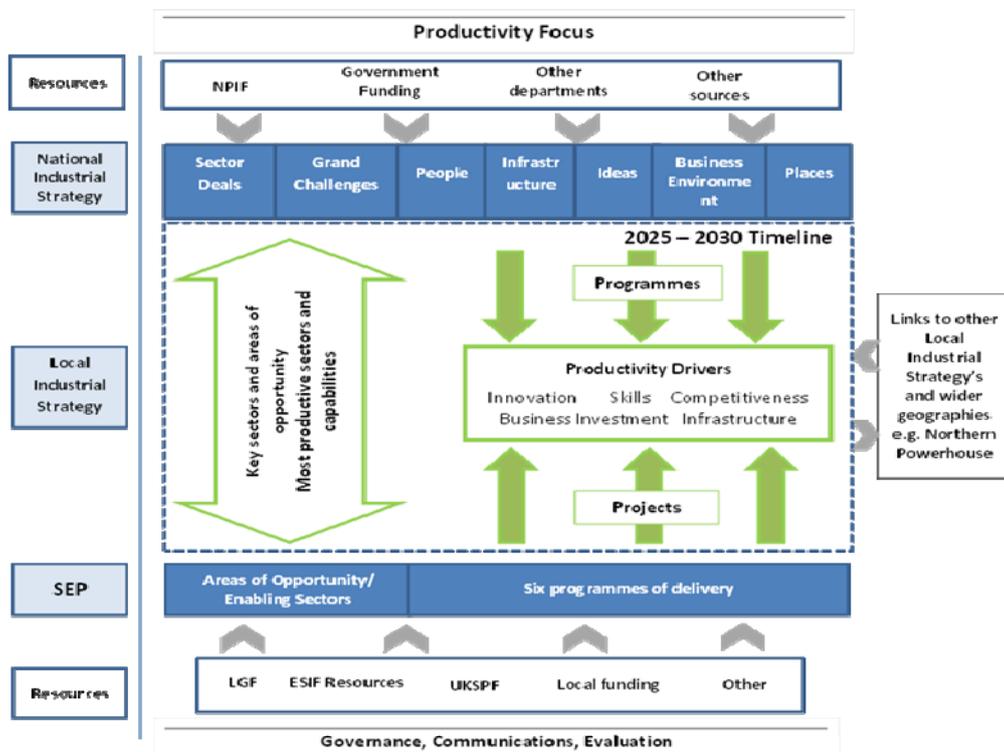
- Set out evaluation arrangements
- The LIS will be developed with a time horizon of 2030 for impact, and will include propositions which can be delivered in the next 3-5 years.

3.0 Developing the North East Local Industrial Strategy

3.1 Work has been undertaken by the North East LEP and the Cities and Local Growth Unit in Government to design an approach to developing the North East LIS.

It is agreed that the document should be outward looking and enhance co-ordination between Government and the region, and with other areas of the country. It will build on the Strategic Economic Plan and occupy a space between the SEP and the UKs Industrial Strategy, developing proposals which can address North East productivity performance and standards of living through our Programme of Delivery and identifying how North East assets can contribute to national industrial strategy priorities. Figure 1 illustrates our agreed approach, including a preferred position of the UK Shared Prosperity Fund, although noting that formal consultation on this has yet to commence.

Figure 1: Approach to North East LIS and relationship between LIS, SEP, UKSPF (provisional)



4.0 Activities

4.1 Building on the platform of the Strategic Economic, two key pieces of evidenced based work are underway which will take forward this approach. Figure 2

illustrates the approach:

- **A review of North East productivity.** The North East LEP undertook a procurement exercise for this review, with Cambridge Econometrics/Steer-ED the appointed contractor. The review will:
 - Provide a solid productivity focused evidence base for the North East LIS which will build on the evidence tools currently in place
 - Support development of clear and well-developed proposals about key ambitions, policies and actions that should be taken to improve the North East's productivity with a focus on prioritising actions that will have the greatest impact and deliver strengthened living standards
 - Build consensus across the region on what needs to be done to increase the North East's productivity performance and the content of the North East LIS.
- Mapping of North East industrial and innovation assets against the opportunities in global markets and the programmes which are highlighted in the Industrial Strategy (including the Sector Deals and Grand Challenges). A procurement exercise has appointed Technopolis to support this work which will:
 - Identify assets and capabilities in the North East which can deliver a strong contribution to growth in key UK sectors
 - identify opportunities to contribute to the delivery of an uplift in research and development activity towards the target of **2.4%** of GDP, including through the Grand Challenge programmes

In addition, the North East LEP has sought opportunities for direct discussion with UK level policy teams about the priorities and opportunities for strengthened co-ordination with Industrial strategy programmes

5.0 Governance, co-ordination and engagement

5.1 Structures for governance, co-ordination and engagement have been established and sign off arrangements under discussion.

A strategic level Steering Group drawing together senior representation from the North East LEP, Cities and Local Growth Unit and two Combined Authorities has been created. The work of the Strategic Economic Plan Working Group has been extended to include co-ordination of the LIS and a number of other structures have been identified to contribute to development of the LIS.

In addition each of the workstreams will include appropriate engagement mechanisms. See figure 3 for more details.

Figure 2: approach to development of the content of the North East LIS

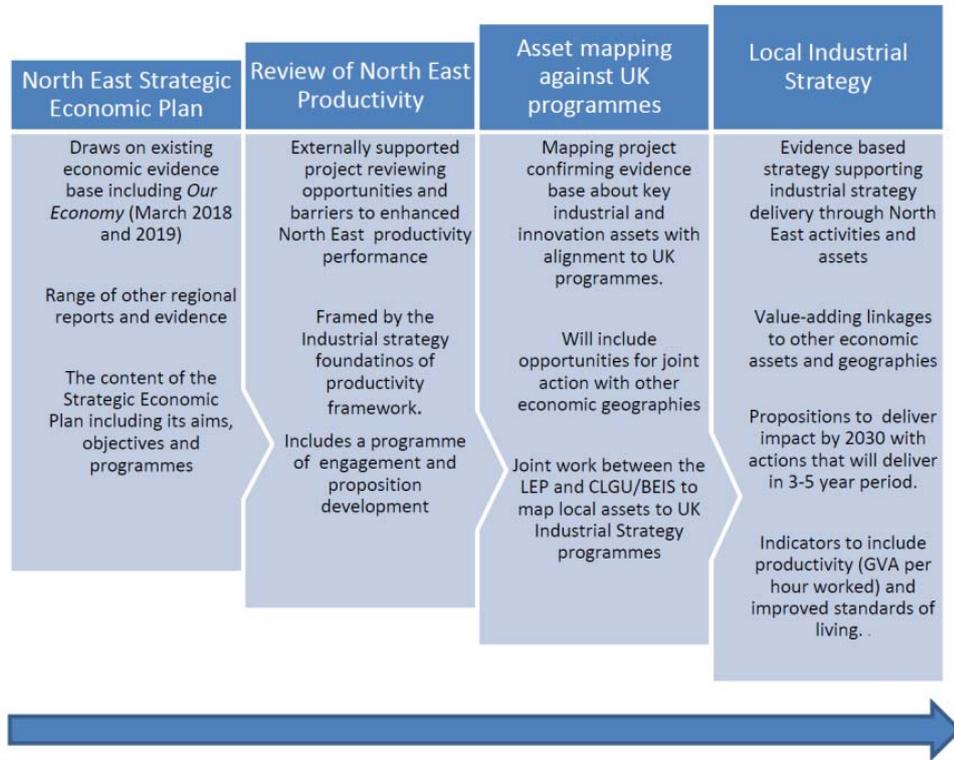
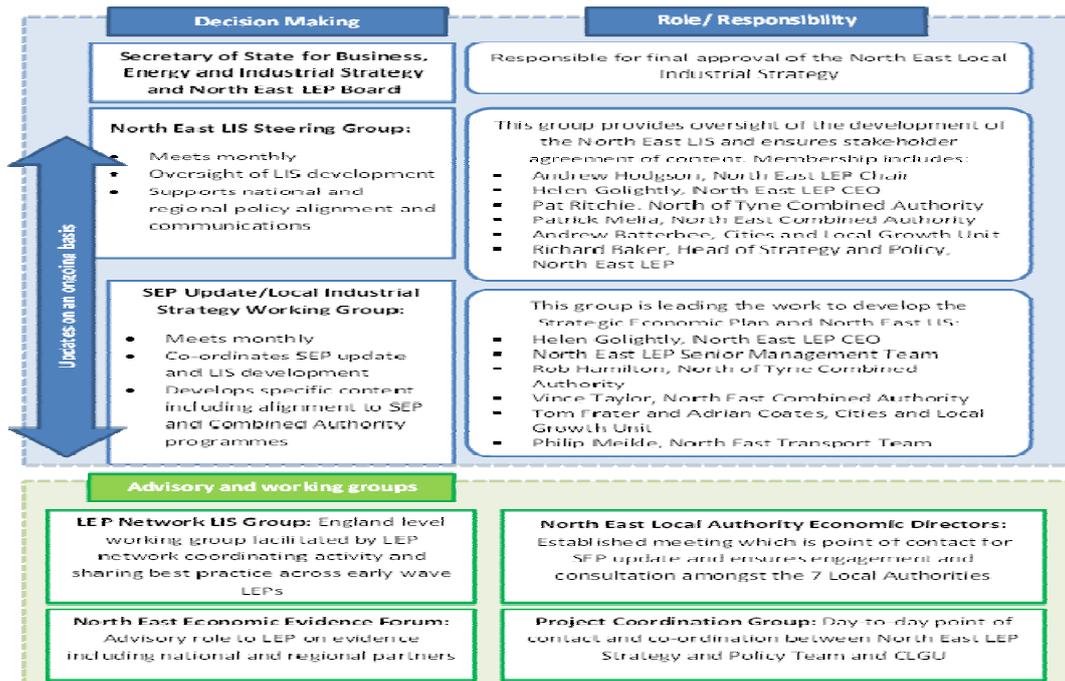


Figure 3: Governance and co-ordination arrangements



6.0 Recommendation

6.1 The Board is asked to note the content of this report.

DATE: 31 January 2019

ITEM 6b: Assurance Framework and Annual Performance Review

1,0 Introduction

1.1 The North East LEP Board is required by the Ministry of Housing, Culture and Local Government (MHCLG) to annually review its Assurance Framework. The Assurance Framework sets out the operational management and decision-making accountabilities that are necessary for the effective control and delivery of Government and other resources received by the North East LEP.

1.2 This year's review is undertaken in the context of the updated Government 'National Local Growth Assurance Framework'. This sets out Government's guidance for places that are required to develop their own Local Assurance Framework including LEPs and MCAs. This Framework was published earlier this month and implements the recommendations of the Non-Executive Director Review into LEP Governance and Transparency (the Mary Ney Review) including those addressed by the LEP Governance and Transparency Best Practice Guidance (published in January 2018) and the recommendations from 'Strengthened Local Enterprise Partnerships' document that followed the Ministerial review into LEPs (July 2018). It also takes on board the recommendations of the Public Accounts Committee Report into the governance of the Greater Cambridge Greater Peterborough Local Enterprise Partnership which followed the National Audit Office investigation.

1.3 This report sets out:

- The Government's revised annual LEP performance review process.
- Actions to be taken to update the current North East LEP Assurance Framework before the end of February 2019 to remain fully compliant.
- Action to be taken during 2019/20 to ensure the North East LEP continues to remain compliant with additional Government best practice requirements that will come into effect in 2020.

2.0 Government Annual LEP Review Process

2.1 This report is presented during the middle of Government's annual LEP review process. This process forms the key element in a wider Government LEP assurance system. Steps in this process are outlined below.

Month	MHCLG Action	North East LEP
November 2018	Compliance checks on LEP websites to ensure publication and ease of access to all policy documents.	LEP website confirmed as meeting requirements.
November	Data collection including from LEP programme data monitoring returns	All data performance deadlines have been met including the annual 'LGF data commission'.
November-January	LEP annual pro-forma returned to MHCLG answering standard questions on the themes of Strategy, Governance and Delivery.	Form submitted on 7 th January
November-January	LEP Chair and Chief Exec. Assurance statement on governance and transparency	Statement prepared and submitted 7 th January. See Appendix 1
November-January	S73 Finance Officer statement on their work with the LEP and opinion on transparency and governance.	Statement prepared and submitted 7 th January. See Appendix 2.
December-January	Annual Performance Review meetings between Cities and Growth Unit and each LEP	Meeting held on 14 th January. Performance will be marked on each theme of Strategy, Governance and Delivery and performance overall.
February	Cities and Growth Unit Moderation. Marks for each LEP will be moderated prior to final assessment.	
28 th February	S73 Officer letter to MHCLG Accounting Officer confirming that the LEP assurance framework is consistent with current National Assurance Framework.	
March	HMCLG 'Deep Dives'. LEPs identified on a risk-based approach.	
Late March -Early April	MHCLG advice to Accounting Officer and Minister	
Late March / early April 2019	LEPs / accountable bodies advised of performance assessment outcome and confirmation of 2019/20 budget allocations and any issues to be addressed	

3.0 Annual Performance Review meeting between the North East LEP and Government

3.1 Ahead of the North East LEP Annual Performance Meeting on 14 January 2019, MHCLG undertook a compliance check on the North East LEP website to confirm that all key documents were published and easily accessible. There were no fundamental issues arising from this procedure and all documents were identified. However, it was agreed to publish each Board member register of interests alongside their biography on the website rather than the previously published combined full Board register.

3.2 The annual meeting was Chaired by the BEIS Area Director Andrew Battarbee and attendees included the LEP Board Chair, LEP Chief Executive and NECA's S73 officer.

3.3 There were no concerns expressed with the regards to overall delivery performance or strategy issues. Regarding governance the main point for discussion was the challenge that we have faced over the past year of achieving quorate Board meetings. Assurance was provided to MHCLG that this matter was being raised with Board members and constituent local authorities and would also be raised at the next Board away day.

3.4 As last year, each LEP will receive a letter in late March confirming their performance outcome assessment in regard to the four categories of Exceptional, Good, Requires Improvement and Inadequate. LEP budgets for 2019/20 will also be confirmed at this time.

4.0 What actions are required by the North East LEP in relation to the revised Local Growth Assurance Framework requirements?

4.1 Whilst the new assurance framework does not come into effect until 1st April 2019 the North East LEP is already effectively compliant. Looking further ahead there will be additional requirements to be met by 2020. The new requirements placed on all LEPs include the:

- **Publication of an annual delivery plan** - this is something that the North East LEP already produces. MHCLG are to prepare a template to be followed by all LEPs. The North East LEP Delivery Plan for 2019/20 will be presented to the May Board for endorsement.
- **Publication of an annual review report** – this is not required until March 2020. The Board already receives an annual review.
- **Publication of accounts.** The North East LEP accounts are published within the accountable body annual accounts with the LEP website providing a link to the latest accounts on the NECA website. To further improve transparency, it is proposed to set out a summary budget within the annual delivery plan and annual review reports.
- Proportion of Board members that are women to be at least 33% by

2020 and 50% by 2023. Over the past year the proportion of women on the Board has increased and currently represents 27%. Government has confirmed that this figure includes elected Board members. Six of the seven local authority elected members are men, and this skews the overall percentage.

- Proportion of Board members that are from the private sector should be at least two thirds. This includes Further and Higher Education representatives on the LEP Board. Currently private sector representation stands at 61%.
- Government best practice now advocates voluntary and community sector (VCS) representation on LEP Boards. Currently our sub-Boards variously have VCS representation but there is no VCS member on the main Board. As part of the review of the LEP Board membership, consideration should be given to include a VCS representative during 2019/20.
- Government best practice also advocates that each LEP Board should nominate a Diversity Champion. It is proposed that this is supported and that terms of reference be prepared and presented as part of future revisions to the Board constitution during 2019/20.

5.0 North East LEP Assurance Framework - amendments

5.1 The local assurance framework was updated during 2018 to reflect the best practice guidance issued by MHCLG. The LEP website was also amended to enable more detailed information to be published on each project that receives funding support from the North East LEP. All projects have a dedicated page with the status of the project kept up to date.

The most notable amendments this year to the Assurance Framework are:

- Reference to the establishment of the North East LEPs new arm's length company 'The North East Growth Company'
- A new link to the recently adopted scheme of delegation by NECA
- Reference to holding a public annual general meeting
- Update diversity statement in line with Government requirements.
- Statement explaining how we work closely with the new NTCA

6.0 Next Steps

6.1 The updated Assurance Framework will be published on the LEP website by 28th February 2019 along with the statements in appendix 1 and 2. In line with the National Assurance Framework, the NECA Section 73 Officer must also write to DCLG's Accounting Officer by 28 February 2019 to certify that the Local Assurance Framework arrangements are compliant with the national framework.

6.2 The Assurance Framework is a live document and it is likely that it will be updated on occasions during the coming year e.g. when changes to the Partnership Constitution are made and should the accountable body change there would need to be a major re-draft with updated policy documents and linkages to the LEP website.

7.0 Recommendations

Board members are asked to:

- 1) Note the revised Government annual LEP review process and that the outcome of this year's assessment will be reported to a future Board meeting.
- 2) Note that Board member registers of interest are now published next to their biographies on the LEP website and that all individual registers are due for annual renewal in March.
- 3) Note Government obligations that effectively require a review of the Board's constitution and composition to ensure that there is adherence to the minimum 66% private sector membership; minimum of 33% women, rising to 50% by 2023 and consider a dedicated Board position for a VCS representative and diversity champion.
- 4) Delegate authority to the Chief Executive in consultation with the NECA Monitoring Officer and S73 Officer to agree to the updated Assurance Framework to include the amendments highlighted in section 5.

6.0 Appendices

1. Formal assurance statement on the status of governance and transparency from the LEP Chief Executive and LEP Board Chair.
2. S73 Finance Officer statement on their work with the North East LEP

North East LEP Chair and Chief Executive Formal assurance statement on the status of governance and transparency 2019 (to be published in the North East LEP website)

As an organisation that is both funded by and responsible for public funds, robust and transparent governance is essential. We have strong systems in place to ensure that we apply the highest standards of governance, supported by our accountable body, the North East Combined Authority (NECA).

We take seriously the importance of delivering our responsibilities as a Local Enterprise Partnership through compliance with Government best practice guidelines and in accordance with our own operating principles and standards detailed in our [Local Assurance Framework](#) that sets out how we make decisions and ensure value for money when we invest in projects across the North East LEP area. Importantly, this document also sets out how we communicate and publish information to the public about our affairs such as our annual accounts, with the latest accounts being able to be viewed [here](#) on the our accountable body's website. The NECA S73 Chief Finance Officer arranged for the external audit of our 2017/18 accounts and these have been confirmed as being in good order.

The North East Strategic Economic Plan (SEP) 2014-2024 has continued to guide our investment programmes and in the past year we have developed a SEP evaluation strategy and appointed external consultants to help us assess and evaluate the progress that we are making towards our core goal to help create 100,000 additional jobs in the North East over this period.

Over the past year we have added to our website details and progress updates on each project that we have provided funding. We have also sought to keep all interested partners and members of the public up to date through regular email bulletins which go to 2,500 subscribers. We welcome more people to sign up for our newsletters and to keep in touch with the activities of the North East LEP and its partners, this can easily be done through our website [here](#)

The North East LEP has continued to receive strong support from the NECA and its constituent local authorities and during the course of the year we have also established close working relationships with the newly formed North of Tyne Combined Authority. Working closely and effectively with both Combined Authorities in the North East will be very important going forward as we prepare our Local Industrial Strategy and a SEP action plan for the period to 2021.

The NECA committees' perform an important democratic role in being able to review our activities and to hold the LEP to public account. The NECA Governance and Overview and Scrutiny Committees receive updates on our activities and can review planned key decisions. These meetings and the NECA North East Leadership Board are public meetings and Board papers can be viewed [here](#).

The Monitoring Officer at NECA has supported the LEP Executive Team providing advice and training on good governance and decision-making. The Monitoring Officer role is to ensure that we have robust and transparent governance arrangements and importantly that we operate legally with clear policies and

procedures on such matters as complaints and whistle blowing for instance.

All Board members complete declaration of interest forms and due care is taken to ensure that correct procedures are followed when there is a potential conflict, and this is reflected in the minutes of Board meetings. Board minutes and the register of Board member interests are published on our website [here](#).

We continue to enjoy strong relationships with business representative groups and hold regular senior level meetings with the North East England Chamber of Commerce, Confederation of British Industry (CBI), Federation of Small Businesses and Entrepreneurs Forum.

We held a range of public engagement events during 2018 including the launch of our new Scale Up North East Programme, 'Our Economy' – economic analysis report and consultations on the development of a work programme for the next phase of SEPs implementation from 2019-21.

In July 2018 Government published a strategic review of LEPs in England [Strengthened Local Enterprise Partnerships](#) in which it set out consistent standards and expectations in relation to governance and transparency and importantly gave LEPs a lead role in developing and taking forward Local Industrial Strategies. The North East LEP welcomes this report and has taken actions, where required, to ensure we remain fully compliant with the latest government standards and guidelines.

Chair & Chief Executive Sign-off:

Signed:

Name: Andrew Hodgson

Signed:

Name: Helen Golightly

NECA S73 Finance Officer Annual Statement 2019

As section 73 Officer of NECA, the accountable body for the North East LEP, I have been co-located in the LEP office and have therefore very accessible to the North East LEP Executive Team throughout 2018/19.

This has enabled me to maintain a better understanding of projects, their value for money and performance. Providing early advice, for example about eligible expenditure, helps avoid problems later on. A better understanding of the projects enables me to provide assurance about the use of Government funding to the NECA, its Audit and Scrutiny committees, and its constituent councils on an ongoing basis.

This has included providing significant support to the LEP and 7 local authorities about the appraisal and approval of projects, including on matters such as clawback and inclusion of special conditions in grant and loan funding awards to protect the LEP and NECA.

I endorsed the LEP 'in year' over-programming approach to help maximise the expenditure of 2018/19 grant issued to the North East LEP from Government. I have been able to identify flexible arrangements to aid delivery of LEP priorities; support the appraisal of funding bids to Government including e.g. on 5G Urban Connected Communities; scrutiny of grant claims; and strategic review of the North East Investment Fund and identification of options to help inform the LEP Board.

I am pleased to report that the LGF funding strategy should enable close to 100% use of LGF capital grant received up to 31 March 2019. This strategy includes the repayment of previous capital funding swaps as additional revenue funding, which provides the important 'revenue' flexibility needed by the LEP Board to deliver its high priority activity, such as the North East Ambition – Careers guidance initiative (£750,000).

I helped develop and secure the overarching Enterprise Zone (EZ) pooled funding agreement with the constituent local authorities. The pooling arrangements help share and clarify the funding risks and where they fall, and a performance reward incentive arrangement should help accelerated the delivery of development of the EZ sites. I produced an updated projection of the EZ financial model in March and have been involved in scrutinising the infrastructure business case proposals that have been approved this year.

I have been in regular attendance at LEP Board and Investment Board meetings and review and sign off the financial content of reports prior to their publication. Where reports involve funding to local businesses, colleges or local authorities that may constitute 'state aid' I ensure that the Monitoring Officer and LEPs legal advisors are able to confirm that suitable State Aid routes can be followed.

In my role as NECA s73 Chief Finance Officer, I meet and brief Council Finance Directors and other senior officers about financial issues including LEP funding issues on a regular basis, identifying and helping to resolve issues with the aim of enabling the approval process to operate as efficiently and effectively as possible. I produce regular reports to NECA about 'Project Approvals' so that it can scrutinise and approve the financial and legal implications of the proposals in its capacity as accountable body for the LEP.

I meet regularly with the LEP Chief Executive and on occasions deputise for the Chief Executive including chairing some of the Technical Officer Group meetings that oversee the financial management of the LEPs capital investment programmes.

The LEP Budget and annual Accounts are reported transparently in the NECA budget and annual accounts and as such are subject to internal and external audit by Mazars and published on the NECA website. The external audit for 2017/18 was satisfactory and gave an unqualified opinion on the accounts and a positive value for money statement.

In May 2018 I provided a statement of expenditure to MHCLG for 2017/18 budget and instructed the Audit Team at Newcastle City Council on behalf of NECA to undertake a review of the Local Growth Fund project monitoring and records. The outcome report in September 2018 provided 'full assurance' with no issues raised.

The Overview and Scrutiny Committee of NECA on 15th March 2018 requested information on progress with LEP major projects and some of the challenges that are faced across funding programmes and projects managed by the North East Combined Authority and the North East LEP. A full report and presentation were provided in conjunction with the LEP Executive on 20th September 2018.

I can provide assurance, that to the best of my knowledge, that the North East LEP affairs have been conducted to a high professional standard and consistent with the expectations and requirements by MHCLG as set out in the Mary Ney Report and subsequent best practice guidelines, developed with the help of my institute.

Signed:

Name: Paul Woods, CPFA

Position: Chief Finance Officer, North East Combined Authority

Date: 31 December 2018

31st January 2019

**ITEM 6c: Local Growth Fund Mid -
Programme media campaign**

1.0 Introduction

- 1.1 The 2015-21 £270m Local Growth Fund programme is now just over the mid-point in its six-year programme. A substantial number of funded projects have either recently completed and or are nearing physical completion. Overall the programme has remained relatively stable and remains broadly on track to deliver the long-term outcomes in support of the Strategic Economic Plan, particularly aiding a shift towards a more innovative and higher skilled economy, with more jobs and improved, sustainable transport networks.
- 1.2 To date, LGF projects have been promoted on an individual basis, but with a critical mass of projects now in operation there is an opportunity to create a greater public awareness of the range of investments that have been made and the benefits that are beginning to be realised.
- 1.3 This report sets out a proposed six-month promotional campaign that will include a new overarching video that will be presented to this Board meeting for endorsement before being formally launched at the SEP update event on 14th February 2019.

2.0 Local Growth Fund (LGF) Programme

- 2.1 The LGF Programme received a total of £270.1m from three rounds of the national Local Growth Fund and has made good progress both in terms of spending annual budgets in line with Government expectations and in delivering the majority of the projects that were originally set out in our 'Growth Deals' with Government. Many projects are beginning to have immediate impacts including skills projects that are supporting new learners and transport projects through reduced congestion and pollution. However, the outcomes from other forms of investment, including the servicing of large strategic employment sites, in terms of significant job creation and private sector investment are naturally realised over the longer-term, though some early successes are being reported.
- 2.2 Central Government, including the Northern Powerhouse Minister, are keen that all LEPs take a proactive approach in transparently demonstrating to the wider public the impact from their investment decisions. To date our LGF promotional activities have tended to be in connection with individual projects as they commenced construction, completed or formally launched. With over 30 projects physically completed there is an opportunity to showcase to the wider public and Government the collective impact of this investment in support of the Strategic Economic Plan.
- 2.3 In this context, over the past six months our delivery partners have been engaged in supporting the production of a four-minute overarching LGF programme video and also 38, one-minute project videos that will be added to their dedicated project pages on the North East LEP website. A local video production company 'Second Draft'

were appointed to undertake this work.

- 2.4 This initiative has been a significant undertaking and all partners have been very receptive and enthusiastic in their support. The resultant four-minute video will be presented to this Board meeting. This is purposely not designed as a 'traditional corporate style video'. Instead it is meant to provide opportunities for perspectives and reflections from a range of delivery partners, people and businesses that are benefiting from this investment. The draft video was recently shown to officials from BEIS during the Annual Performance Review meeting to illustrate progress on the ground and positive support that has been forthcoming from our delivery partners. This was well received.

3.0 Outline of promotional campaign

3.1 Introduction:

The £270.4m Local Growth Fund, secured as part of the North East Growth Deal, supports the North East LEP's delivery of the Strategic Economic Plan, which aims to create 100,000 more and better jobs by 2024. The video company was asked to produce a video that reflects the full range of LGF projects and highlights the benefits it brings to the region, including economic growth, employment, quality of life and local pride.

3.2 Aims:

The aims of the marketing and communications campaign are to:

- Promote the LGF video and encourage engagement with the North East LEP from the business community
- Promote the LGF programme to the business community / stakeholders / government to show the positive impact it has had on the region
- Raise awareness of the North East LEP's role in successfully delivering the Local Growth Fund
- Support LGF-funded projects with PR and marketing activity to increase awareness of the programme in region and beyond.

3.3 Objectives:

The objectives of the marketing and communications campaign are:

- Generate 1,000 views of the LGF video
- Increase the number of unique visitors to the LGF section of nelep.co.uk
- Generate 100 sign ups to the North East LEP newsletter so subscribers can learn about future funding opportunities
- Secure media coverage about the LGF programme in key regional business media

Secure 300 engagements and interactions on social media about the LGF video and programme.

3.4 Marketing Campaign

The campaign will commence in February 2019 and run for six months, using the industry recognised PESO model to deliver the campaign.

Paid media

- email with Bdaily
- email with North East Times
- email to Insider Media
- email to NewcastleGateshead Initiative partnership database
- The Journal / www.chroniclelive.co.uk campaign
- Paid for campaign on Twitter and LinkedIn promoting the LGF video (30 second clips linking to long-form video). Create twitter graphics highlighting impact LGF campaign has had in the region. E.g. cut commuting time by X, created X number of jobs, created X new offices in the region etc.
- Hire appropriate space at Proto, Gateshead to hold the next LGF Stakeholder meeting where the video can be screened and partners can be briefed about the campaign and how they can support it.

Earned media

- News release launching video and success of LGF project. A quote from Jake Berry, Parliamentary Under Secretary of State at the Ministry of Housing, Communities and Local Government, will be sourced
- Series of news releases profiling LGF projects in the North East (work in partnership with LGF project leads across the region).

Over the initial three months of the campaign there will be two stories a month issued to media about LGF-funded projects.

Shared media

- LGF toolkit for businesses / stakeholders / partners, which includes a copy of the video, suggested social media posts, and newsletter/website copy
- Share video via Northern Powerhouse: northernpowerhouse.gov.uk
- Encourage local MPs to share LGF video on social media by way of an newsletter that includes a link to download the video and suggested social media posts.

Local MPs will also be supplied with the shorter one-minute videos of projects in their constituency that can be shared on social media.

- Create a Thunderclap (www.thunderclap.it) to launch the video on social media
- Liaise with Department for Business, Energy & Industrial Strategy to see if video can be shared across platforms

Owned media

- Blog from Helen Golightly about the LGF programme and introducing the video
- Organic social media promoting the video and the individual LGF projects
- Include the video on the North East LEP and Growth Hub e-newsletters

Screen video at North East LEP events

3.5 Measurement and evaluation:

The impact of the campaign will be assessed in the Autumn using data from:

- Number of video views
- Number of engagements / interactions with the video on social media
- Number of partners that share video on websites / social media / newsletters

Number of signups to the North East LEP newsletter

3.6 Budget

To date £21,000 has been committed to the production of all videos. The campaign outlined above is estimated to cost up to £10,000. Funding is provided from the LGF budget.

4.0 Summary and Recommendations

4.1 The LGF programme has helped regional partners deliver a substantial number of major capital investment projects across the North East. These are beginning to deliver benefits to local businesses and communities and it is considered appropriate at this stage in the life of the programme to step up efforts to create greater public awareness of the scale and range of projects that the Board has invested in over the past 3 years. If successful, a follow-on video will be planned in 2021 as more projects come to fruition.

4.2 Board members are:

- a) Invited to comment on the draft four-minute video that will be presented to the Board
- b) Endorse the outline marketing campaign and budget.

31st January 2019

ITEM 7: Revenue Budget 2018/19 and 2019/20

1.0 Executive Summary

- 1.1 The purpose of this report is to update the North East Local Enterprise Partnership (North East LEP) Board on the forecast revenue outturn position for the North East LEP core budget for 2018/19 and present the initial 2019/20 revenue budget for approval.
- 1.2 The report also provides an update to the North East LEP Board on the Enterprise Zone (EZ) retained Business Rate Growth Income (BRGI) projections for 2018/19 and 2019/20; and overall position concerning the cumulative EZ financial surplus.

2.0 2018/19 Forecast Revenue Position

- 2.1 The North East LEP Board agreed its budget for 2018/19 of £2.962m in January 2018 and noted the changes presented in March 2018 resulting in a revised 2018/19 budget of £3.087m. With a gross income estimate of £2.804m, the projected drawdown from the North East LEP reserve was £0.283m.
- 2.2 The 2018/19 forecast revenue position for the North East LEP is showing gross expenditure of £3.233m with income of £3.226m, resulting in an overall deficit of £0.007m. When compared against the estimated drawdown of £0.283m at the beginning of the financial year, this equates to a £0.276m favourable movement.
- 2.3 The majority of the £276k improvement can be attributed to two main factors. Firstly, increased interest earned from LGF funds, which has risen to £254k from the original estimate of £50k. This is a result of an improved cash flow position and securing 0.55% annual interest rate, opposed to 0.44% used in determining the original estimate.
- 2.4 Secondly, Transport LGF Monitoring costs have fallen from £215k to £60k, which is a £155k reduction. The underspend is linked to a vacancy and a reduced level of external consultancy support to deliver business case assessments as a result of the majority of Transport LGF projects being underway. As a direct result this has been offset by a £100k overall reduction in LGF funding.
- 2.5 Additionally, the original NECA Contribution towards the salary costs for the Chief Executive was expected to be for a 6 month period and set at £30k. This was increased to £60k as a result of the arrangement being

extended for the full financial year i.e .12 months. The remaining balance of £13k is made up of a range of minor operational costs.

- 2.6 The original budget for 2018/19 and forecast outturn position including the operation costs of the Skills Team, Gatsby and Growth Hub activities are presented in Table 1. The forecast revenue position for 2018/19 has risen £0.146m from £3.087m to £3.233m.
- 2.7 £47k of these costs are attributable to the creation of new skills posts, plus an additional £20k pertaining to other operational costs following the successful application for ESF (European Social Funds), and as a result there has been a commensurate increase in external funding.
- 2.8 There is an offsetting reduction of £155k pertaining to Transport LGF Monitoring costs as explained in paragraph 2.4.
- 2.9 Operational costs of £34k associated with the Invite (Horizon 20/20) programme are also reflected which are met entirely from external funding.
- 2.10 The balance is as a result of the North East LEP being awarded an additional £200k of funds which has to be spent by 31st March 2019, to implement the national LEP Review recommendations and for the development of the North East LIS (Local Industrial Strategy).
- 2.11 £73k of these costs are associated with the recruitment of an economic analyst, two Programme Managers plus a communications specialist and are reflected within the employees budget costs.
- 2.12 The remaining £127k relate to an assortment of LIS activity as set out in Appendix A.

3.0 2019/20 Revenue Budget Position

- 3.1 The 2019/20 budget proposal is being presented to the North East LEP Board for approval and will then be reported to the North East Combined Authority (accountable body for the North East LEP), on 5th February 2019 for information purposes with any subsequent revisions highlighted. Table 1 presents the North East LEP 2019/20 Budget proposal, alongside the estimated outturn for 2018/19. A three year budget position will be provided in May 2019 following the 2018/19 accounts being finalised.

Table 1: Latest Estimate for 2018/19 and Proposed Budget for 2019/20

	2018/19 Original Budget	2018/19 Latest Estimate	2019/20 Draft Budget
	£'000	£'000	£'000
Employees	1,483	1,603	2,403
Premises	95	95	190
Communications	247	247	247
Transport LGF Monitoring	215	60	100
Growth Hub Operational Costs	243	243	138
Invite (Horizon 2020) Operational Costs	0	34	66
LIS (Local Industrial Strategy)	0	127	0
Other Operational Costs	614	634	820
Inward Investment Contribution	140	140	140
Other LGF Costs - Legal Finance	50	50	50
GROSS EXPENDITURE	3,087	3,233	4,155
LEP Core & Strategy Grant from DCLG	(500)	(500)	(500)
Local Authority Match Contributions	(250)	(250)	(250)
Local Authority Contributions re ESIF Co-ordinator	0	(9)	(20)
BEIS - LIS production and LEP review	0	(200)	0
CORE FUNDING	(750)	(959)	(770)
Local Growth Fund (programme management costs)	(1,100)	(1,000)	(1,100)
Interest Generated on Funds to fund INEE team	(50)	(254)	(50)
Gatsby Grant	(33)	(96)	0
Growth Hub	(410)	(410)	(410)
Enterprise Adviser grant - CEC	(84)	(66)	(173)
Energy Strategy BEIS TVCA	(80)	(43)	(57)
Invite (Horizon 2020)	(66)	(65)	(102)
ERDF + Digital Catapult	(50)	(24)	(63)
NEIF Contribution to cover activity costs	(50)	(66)	(63)
EZ Contribution to cover activity costs	(50)	(52)	(55)
Contribution from NECA	(30)	(60)	0
NECOP	(45)	(41)	(106)
European Social Fund	0	(62)	(579)
LGF match North East Ambition ESF project	0	(21)	(280)
Other Income	(6)	(6)	(6)
EXTERNAL FUNDING	(2,054)	(2,267)	(3,043)
GROSS INCOME	(2,804)	(3,226)	(3,813)
NET BUDGET	283	7	342
BROUGHT FORWARD BALANCE	(631)	(631)	(624)
Use or (Contribution) LEP Reserves	283	7	342
EZ Contribution	0	0	(18)
CARRY FORWARD BALANCE	(348)	(624)	(300)

- 3.2 A budget of £4.155m is being proposed for 2019/20. Given the gross income estimate of £3.813m a drawdown from the North East LEP reserve of £0.342m is being projected, leaving a North East LEP reserve balance of £0.300m. Although the North East LEP has approval to use up to £0.500m of Enterprise Zone surplus in any financial year, to date this facility has not been utilised. This was agreed by the North East LEP Board in November 2014. It remains a vital contingency given the uncertainty in future funding. In order to ensure a £300k reserve is maintained an £18k contribution from the EZ surplus is being proposed to balance the 2019/20 at this point. There will be no actual draw on the EZ surplus if the net revenue outturn position improves, which has been the experience in recent years. It is also anticipated that an additional £0.200m will be made available by BEIS in 2019/20, but we have not yet received written confirmation.
- 3.3 The staffing budget for 2019/20 reflects the revised costs of the current establishment, which is £920k higher than the base budget agreed for 2018/19. This is attributable to the headcount rising from 32 FTEs to 52 FTEs in order to meet the increased level of activity that the North East LEP team now manage following the award of a range of operational contracts.

Table 2: Breakdown of Increase in Employee Costs between 2018/19 Original Baseline and 2019/20 Budget Estimate:-

2019/20 Increase £000	Description
167	Programme Managers plus Economic Analyst - increase of 3 FTEs.
531	Skills Team - increase of 13 FTEs.
85	Digital and Life Science roles - full year effect no increase to FTEs.
97	Growth Hub Connectors plus Programme Assistant - increase of 4 FTEs.
(20)	Pension contribution saving following 3 FTEs transfer to NECA.
60	Pay Award and increment rises.
920	Total

- 3.4 Of the increased staffing costs of £920k, £753k is met from additional external funding. In respect of the £167k balance, a rise of £108k is attributable to two new Programme Manager roles, plus a further £59k associated with an Economic Analyst, all of which are being met by the LGF programme management grant in 2019/20. The part year costs that arise for these three positions in 2018/19 is being funded from a £200k supplementary BEIS allocation that is time restricted until the end of March 2019 as outlined in paragraph 2.10. BEIS have indicated that a further £200k will be available to continue this activity for 2020/21 and on the basis that confirmation is still awaited it is omitted from the current 2019/20 budget estimate.
- 3.5 A significant proportion of the increase is related to thirteen new roles within the Skills team at a combined cost of £531k following the award of

European Social Funding (Central Government guarantees provide protection against any impact from Brexit); which requires an element of match allocation from supplementary Local Growth Funding; along with additional CEC (Careers Enterprise Company) and NECOP (North East Collaborative Outreach Programme) grant to ensure these posts are fully externally funded.

- 3.6 In addition to the £531k increase to staffing costs, additional office space is required which attracts £95k of extra premises costs. The Skills team other operational costs have also risen by £162k as outlined in 4.17. The combined cost of these increases is £788k. The 2019/20 ESF drawdown is £579k, added to which is the supplementary North East Ambition Project LGF match contribution of £280k. The combined total of these funding sources is £858k and has also enabled £70k of pre-existing staffing costs to be absorbed. For instance part of the Skills Director salary costs are now met from ESF, replacing the core contribution necessary in 2018/19.
- 3.7 A Digital and a Life Sciences role at a combined cost of £118k (the increase between years being £85k based on the full year effect) have been created securing an external contribution of £63k from the Digital Catapult and ERDF, with the remaining £55k balance met from the core budget.
- 3.8 An increased cost of £97k results from the full year effect of three Growth Hub Connectors plus a Programme Assistant, which is met entirely from the Growth Hub funding allocation. There has been an offsetting reduction in Growth Hub Operational Costs, given there is no overall increase in the level of funding between years. The strategy was to establish a digital presence and now this is in place more people are required on the ground to deliver the next phase of the strategy, which is in accordance with Government expectations.
- 3.9 The remaining balance is made up of a £20k saving arising from three staff currently on Sunderland's payroll transferring to the combined authority and benefiting from a 0% employer superannuation contribution for half of the year. And approximately £60k can be attributed to applying a 2% pay award along with increment rises.
- 3.10 The NECA pension fund is in surplus and the employers' superannuation contribution rate was set at 0% for the 3 year period 2017/18 to 2019/20. When compared to the contribution rate in 2016/17 of 20.5% this provides a significant budget saving to the North East LEP of just over £400k for 2019/20. The devolution Deed of Co-operation provides that the North East LEP will continue to benefit from NECA's low employers' superannuation rate and the saving in the event of a change in accountable body. This saving will apply for the whole of 2019/20 and is also expected to apply for the following three years following the next triennial pension revaluation.
- 3.11 A staff turnover allowance of 3% has been factored into the employee budget for 2019/20 at this time. This will be reviewed and updated if necessary in the light of experience in recent years.

- 3.12 Premises budget supports expenditure primarily in relation to the current team based at St James Gate in Newcastle. The North East LEP entered into a 5 year lease for this accommodation in September 2015. Increased office space will be needed to accommodate the rise in headcount and the budget has been doubled to £190k for 2019/20 in order to meet this requirement. This supplementary cost pressure was factored into the ESF grant application and the £95k additional premises costs for each of the years 2019/20 and 2020/21 comprise a component of the overall ESF grant allocation.
- 3.13 The successful delivery of the North East LEP communication strategy is a key aspect of ensuring an efficient and effective North East LEP operation. The proposed Communications budget for 2019/20 onwards represents a continuation of the budget agreed by the Board at its meeting in March 2016, and retained at that level in 2017-18 and 2018-19. Key aspects of the budget include development of the communications activity related to delivering the SEP Refresh and the continuation of essential PR & Media support.
- 3.14 The 2019/20 expenditure total for Transport LGF Activity is a reduced budget allocation of £100k, since the majority of LGF transport schemes have progressed through appraisal. Costs are currently being managed by Newcastle City Council, with an evidenced recharge to follow at each financial year-end. With effect from 2019-20 management will transfer to NECA.
- 3.15 Non-salary costs in delivery of the Growth Hub initiatives are forecast to be £138k in 2019/20. Employee related expenditure is included within the employee's budget heading. The reduction of approximately £100k between years is attributable to offsetting an increase in staffing costs as outlined in paragraph 3.8. The strategy was to establish a digital presence and now that it is an expectation of Government that there are people in place to deliver the next phase of the strategy.
- 3.16 The £66k Invite budget relates to a three year Horizon 2020 project which supports the development of a well-connected European Open Innovation ecosystem in which knowledge flows across borders and is translated into marketable innovations and will result in the creation of an e-learning platform. This is fully grant funded and there is also an additional contribution of £36k to salary costs included in the employee budget line.
- 3.17 Other operational costs total £820k for 2019/20. An on-going corporate delivery budget of £300k is required for general North East LEP running costs for example IT equipment, travel expenses and support services. Again this has remained flat lined for the last three years. In addition the North East LEP led SEP strands including Innovation, Business Growth, and Skills have an operational allocation to ensure delivery and that the necessary progress can be obtained. Allocations for LGF finance and legal support provided by NECA, North East Investment fund (NEIF) support and Enterprise Advisor delivery are also included. These have been maintained at the same level as the last 3 years.

- 3.18 The NEIF is a revolving loans fund of c £57m and is not part of the core revenue budget. The revenue budget includes a £50k contribution from the NEIF to fund the core salary costs of administering the fund, which is funded from interest earned on the fund. Decisions on the use of the NEIF are taken through the year and reported to the North East Investment Board and the North East LEP Board. The balance currently available for reinvestment is expected to grow to over £18m next year and there will be a report on the potential use of the NEIF given to the North East LEP Board in March.
- 3.19 An increase between years of £162k is attributable to the Skills team and met entirely from additional ESF funding. It has been earmarked for equipment, externally procured services, marketing, travel and other sundry expenses. A further £44k has been assigned to the Skills team and met entirely from NECOP grant funding.

Table 3: Breakdown of Other Operational Costs by Delivery Area

Delivery Area	2018/19 Original Budget (£'000)	2019/20 Budget (£'000)
Corporate / General	300	300
Innovation	110	110
Strategic Policy & Economic Analysis	80	80
Business Support/Access to Finance	20	20
Skills	18	224
LGF Legal and Finance Support	48	48
Enterprise Advisor Delivery	21	20
Energy Strategy BEIS	17	17
Operating Costs TOTAL	614	820

- 3.20 Inward Investment contribution to support Regional Inward Investment activity over a 3 year period. The agreed allocation of £140k is included in the budget for 2019/20 which is matched by a £20k contribution from each of the seven Local Authorities.

Table 4: Invest North East England team - 2018/19 Latest Estimate and 2019/20 Budget including Funding Sources:

Categories	2018/19 Latest Estimate (£'000)	2019/20 Draft Budget (£'000)
Salaries	160	162
Staff training	1	2
travel)	5	8
Web, telecoms, computers	5	10
Marketing/Comms/Events	100	100
Membership Fees (e.g. Sector bodies)	3	3
Visit hospitality costs	10	10
Professional consultancy	20	20
Lead generation/representation (London)	40	110
Research resource licenses	25	25
Propositions refresh	10	10
GROSS EXPENDITURE	379	460
Funding Source		
Local Authorities @ £20k per authority	(140)	(140)
Private Sector (contributions to events)	(15)	(10)
North East LEP	(140)	(140)
Enterprise Zone (Marketing) Contribution	(93)	(170)
GROSS INCOME	(388)	(460)
NET POSITION	(8)	0
BROUGHT FORWARD BALANCE	(22)	(30)
USE OR (CONTRIBUTION) TO RESERVES	(8)	0
CARRY FORWARD BALANCE	(30)	(30)

- 3.21 In keeping with the prior year a £50k Legal and Finance allocation has been retained for external consultancy where specialist support and advice is required.
- 3.22 North East LEP Core Funding & Strategy Grant Funding is a combined figure of £500k. The Local Authority Match Contribution requirement of £250k has already been consulted upon and will be recommended that this continues at the Leadership Board meeting to be held on 5th February 2019. This will be provided in equal 1/7th shares by the 7 constituent Local Authorities. The seven Local Authorities have also previously agreed to provide an equal 1/8th contribution towards an ESIF Co-ordinator, projected to be £20k in 2019/20.
- 3.23 Local Growth Fund (LGF) – As previously agreed by the Board, a 2.5% top-slice of the Local Growth Fund allocation is available to support the delivery of the programme; primarily covering North East LEP team staffing costs. The drawdown of the balance of the top-slice budget is currently profiled to be made as follows;

	2018/19 £'000	2019/20 £'000
LGF Programme Management	(1,000)	(1,100)

- 3.24 Local Growth Fund Interest – As the annual LGF grant allocation is paid by government in full at the beginning of the financial year, the cash balances held are able to attract sizable interest sums. An estimate for each financial year is included within the budget; the level of interest generated naturally reduces in line with the reducing LGF grant receipts in future years.
- 3.25 The funding for the multi-year Gatsby Foundation programme ceases at 31st March 2019. The roles will continue with funding being provided through a combination of ESF and LGF.
- 3.26 The continuation of the Growth Hub grant funding is confirmed at the same level as 2018/19 for 2019/20 of £410k.
- 3.27 An additional allocation of £295k CEC (Careers Enterprise Company) funding has been secured that is available until August 2020 and alongside ESF funding enables the Enterprise Advisor roles to continue and the creation of three Enterprise Co-ordinator positions plus a Careers Hub Facilitator. The projected drawdown for 2019/20 is £173k.
- 3.28 Energy Strategy BEIS TVCA is a £100k allocation spread across two years and has been used to appoint an Energy Programme Lead. The remaining balance of £57k is built into the 2019/20 budget.
- 3.29 An INVITE Horizon 2020 allocation of €271k euros which equates to approximately £242k is available until March 2021. The drawdown projected for 2019/20 is £102k and is used to fund an element of staffing costs and other operational costs.
- 3.30 £53k ERDF funds have been awarded from the North East Business & Innovation Centre and a further £34.5k of Digital Catapult funds allocated from Sunderland Software City. £63k is budgeted to be drawn down in 2019/20 to contribute towards two new roles, one specialising in life science and the other having a digital focus.
- 3.31 NEIF / EZ funding contributions are in place to support in these areas to cover the cost of the two dedicated programme managers.
- 3.32 As outlined in paragraph 2.5, the arrangement between NECA and the North East LEP for Chief Executive support is expected to end on the 31st March 2019, resulting in the NECA contribution towards salary costs ceasing in 2019/20.
- 3.33 NECOP (North East Collaborative Outreach Programme) funding is comprised of various components and is available until December 2019. The budgeted allocation for 2019/20 is £106k and is being used to fund three Industry Alignment Managers and £44k of operational costs within the Skills team.
- 3.34 The North East LEP was successful in securing ESF grant totalling £1,059k, which is available until March 2021. The final funding contract is expected imminently. The budgeted drawdown for 2019/20 is £579k. As part of this bid a supplementary match contribution of £750k towards the North East Ambition Project from the LGF was made over the same period, which is in addition to the existing LGF programme management contribution. The 2019/20 supplementary LGF drawdown is £280k. The

drawdown of these funding allocations across the 3 year cycle is as follows;

	2018/19	2019/20	2020/21	Total
	£000	£000	£000	£000
ESF (European Social Fund)	(62)	(579)	(418)	(1059)
LGF match - North East Ambition ESF Project	(21)	(280)	(449)	(750)
Annual Total	(83)	(859)	(867)	(1809)

3.35 The budget provides the resource to support the delivery of the SEP and the Plan's six themes.

4.0 Enterprise Zone Update

4.1 Under current policy arrangements, Enterprise Zone sites have been active in the North East since April 2013 with ten sites across three locations having been launched to support low carbon vehicles, offshore and marine technologies and energy. The second round of sites included a further eleven locations across the North East and 10 went live on 1 April 2017 with the final site going live on 1 April 2018.

4.2 The key focus of the Enterprise Zone sites is the creation of jobs in the region to help achieve the objectives outlined in the SEP. The additional business rate income enables infrastructure and interventions to be undertaken on each of the sites to enable them to be developed. Once the costs of financing these interventions are funded, any surplus income in future years would be available to fund activity aimed at achieving the SEP objectives, as agreed by the North East LEP Board.

5.0 Enterprise Zone Revenue Budget Update

- 5.1 The latest estimated revenue budget position for 2018/19 and 2019/20 are shown in the table below, along with figures for actual revenue income and expenditure concerning previous years.

Table 5 Enterprise Zones Revenue Costs and Income 2013/14 to 2019/20

	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17	Actual 2017/18	Estimate 2018/19	Estimate 2019/20
	£000	£000	£000	£000	£000	£000	£000
Total Business Rate Growth Income (BRGI)	(1,034)	(1,066)	(1,203)	(1,695)	(1,657)	(1,797)	(2,250)
Interest		(3)	(7)	(5)	(10)	(10)	(10)
Gross Income	(1,034)	(1,069)	(1,210)	(1,700)	(1,667)	(1,807)	(2,260)
Financing Costs			966	1,306	1,301	1,502	1,996
Administration Costs		9	9	50	50	52	55
Marketing / Inward Investment				71	148	148	151
EZ Model Review and Project Assessment					62	120	51
Gross Expenditure	0	9	975	1,427	1,561	1,822	2,253
Annual (Surplus) / Deficit	(1,034)	(1,060)	(235)	(273)	(106)	15	(7)
Cumulative (Surplus) Held	(1,034)	(2,094)	(2,329)	(2,602)	(2,708)	(2,693)	(2,700)

- 5.2 A deficit of £15k is being projected for 2018/19 and this is an improvement from the modelled position a year ago. This cash flow improvement can be attributed to a reduction in capital financing costs to £1,502k as the BRGI projection of £1,797k is broadly in line with prior estimates and other revenue costs remain unchanged.
- 5.3 The estimated BRGI for 2019/20 is £2,250k, which is a £1,313k reduction compared to the prior estimate of £3,563k. In order to keep the retained surplus at the same level as 2018/19 of £2,695k, capital financing costs have been increased in 2019/20 by bringing forward the projected capital repayments relating to the A19 scheme. This results in a £198k decrease in projected interest charges.
- 5.4 At the outset of the programme it was determined that a surplus of approximately £2.5m be maintained from the point in which finance costs were first incurred. This is being actively managed and is intended to safeguard against any significant downward revisions to the realised BRGI through reducing the associated financing (repayment) costs.

6.0 Recommendation

6.1 The Board is requested to:

- (i) Note the 2018/19 forecast revenue outturn position;
- (ii) Approve the 2019/20 North East LEP core budget;
- (iii) Note the position regarding Enterprise Zone income and overall surplus.

Appendix A: Breakdown of £127k Local Industrial Strategy activity (non-staffing costs)

£000	Description
50	Commission consultant to produce a Productivity Review to underpin the LIS. Report scheduled for end of February 2019.
30	Commission research on understanding the region's position in global markets and supply chains to help focus on higher value opportunities, building upon the research undertaken from the North East Independent Economic Review 2013 to inform the 2019 LIS. Report scheduled for end of February 2019.
10	Utilise SDG to design and produce evaluation plan for LIS. Evaluation Plan scheduled for end of March 2019.
3	Update the regional sector maps to underpin the LIS. Completion scheduled for end of January 2019.
22.5	Commission financial support to assist with project development, project appraisals and financial modelling which underpin the LIS.
10	LIS operational budget covering stakeholder events, PR, marketing, communications. In support of the 'Our Economy' event in Spring 2019, which will provide the evidence base to underpin the LIS.
1	LIS travel budget for meetings with Government officials as document co-produced.

31st January 2019

ITEM 8: DRAFT Energy for Growth Strategy

1.0 Purpose of the paper

1.1 This paper is intended to update the Board on progress made in developing a North East Energy strategy and project pipeline. Government has asked all Local Enterprise Partnerships to lead the development of a local energy strategy for their area as part of a national approach, and has provided resources to support this role. Subject to a review of its content, the paper seeks the Board's approval of the draft strategy, and of the proposed next steps in developing a project pipeline.

2.0 Background

2.1 After receiving the support of the Board in November 2017, the North East Local Enterprise Partnership (North East LEP) has led development of a draft North East energy strategy, 'Energy for Growth'. This was undertaken in response to a request from the Department for Business, Energy and Industrial Strategy (BEIS) as part of its local energy programme.

2.2 An Energy Programme Lead was appointed to the North East LEP in July 2018 to lead this work, and drive forward the energy priorities set out in the North East Strategic Economic Plan (SEP). A draft strategy has now been produced which identifies how regional energy strengths, opportunities and challenges can help drive productivity, growth, and job creation. It also sets out how a pipeline of projects will be developed to support these opportunities.

2.3 The draft strategy also identifies where North East energy challenges and opportunities align to national policy objectives, including those in the Industrial Strategy and Clean Growth Strategy.

3.0 Development of the strategy

3.1 Development of the draft Energy for Growth strategy has involved a wide ranging assessment of the North East's energy context. It has been informed by engagement with a wide range of regional stakeholders across private, public and academic sectors. This was carried out on a one to one basis, and via existing LEP working groups and other regional fora and networks.

3.2 A specific strategy workshop was also convened by the North East LEP to share the emerging strategy and invite discussion and input from key stakeholders. This was attended by organisations including BEIS, public authorities, energy distribution network operators, private businesses, universities and centres of innovation.

3.3 In addition to stakeholder engagement, regional energy data was analysed to identify trends, opportunities and challenges. This included analysis of energy use across domestic, industrial and commercial, and transport sectors, and data on other issues such as renewable energy generation and fuel poverty. Data on business stock was also analysed to identify the role of the energy sector in the regional

economy.

4.0 Energy for Growth strategy

4.1 This input from stakeholders, and analysis of regional energy trends, opportunities and challenges, resulted in the identification of 13 strategic themes. These are areas where energy activity could drive additional regional growth while contributing to national policy goals. Each Local Authority area across the North East has specific assets, partners, challenges or opportunities which contribute to these themes.

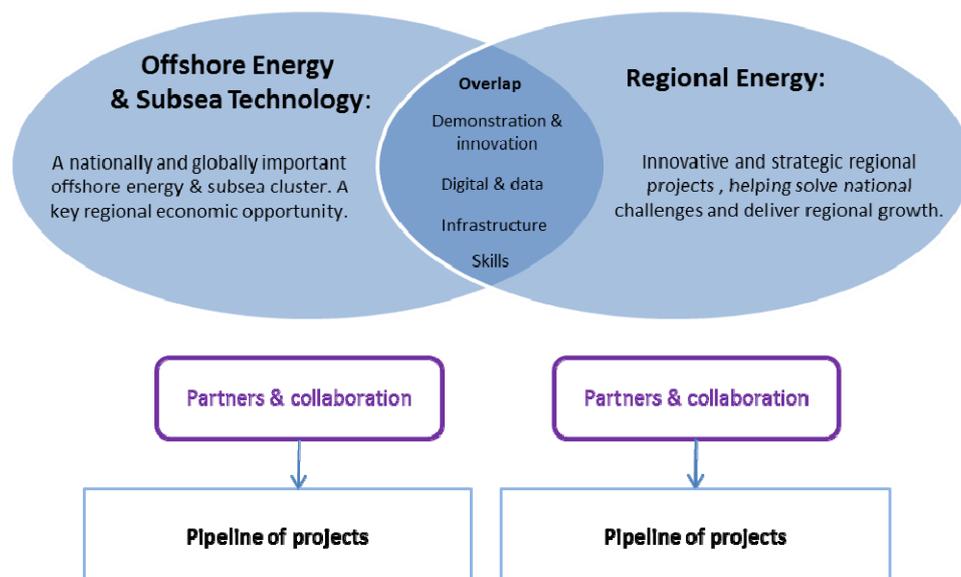
4.2 The strategic themes identified in the draft Energy for Growth strategy are:

- Offshore energy and subsea technology
- Infrastructure intelligence
- Fuel poverty
- Domestic energy
- Off-grid and rural domestic energy
- Industrial, commercial and public estate
- District energy
- Minewater and geothermal heat
- Community energy
- Large scale renewables
- Energy flexibility
- Low emission transport
- Demonstration and innovation

4.3 The draft strategy sets out how the North East LEP has an opportunity to work with cross-sector partners to develop these strategic themes into a regional project pipeline. This will be done through the Energy for Growth programme which seeks to facilitate activity where greater coordination, or supporting a strategic project, could drive additional economic growth, productivity, job creation and competitiveness.

4.4 The programme is structured around two workstreams, shown below. In addition, areas of overlap between the two provide scope to explore sector-wide interventions or activities, for example around skills, digital, or demonstration and innovation.

Energy for growth



4.5 The North East LEP facilitates a stakeholder group to support each workstream. Through these groups partners provide advice on opportunities for regional

collaboration, growth and job creation, and note connections to local and sectoral partners. They will be closely engaged in developing a subsequent project pipeline from the strategic themes identified.

5.0 Next steps

- 5.1 Through the Energy for Growth programme, opportunities relevant to both workstreams will be defined and prioritised with partners. These will be supported as a project pipeline and capacity to deliver through the North East LEP's programmes, via other regional partners or through the development of new capacity will be identified. External opportunities for funding and support will also be sought.
- 5.2 The North East LEP will also seek to align the project pipeline to other activity where this could add value. This may include wider regional activity such as across the Northern Powerhouse energy agenda, the Borderlands project, the North of Tyne clean growth agenda, and the North East, Yorkshire and Humber energy hub which has also been created as part of the BEIS local energy programme.
- 5.3 The Energy for Growth strategy, and subsequent project pipeline, will help inform the North East Local Industrial Strategy. It will assist in shaping the approach to this area of opportunity for the regional economy, identifying an inward investment focus, innovation agenda, and pipeline of projects to contribute to grand challenges.
- 5.4 Next steps around several immediate project opportunities are already being explored with partners through the Energy for Growth programme. These include:

Offshore Energy & Subsea Technology:

- The North East has been identified as an important regional cluster for delivery of the Offshore Wind Sector Deal. The Sector Deal Vision sets out a potential market for UK-provided offshore wind of £4.9 billion annually by 2030, with the potential for 27,000 skilled jobs. The North East LEP is working with regional partners, as well as government and wider industry partners, to align regional capabilities to the priorities of the sector deal. Helping drive regional growth while meeting national objectives.

Regional energy:

- A potential pipeline of district energy schemes worth over £280 million has been identified across the North East LEP and Tees Valley Combined Authority areas. BEIS and the Department for International Trade (DIT) have indicated that given its scale, this pipeline could be of national significance. This is both in terms of its attractiveness for inward investment, and potential contribution towards policy goals. The North East LEP is coordinating work with regional partners, BEIS and DIT, to explore collaborative opportunities to de-risk and commercialise these district energy schemes, accelerate deployment, and attract inward investment to the region.

6.0 Recommendations

- 6.1 The Board is recommended to approve the draft Energy for Growth strategy and proposed next steps.

North East
Local Enterprise Partnership



North East *Energy for Growth*

December 2018





The North East Local Enterprise Partnership thanks those individuals and organisations which have contributed to shaping the Energy for Growth strategy.

Advance Northumberland
Advanced Electrical Machines
Avid Technology
Connected Energy
Department for Business Energy and Industrial Strategy
Department for International Trade
Durham County Council
Durham Energy Institute
Durham University
Element Energy
Energy Systems Catapult
Environment Agency
Federation of Small Businesses
Gateshead College
Gateshead Council
GHD
Groundwork
Innovation Supernetwork
Invest North East England
Narec DE
National Centre for Energy Systems Integration
National Energy Action
Newcastle City Council
Newcastle University
North East Automotive Alliance
North East Chamber of Commerce
North East Combined Authority
North East Procurement Organisation
North of Tyne Combined Authority
North Tyneside Council
Northern Gas Networks
Northern Powergrid
Northumberland County Council
Northumbrian Water
Offshore Energy & Subsea Technology hub
Offshore Renewable Energy Catapult
Port of Blyth
Port of Sunderland
Port of Tyne
Regional Energy working group
Siemens
South Tyneside Council
Sunderland City Council
The Energy Workshop
Ward Hadaway
Zero Carbon Futures





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Executive summary

Following wide stakeholder engagement, the North East Local Enterprise Partnership (North East LEP) has led development of this energy strategy, ‘*Energy for Growth*’, as part of the Department for Business, Energy and Industrial Strategy (BEIS) local energy programme. The North East LEP will assist in developing this strategy into a pipeline of strategic projects via the *Energy for Growth* programme. Its overarching vision is to:

‘Drive growth in the North East while delivering on national energy objectives’

This *Energy for Growth* strategy sits against a national policy landscape set out by the UK’s Industrial Strategy and Clean Growth Strategy in particular. These documents outline ambitious commitments to decarbonise the UK’s economy, while stimulating growth, improving productivity, and meeting national and international climate commitments.

Within the foundations of productivity set out in the Industrial Strategy, the North East has a unique range of assets, capabilities and structures which give it a crucial role in delivering national policy, and make energy a key theme for the regional economy. These are outlined below:

An overview of the North East’s energy context

<p>Ideas: The North East is home to a suite of energy demonstration and innovation assets which offer a powerful test-bed for business and research. These assets are innovating, testing, demonstrating, and validating energy technologies, challenges and processes. They feed into the cutting edge of energy science and research. As the UK transitions to clean growth, responds to new consumer demands, and emerging energy challenges, these assets can play a crucial role in de-risking and commercialising new technologies.</p>
<p>People: The North East’s energy sector is supported by an extensive research and education base. This keeps the region at the forefront of the energy agenda, with leading-edge knowledge constantly being created and shared. The North East is also contributing to defining and providing the pipeline of skills required for the energy sector in the future, and for the transition to clean growth.</p>
<p>Infrastructure: The North East benefits from excellent national and international transport connectivity, through an international airport, excellent national rail and road links. Together with availability of land, for example through key development sites such as enterprise zones, this supports businesses in the energy sector to be highly competitive. The region is home to a globally significant offshore energy and subsea technology cluster, which is supported by a comprehensive infrastructure offer around the three major ports in the region. Local gas and electricity distribution network operators provide regular information on network capacity and investment plans, to help inform new developments for the future energy system.</p>
<p>Business environment: The energy sector is central to the North East’s economy, with an innovative community of businesses creating wealth, skills, and jobs across various aspects of the sector. Building on existing strengths and capabilities, the energy sector presents a huge ongoing opportunity for the region. Particular opportunities to drive economic growth and deliver more and better jobs include continuing growth and diversification of an already globally important offshore energy and subsea cluster, and developing technologies at the intersection of energy systems, alternative propulsion and automotive.</p>
<p>Place: The North East LEP covers seven Local Authority areas: County Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland. Each is home to specific energy assets and opportunities, while contributing to the regional context and pipeline (see Appendix 1). The North East is also an important contributor to the energy agenda across wider geographies. This includes across the Northern Powerhouse, the Borderlands project, the North East, Yorkshire and Humber (NEYH) energy hub, and through national sector deals and challenges. The wider North has a well-established energy heritage, with the region’s role in the sector embedded in local culture. The North was historically a powerhouse for the country, with a long history of centralised power generation. It is now playing a world-leading role in agendas such as offshore energy, renewables, and development of hydrogen technologies.</p>



An assessment of this context, analysis of sub-national energy data, and results of extensive cross-sector stakeholder engagement, highlight a number of strategic energy themes for the North East. Delivering a coordinated strategic approach around these themes could contribute significantly to national goals, while driving additional regional growth and benefit.

The strategic energy themes identified for the North East are outlined below. A gap analysis of these themes against national policy, and the results of an initial prioritisation exercise with partners, can be found in Appendix 2 and 3 respectively.

North East strategic energy themes

<i>Offshore energy and subsea technology</i>	The North East's offshore energy and subsea technology cluster is nationally and globally important. The region stands to benefit from both new and existing global market opportunities in offshore wind and oil and gas. Supporting employment, competitiveness and productivity in this sector is a strategic energy opportunity for the North East.
<i>Infrastructure intelligence</i>	Energy infrastructure is critical in enabling economic and business growth, and supporting communities through the transition to clean growth. As new demands are placed on this infrastructure, a clear and coordinated sharing of intelligence between end-users and network operators is essential. This would create an evidence base for informed decision making and mutual benefit.
<i>Fuel poverty</i>	Fuel poverty is a prominent energy concern for the North East, which is a critical region in achieving national objectives. The North East is therefore well-placed to explore and deliver new policy, investment, technology or partnership approaches to addressing fuel poverty. Addressing fuel poverty also has wider social, environmental and economic benefits for the region.
<i>Domestic Energy</i>	Due to its notable domestic energy trends, and high proportion of energy use in the domestic sector, the North East is an important region in meeting national domestic energy goals. This is both in terms of delivering domestic energy improvements at scale, and in terms of exploring new domestic fuels, particularly for decarbonising heat.
<i>Off-grid domestic energy</i>	The North East has a likely concentration of communities both off the gas network and a significant distance from a network connection. This can lead to use of carbon intensive and expensive energy sources, and exacerbate fuel poverty. Exploring business models, technologies and policy approaches for off-grid domestic energy is an important regional energy theme.
<i>Industrial, commercial and public estate</i>	Industrial and commercial energy is an underlying factor influencing productivity and competitiveness. The North East's considerable energy consumption in the public estate also presents an opportunity to explore collaborative deployment of interventions at scale, perhaps through new business models or with new technologies.
<i>District energy</i>	There is a nationally significant potential pipeline of district energy schemes within the North East. De-risking and commercialising these schemes could increase the likely scale and pace of delivery, and the realisation of wider social, environmental and economic benefits. This is a significant strategic opportunity for the region, and in the national decarbonisation of heat.
<i>Minewater and geothermal heat</i>	The North East has significant potential for deployment of minewater and deep geothermal heating schemes. The region can play a national role in commercialising this technology for decarbonisation of heat, by progressing a regional project pipeline. Implementing such schemes could also deliver wider social and economic benefits, potentially in deprived, fuel poor and off grid communities.
<i>Community energy</i>	The North East has a relative lack of community energy projects, which could deliver substantial social, economic and environmental benefits. Sharing of best practice or exploration of how schemes could be aggregated, address skills gaps and access finance, could unlock further implementation.
<i>Large-scale renewables</i>	The North East is an important region for the continuing deployment of large scale renewable energy, for example onshore wind, solar PV. This is both in terms of coordinating potential for single large scale developments, and large scale rollout of domestic micro generation. The region also has an important role in continuing innovation to reduce costs of such technologies.
<i>Energy flexibility</i>	The North East could leverage existing experience and expertise to maximise deployment of energy flexibility schemes. The region can also play a central role in the development of the UK energy flexibility industry. Collaborative exploration of business models, or aggregation of schemes for favourable terms, could help de-risk and deploy an emerging pipeline of schemes.
<i>Low emission transport and advanced propulsion</i>	The North East can combine its energy and automotive capabilities, and play a national role in developing technologies at the intersection of advanced propulsion and energy systems. Deployment of low emission transport infrastructure is vital to serve regional communities, and transitioning commercial fleets presents opportunities for collaborative strategy.
<i>Demonstration and innovation</i>	The North East's energy demonstration and innovation assets play a crucial national role in accelerating the transition to clean growth, generating exportable intellectual property, and creating new growth and investment opportunities in the region. Fully mapping and coordinating capabilities could help maximise these opportunities.

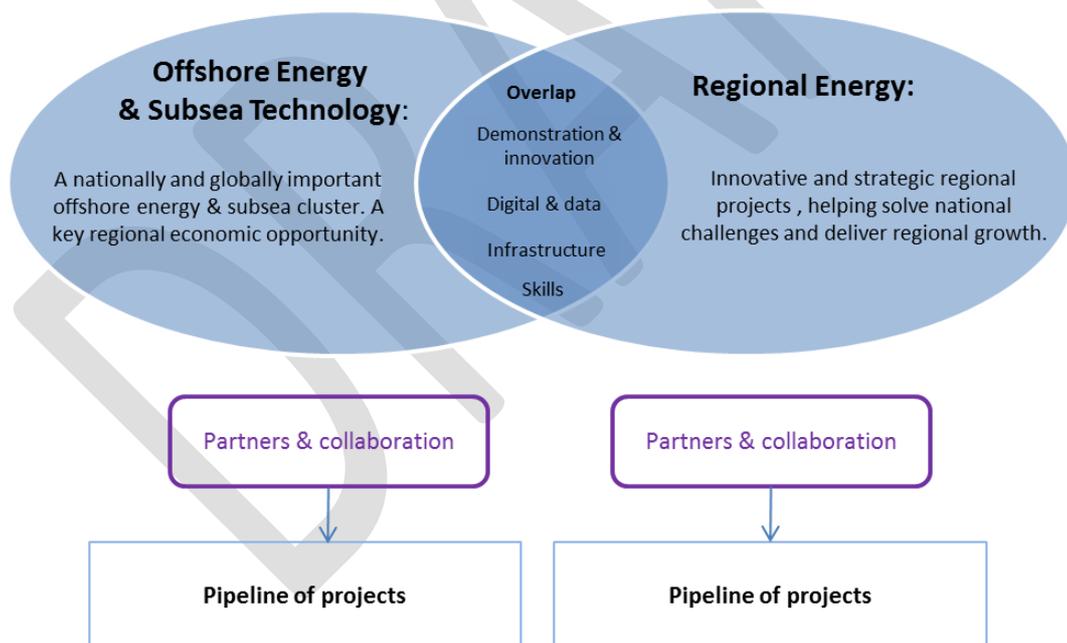
The North East LEP will work with cross-sector partners to facilitate development of the strategic themes into a regional project pipeline through the *Energy for Growth* programme. The programme seeks to coordinate activity at a regional level, where strategic interventions can drive economic growth, job creation and competitiveness, while meeting national goals. Its objectives are to:

- Bring together regional and national energy stakeholders
- Identify and prioritise strategic energy opportunities
- Facilitate delivery support for a strategic energy project pipeline
- Constructively identify challenges and support needs
- Communicate North East energy strengths and activity.

The programme is structured around two discrete workstreams; 'Offshore Energy & Subsea Technology' and 'Regional Energy'. Offshore Energy & Subsea Technology focuses on a key industrial sector, with a specific set of stakeholders and a distinctive economic opportunity. The Regional Energy workstream is focused on identifying and facilitating regional project opportunities across power, heat and transport.

An overview of the North East LEP's energy programme:

Energy for growth



Areas of overlap between these two workstreams, provide scope to explore sector-wide interventions or activities. Most notably this includes energy demonstration and innovation capabilities, and cross-cutting agendas around digital and data, infrastructure, and skills.

The North East LEP facilitates two stakeholder groups which help shape a regional agenda for each workstream, providing advice on opportunities for collaboration, growth and job creation. These groups will be actively engaged to further develop the themes into a project pipeline, defining

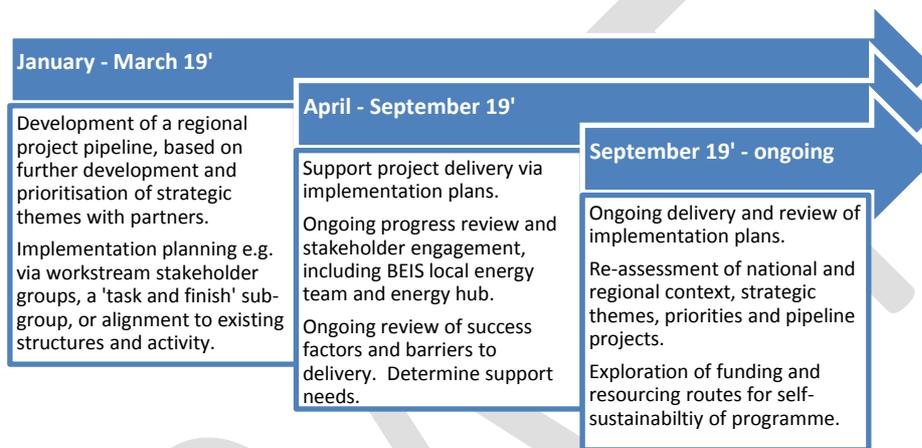


next steps and a delivery approach. All strategic themes may not be included within the immediate project pipeline, subject to prioritisation of activity.

The North East LEP, working with partners, will also seek to align the energy project pipeline to wider geographies and activity where this may add value. This may include national sector deals and challenges, the Northern Powerhouse, the North East, Yorkshire and Humber (NEYH) energy hub, the Borderlands project, or regional digital, skills, business growth or innovation agendas.

An indicative timeline for development and delivery of an implementation plan around the strategic themes is outlined below.

Outline pipeline development and delivery plan:



The North East LEP, working with national and regional stakeholders, will facilitate activity in-line with this outline pipeline development and delivery plan. Progress against this strategy, plan, and project pipeline will be monitored by the North East LEP Board on at least an annual basis.

Other bodies and structures involved in the resulting project pipeline will help determine the consultation and monitoring requirements of individual projects, to ensure their own reporting requirements are met. The BEIS local energy team and NEYH energy hub will also be regularly updated on progress around the Energy for Growth strategy and project pipeline as appropriate.

The project pipeline, and the wider *Energy for Growth* strategy, will also inform the North East LEP's Local Industrial Strategy. It will help shape the approach to this area of opportunity for the regional economy, including identifying an energy inward investment focus, innovation agenda, and pipeline of projects and capabilities to contribute to Grand Challenges.

Parties with an interest in the strategic themes outlined, or the *Energy for Growth Strategy* more generally, are invited to get in touch to explore opportunities to share work or collaborate, at the contact details below.

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Delivering more and better jobs

Introduction

The North East Local Enterprise Partnership (North East LEP) has led development of this energy strategy, '*Energy for Growth*', as part of the Department for Business, Energy and Industrial Strategy (BEIS) local energy programme

Through the BEIS local energy programme, all Local Enterprise Partnerships (LEPs) have been tasked with developing an energy strategy for their geography. These strategies will identify regional strengths, challenges, and opportunities which align to national policy across power, heat and transport.

The strategies will raise awareness of these regional strengths, challenges and opportunities, to gain buy-in for collaborative implementation, and to help shape a pipeline of strategic projects to be supported through delivery. Wide stakeholder engagement has been undertaken by the North East LEP to shape this strategy in-line with the regional energy context, activity and opportunities.

Underpinning this work, and the *Energy for Growth* strategy, is the North East LEP's Strategic Economic Plan (SEP). The SEP identifies the energy sector as an area of the regional economy with significant existing strengths and distinctive growth opportunities. These opportunities include the North East's global excellence in offshore energy and subsea technologies, as well as a range of regional energy systems assets and opportunities.

This *Energy for Growth* strategy will build upon the commitment within the SEP to drive this area of opportunity, and will provide a basis to focus SEP programmes of delivery on the opportunities and challenges of this area of our economy. It will define strategic energy themes for the region which can contribute towards national policy goals, while improving regional competitiveness, productivity and employment. With these combined aims, the vision of *Energy for Growth* is to:

'Drive growth in the North East while delivering on national energy objectives'

To meet this vision the North East LEP, through its *Energy for Growth* programme, will work with partners to develop activity around the strategic themes identified. This programme will focus on activity which positively impacts regional GVA and creation of more and better jobs. Energy sector activity can do this in a number of ways, shown in figure 1 below.

Figure 1, How energy activity can impact regional GVA and creation of more and better jobs





National policy context

The UK's Industrial Strategy and Clean Growth Strategy outline ambitious commitments to decarbonise the UK's economy, while stimulating growth, improving productivity, and meeting national and international climate commitments. This transition to clean economic growth has significant implications for our energy system, and forms the policy context for this strategy.

Industrial Strategy

The UK's Industrial Strategy¹ aims to boost productivity, stimulate job creation, and increase the earning power of people throughout the UK with investment in skills, industries and infrastructure. To deliver on this it aims to:

- **Strengthen the five foundations of productivity:**
 - *Ideas* – the world's most innovative economy
 - *People* – good jobs and greater earning power for all
 - *Infrastructure* – a major upgrade to the UK's infrastructure
 - *Business environment* – the best place to start and grow a business
 - *Place* – prosperous communities across the UK.
- **Build strategic partnerships through Sector Deals between government and industry**
- **Take on 'Grand Challenges'; society-changing opportunities and future industries:**
 - *AI & data* – putting the UK at the forefront of the AI and data revolution
 - *Ageing society* – using innovation to meet the needs of an ageing society
 - *Clean growth* – the advantages for UK industry from the global shift to clean growth
 - *Future of mobility* – becoming a world leader in shaping the future of mobility

The Industrial Strategy sets out clean growth as one of four 'Grand Challenges' to put the UK at the forefront of the industries of the future. This transition to cleaner economic growth, through low carbon technology and efficient use of resources, is described as one of the greatest industrial opportunities of our time.

The UK's historic role at the forefront the global move to clean growth is reiterated, with recent success in cutting emissions by more than 40% since 1990 while growing the economy by two thirds. The Strategy outlines the UK's world-leading capabilities in areas such as electric vehicles, offshore wind and smart energy systems, and the opportunity for UK businesses to maximise their share of global markets as they are transformed.

Early priorities for action to establish and extend UK leadership in clean growth are defined as:

- ***Develop smart systems for cheap and clean energy across power, heating and transport***
- ***Transform construction techniques to dramatically improve efficiency***
- ***Make energy-intensive industries competitive in the clean economy***
- ***Put the UK at the forefront of the global move to high-efficiency agriculture***
- ***Make the UK the global standard-setter for finance that supports clean growth***

The importance of cross-sector collaboration, in particular between public and private sector actors, the need for innovation, and local leadership in implementing the Industrial Strategy are highlighted throughout.

¹<https://www.gov.uk/government/publications/industrial-strategy-building-a-britain-fit-for-the-future>



Clean Growth Strategy

The Clean Growth Strategy² sets out the approach to decarbonising all sectors of the UK economy, and meeting legal requirements of the Climate Change Act. It states two guiding objectives:

1. **To meet domestic commitments at the lowest possible net cost to UK taxpayers, consumers and businesses; and,**
2. **To maximise the social and economic benefits for the UK from this transition.**

The UK is described as being well placed to take advantage of the economic opportunities which stem from international climate agreements. This is due to existing low carbon industries, a wide research base, expertise in high-value service and financial industries, and a supportive regulatory framework for innovation and development of leading edge technology,

For example, the Paris Agreement will require an estimated \$13.5 trillion of public and private investment in the global energy sector alone between 2015 and 2030. Potential growth of the UK low carbon economy is estimated at 11% per year between 2015 and 2030. This is four times faster than the rest of the economy, and could deliver between £60 billion and £170 billion of export sales of goods and services by 2030.

While outlining the significant opportunity to capture part of this global investment, the Clean Growth Strategy also sets out the challenges associated with achieving domestic commitments, such as the carbon budgets, while expanding the economy.

While significant recent success has been achieved in the power and waste sectors, this will need to be replicated across the economy, particularly in transport, business, industrial and domestic sectors.

Key policies and proposals in the strategy seek to drive down emissions throughout the 2020s. Focus areas are set out in sectors which will need to see the greatest technological breakthrough or large scale deployment if the fifth carbon budget is to be met through domestic action:

- **Improving Business and Industry Energy Efficiency – 25% of UK Emissions.** Enable businesses and industry to improve energy productivity by at least 20% by 2030.
- **Improving Our Homes – 13% of UK Emissions.** Ensure policies encourage people to improve their homes where cost effective and affordable.
- **Accelerating the Shift to Low emission transport – 24% of UK Emissions.** Almost every car and van to be zero emission by 2050, cycling and walking the natural choice for shorter journeys by 2040, continued modernisation of aviation and shipping sectors.
- **Delivering Clean, Smart, Flexible Power – 21% of UK Emissions.** Develop low carbon, cheap and clean sources of electricity. Upgrade our electricity system so it is smarter, flexible and takes advantage of developing technologies such as storage.
- **Enhancing the Benefits and Value of Our Natural Resources – 15% of UK Emissions.** Maximise resource efficiency and productivity, minimise negative impacts from resource use, with an ambition for zero avoidable waste by 2050. Reduce emissions from natural resources and increase tree cover, enhancing our carbon sink.

²<https://www.gov.uk/government/publications/clean-growth-strategy>



- **Leading in the Public Sector – 2% of UK Emissions.** Set longer term emissions reduction targets across the public sector, encourage transparent reporting. Address barriers to energy efficiency and low carbon investment such as access to finance.

Innovation is highlighted as fundamental to achieving clean growth, nurturing new technologies, processes and systems, and driving down costs. To this end the Clean Growth Strategy outlines a £2.5 billion targeted Government investment between 2015 and 2021.

The North East energy context

Within the foundations of productivity set out in the Industrial Strategy, the North East has a unique range of assets, capabilities and structures which give it a crucial role in delivering national policy, and make energy a key sector for the regional economy.

Ideas

Innovation is crucial as the UK seeks to enable clean economic growth, respond to new consumer demands, meet emerging energy challenges, and capitalise on global market opportunities. The North East is home to a suite of energy demonstration and innovation assets which are enabling innovation, and which offer a powerful demonstration test-bed for business and research.

These assets are innovating, testing, demonstrating, and validating energy technologies, challenges and processes. They feed into the cutting edge of energy science and research, and can play a crucial in de-risking and commercialising new technologies.

The North East's energy demonstration and innovation assets include:

Offshore Renewable Energy (ORE) Catapult, National Energy Centre

The £150 million ORE Catapult's National Renewable Energy Centre in Blyth houses world-leading test, validation and demonstration facilities. These specialise in testing wind, wave and tidal energy technology, including the world's largest open-access facilities for testing both wind turbine blades and powertrains, and the only UK centre for testing of offshore cables.

The catapult is also upgrading its research infrastructure by installing one of the world's most advanced grid emulation systems, the 'e-grid'. The 18MVA system allows simultaneous testing of mechanical and electrical systems. AC grid voltage, current, frequency and power balance can be emulated, allowing simulation of abnormal conditions which may be experienced in the field.

The Catapult's clients and partners include multi-national businesses, investors, local authorities, SME's, start-ups and universities.

Tyne Subsea

Tyne Subsea is a purpose built specialist hyperbaric testing, certification and research facility. Unique chambers allow testing of deep water equipment in a range of pressure ratings, orientations and temperatures. This includes capabilities to simulate water depths to 6,000 meters, to test components to -2°C, and to accommodate bigger products in a large chamber with an internal diameter of 2.5 meters.

A local partnership between British Engines and Newcastle University, Tyne Subsea combines a heritage in subsea engineering with access to leading research. It places the North East at the forefront of innovation for offshore energy technology in hazardous environments.

³<https://www.renewableuk.com/news/420533/Offshore-Wind-Industry-Prospectus.htm>



National Centre for Energy Systems Integration (CESI), Newcastle University

CESI is a £20 million multi-institutional, multi-discipline industrial research consortium investigating the future energy challenges for the UK. Led by Newcastle University and partnering with other UK Universities such as Durham. The research undertaken encompasses the whole energy system, including heating, cooling, electricity and transport, taking into account generation, distribution and demand as well as policy, economics and regulation.

Researchers utilise innovative demonstrator facilities to test, validate and improve our understanding of the value of taking a flexible whole systems approach to energy. These include the Newcastle Helix urban development of office space, energy efficient home, and University buildings within the heart of the City.

Researchers also investigate rural energy systems at Cockle Park Farm, Northumberland. The farm houses an anaerobic digester which uses farming waste to produce biogas, fuelling a combined heat and power system. CESI are lead research partners in the InTEGREL facility in Gateshead.

Supergen Energy Networks Hub, Newcastle University

The Supergen Energy Networks Hub brings together academia and industry, with the aim of gaining a deeper understanding of the interactions and inter-dependencies of energy networks. The Hub, led by Newcastle University, integrates a wide range of industrial and academic partners with other energy network stakeholders. Its research is carried out by a consortium of Universities (Newcastle, Manchester, Cardiff, Bath and Leeds), and addresses the challenges of technology, policy, data, markets and energy network risk.

Integrated Transport, Electricity, and Gas Research Laboratory (InTEGREL)

The Integrated Transport Electricity and Gas Research Laboratory (InTEGREL), in Gateshead, is the UK's first full scale integrated energy systems R&D facility. InTEGREL, led by Northern Gas Networks working with Northern Powergrid and Newcastle University, provides a space for industry, academia, SME's and government to explore and test new energy technologies.

Through fully integrating transport, electricity and gas systems, the site gives the North East a leading role in de-risking and commercialising emerging energy systems solutions. When fully complete it will host a battery storage and research lab, domestic appliances and smart system demonstration homes, as well as hydrogen and compressed natural gas refuelling stations for vehicles.

Durham Energy Institute (DEI), Durham University

DEI supports and produces cutting-edge energy research, drawing upon the expertise of world leading researchers across Durham University's departments in science, social science and humanities.

The DEI, now recognised as an internationally leading institution, was founded on the recognition that solving energy challenges requires collaboration across the boundaries of conventional disciplines. Approaching research in a new way, across departments, enables the DEI to address challenges and develop a range of unique expertise in areas such as wind, solar and geothermal energy, biofuels, smart energy systems, and carbon capture and storage.

The DEI is helping to shape the thinking of both national policy makers and industry. DEI geothermal energy research has been discussed in parliamentary debates, and strategic partnerships between with energy sector organisations such as Ørsted are linking new research directly with industry needs.

More widely, the DEI is bringing international collaborators to the North East from countries such as India, Malaysia, and Mexico to develop new approaches on topics such as organic energy research. The institute emphasises a 'Science and Society' approach to energy, tackling societal aspects of energy alongside developing new energy technologies.



Smart Grid Lab, Newcastle Helix

The UK's largest smart grid project, the Smart Grid Lab integrates a £2 million energy storage test bed with a full scale smart grid on the Newcastle Helix site. This allows simulation of distribution networks under future scenarios in a real-time network simulator, to understand how smart grids will help meet future energy challenges.

The facilities are the result of a partnership between Newcastle University and industrial partners Northern Powergrid and Siemens, demonstrating the region's pedigree in engaging industry with state of the art laboratory facilities.

Innovation SuperNetwork

The Innovation SuperNetwork's is the first of its kind in the UK, a network of over 50 partners and 5,000 businesses working to generate new ideas, market opportunities, and knowledge. It exists to increase connectivity and collaboration between the region's business community, to enhance innovation and share best practice.

The SuperNetwork's activities include running regional conferences, facilitating innovation challenges across its network, and leveraging relationships to enable businesses to access money for growth.

Supported by partner organisations, and delivering projects funded by European Regional Development Fund, the SuperNetwork has strategic alignment to the North East LEP. Activities and challenges are often related to the regional areas of opportunity outlined in the SEP, such as energy, helping connect organisations across sectors to create new energy innovations, market opportunities, and grow energy businesses.

People

The North East's energy sector is supported by an extensive skills, research and education base, with strong links into local, national and global industry. This keeps the region at the forefront of the energy agenda, with leading-edge knowledge constantly being created and shared.

The North East is also contributing to defining and providing the pipeline of skills required for the energy sector, and for the transition to clean growth. The North East's skills, research and education base include:

Newcastle University

Energy is one of the largest areas of teaching and research for Newcastle University, and it has one of the largest marine technology groups in the world. Newcastle University leads the National Centre for Energy Systems Integration and the National Centre for Subsea and Offshore Engineering.

Its Blyth Marine Station hosts the Emerson Cavitation Tunnel and facilities for studying coatings, fouling and hydrodynamics. Its teaching includes degree apprenticeships in power engineering, a large suite of undergraduate engineering degrees, and masters courses including Offshore Engineering and Renewable Energy.

Newcastle University is a global principal partner with engineering and technology giant Siemens, and has strong relationships with industry and many companies located in the region including Tyne Subsea, BEL Valves, Reece Group, and Soil Machine Dynamics (SMD).

Northumbria University

Ranked in the top 300 for engineering and technology in the Times Higher Education's World University subject rankings 2018, Northumbria University offers courses in Electrical Power Engineering (MSc), Renewable and Sustainable Energy Technologies (MSc), and has an expanding degree apprenticeship programme. It has established links with major energy companies in the region, and has delivered a bespoke master's course for a global oil company.



Durham University

Durham University through its Energy Institute is one of the key national research centres for renewable energy. There is an emphasis on science and society that provides Durham with a unique socio-technical approach to energy research and teaching. Durham offers a series of related masters courses along with a Centre for Doctoral Training in Energy, offering significant interaction with both local and international companies.

Newcastle College

Based on the North bank of the Tyne, the Newcastle College Energy Academy provides a centre of innovation, training and development for the energy sector. The academy delivers qualifications from level two through to degree level in energy technologies, manufacturing and maintenance, as well as apprenticeships.

Courses include a level two and three in Welding and Fabrication, level three in Renewable and Subsea Engineering, and Foundation degrees (FdEng) in Renewable Energy Technology and Subsea Engineering. The Energy Academy has successfully developed a Maintenance and Operation Engineering Technician apprenticeship for the wind energy and subsea sectors.

Gateshead college, Zero Carbon Futures

Zero Carbon Futures, a subsidiary of Gateshead College, was set up in 2011 as an independent consultancy specialising in low carbon vehicle technologies. The company develops electric vehicle infrastructure, and has managed a range of projects to increase electric vehicle uptake. Its ultimate aim is to research and develop new and emerging technologies, as low carbon vehicles move into the mainstream and become a major part of our transport system.

Infrastructure

Infrastructure is vital in enabling businesses to be productive and competitive in the North East, and therefore to creating more and better jobs. Transport connectivity and availability of land are crucial in supporting energy sector businesses to thrive, and in encouraging them to locate in the North East.

In particular, the North East is home to a globally significant offshore energy and subsea technology cluster. Many organisations in this cluster are located around, or rely on, the comprehensive infrastructure offer around the region's three major ports.

Energy security, sustainability, accessibility and affordability are also an important part of the regional infrastructure offer. The capacity of regional energy distribution networks, and long term development plans, are a key consideration for businesses considering locating in the North East. Key aspects of the North East's infrastructure capabilities, supporting the energy sector, are:

Energy Gateway, offshore energy and subsea technology

The North East is a well connected 'Energy Gateway', with a long-established capability and easy access to global offshore energy and subsea technology markets. The region also provides excellent access to key North Sea oil and gas fields, and offshore wind development sites such as Dogger Bank, Firth of Forth and Hornsea.

Key assets and supporting infrastructure in this Energy Gateway include three major ports, Port of Blyth, Port of Tyne and Port of Sunderland. These ports provide 7km of quay next to deep water, as well as easy access to 400ha of development land and 30 development sites, many with enterprise zone status.

An international airport, exceptional national rail and road networks, and the largest rapid transit system outside London (the Tyne and Wear metro) also make the North East an excellent and well connected place to do business in these sectors. This compelling offer helps enable this cluster to grow and respond to national policy and aims, including the emerging offshore wind sector deal.



Enterprise Zones

Enterprise Zones are designated sites across England which provide tax breaks and Government support in strategic areas that will help grow regional economies. The North East has range of enterprise zone sites.

These include key sites alongside the river Tyne, river Wear, and at Port of Blyth, which support offshore energy and subsea businesses. Sites have direct access to port and quayside facilities, laydown and loading space, and manufacturing and fabrication space. Sites include Port of Tyne, Neptune Yard, Swan Hunters, East Sleekburn, Bates and Wimbourne Quay, Commissioners Quay and Dun Cow Quay.

The A19 Corridor, Sunderland, enterprise zone was also the UK's first designated area for Ultra Low Carbon Vehicles. In close proximity to the UK home of Nissan and a global automotive supply chain, these sites have a focus on low carbon vehicles and advanced manufacturing.

Transport Connectivity

Newcastle International Airport offers frequent, daily flights to locations including London, Amsterdam, Paris and Dubai. The airport carries almost five million passengers per year to a number of European and global hubs, as well as airfreight services to and from international markets.

Excellent North East rail links to the UK high speed rail network include half-hourly services from Newcastle Central Station to London Kings Cross and Edinburgh. London and Birmingham can be reached by rail in less than three hours, and Edinburgh in 90 minutes.

The Tyne and Wear metro system is the largest rapid transport system in the UK outside of London, with over 60 stations across Tyne and Wear. It connects the workforce to major business hubs and Newcastle International Airport.

By road, the A1(M) connects the North East to the entire UK motorway network. The A19 and A69 trunk roads provide connections to the South and West of the UK.

Electricity Infrastructure

The electricity distribution network operator in the North East is Northern Powergrid, which has an operational territory from Northumberland to the Humber, and from the Pennines to the East Coast.

Northern Powergrid distributes electricity to around 3.9 million homes and businesses, through a network of more than 63,000 substations, 60,000 miles of overhead powerlines, and underground cables spanning 9,650 square miles.

Northern Powergrid publishes an annual 'Long Term Development Statement' (LTDS) in the public domain, which compiles network information. The LTDS is intended to assist existing and future users of the network to assess opportunities for projects which make new or additional use of the electricity distribution system. It provides plans and information on distribution system development, and to enable initial assessments of system capability.

Northern Powergrid also provides online interactive demand and generation availability maps. These provide an indication of the networks capability to connect large-scale developments to major substations.

Gas infrastructure

The gas distributor in the North East is Northern Gas Networks, which serves an area of 25,000km² and around 2,700,000 customers, operating 37,000km of pipeline. Northern Gas Networks' operational territory covers an area from Northern Cumbria and Northumberland, and much of Yorkshire, and it manages the development, operation and maintenance of the distribution network.

Northern Gas Networks publishes an annual 'Long Term Development Statement'. This provides a forecast of system usage, and likely developments, and can be used by new and existing users to identify and evaluate system and network opportunities. The statement contains information on actual volumes, supply and demand forecasts, system reinforcement projects, and investment plans.



Business environment

The energy sector is central to the North East's economy, with an innovative community of businesses creating wealth, skills, and jobs across various aspects of the sector. Building on existing strengths and capabilities, the energy sector presents huge ongoing opportunities.

New solutions that provide clean, secure and accessible energy will drive economic growth and deliver more and better jobs. North East organisations are delivering on this opportunity, and national energy objectives, through innovation, investment and skills development. Key aspects of the North East energy business environment include:

Offshore energy and subsea technology

The North East is home to a globally important offshore energy and subsea technology supply chain cluster, with organisations servicing various aspects of these global markets. The region boasts world-class expertise in subsea engineering, robotics, planning and development, as well as design and fabrication of components such as pipelines, umbilicals and wind turbine foundations.

Local businesses such as Soil Machine Dynamics (SMD), Tekmar, and BEL Valves have world-class reputations, and deliver goods and services across the globe. Companies from other parts of the UK and overseas, such as Baker Hughes and Fabricom, have also chosen to invest in the region. This cluster is of strategic importance in the global offshore energy and subsea sectors, winning work internationally and maximising the export potential of UK expertise. For example:

- Remotely operated vehicles (ROV's) from Wallsend-based SMD, with capabilities for both sea salvage and oil and gas operations, are delivering projects from Scotland to Shanghai
- Newton Aycliffe-based Tekmar, a global market leader in offshore cable protection, has supplied systems and services across Europe, and for projects in the USA and Asia Pacific region
- Stocksfield-based Royal IHC Limited, the UK arm of Dutch parent company Royal IHC, designed its 80-metre J-lay system in the North East. Capable of installing pipelines with the equivalent mass of 2,000 cars, the system is ready to tackle challenging projects across the world following testing at Port of Blyth.

Supply chain, promotional, and business development support is available from NOF energy, Energi Coast and Subsea North East, helping members win work in the offshore renewables and subsea sectors.

Automotive, alternate propulsion and energy technology

A range of businesses operating and innovating in the automotive, alternative propulsion and energy technology sectors are based in the North East. Many of these businesses are developing complementary products and services, particularly at the intersection between energy and automotive technology.

These products and services can help address national energy challenges, and the North East is home to a critical mass of businesses, both large and small, to develop and export this expertise. For example:

- The North East Automotive Alliance (NEAA) industry-led cluster group supports the economic sustainable growth and competitiveness of the automotive sector in the North East. The largest automotive cluster group in the UK, with other 300 participants, the NEAA explores topics including advanced propulsion and energy
- The North East is home to automotive OEM's including Komatsu, Caterpillar and Cummins, responsible for producing over 502,000 passenger cars and commercial vehicles, 6,400 non-highway vehicles and over 325,000 engines. The Nissan manufacturing plant in Sunderland is also home to the Nissan LEAF
- AVID Technology, based in Cramlington, designs and manufactures cutting-edge electrified powertrain components and systems for heavy-duty and high performance hybrid and full electric vehicles
- Sunderland-based Hyperdrive Innovation utilises market leading lithium-ion battery technology to deliver solutions to challenging applications for electric vehicles and battery storage systems
- Advanced Electrical Machines, based in Blaydon, develops advanced motor technology, the High-Density Switched Reluctance Machine (HDSRM), for hybrid, range extended and electrical commercial vehicles
- Based on the Newcastle Helix site, Connected Energy is accelerating new approaches to grid-load management with its British designed battery storage systems and energy optimisation expertise.



International connectivity

Various North East organisations and institutions have international partnerships across the energy sector. These partnerships keep the region at the forefront of developments in markets, research and technology, and forge links between global industries and the public and academic sectors. This makes the North East a great place to do business or research in energy. Examples include:

- Since 2015 Newcastle University has held global Principal Partner status with Siemens. This partnership includes joint research programmes (including CESI), development of new qualifications, and provision of industry placements
- The Energy Group of Durham University is part of a partnership with Ørsted, the world's largest offshore wind farm company, and Siemens Gamesa, wind turbine fabricator. A joint programme addresses current and future challenges in reducing the cost of electricity from offshore wind. Ørsted also has a long-standing partnership with Durham University, including supporting a Chair in Renewable Energy position at Durham Energy Institute, PhD research collaborations, and MSc scholarships since 2011
- The ORE Catapult and TusPark Newcastle (part of Chinese 'TusPark's' international network of science parks and incubator projects) signed a research and development collaboration agreement in 2017, aimed at introducing UK SMEs to the Chinese market. In 2018 this was followed by a partnership between ORE Catapult and TUS-Wind to establish a £2 million joint research centre for innovative technologies, and to support development of an offshore wind farm of at least 300MW with a minimum 10% UK content.

Business energy support

A number of schemes and initiatives in the North East provide specific support to businesses on their energy use, focussed on reducing costs. These include:

- The Business Energy Efficiency Project (BEEP) provides County Durham SMEs with free energy audits and other direct support, to make financial savings through energy efficiency. Grant funding is also available to financially support the installation of energy efficient equipment. BEEP is a partnership with Durham County Council, Business Durham, The North East Chamber of Commerce, The Federation of Small Business, the North East LEP, and Northern Powergrid.
- The Newcastle City Council Business Energy Efficiency Scheme provides a service to assist business to reduce energy and water costs, and improve sustainability. This includes energy monitoring and analysis, energy awareness, funding identification and support with carbon and energy legislation.

Wider business support

The North East offers a mature business support ecosystem, which energy sector businesses can capitalise on for assistance to grow and scale-up. This includes:

- The North East Growth Hub which provides access to business support and finance to businesses in all parts of the North East economy. Growth Hub Online also provides access to over 220 sources of business advice and support from across the region and from UK programmes
- Dedicated scaleup support is provided through Scaleup North East, assisting businesses that have the potential to grow rapidly to reach their full potential. Support is flexible and tailored to the needs of the business. Scaleup partners, who have a track record in scaling businesses themselves, work with businesses to define objectives and mentor leaders to take the right action at the right time.
- Supply Chain North East helps businesses identify opportunities they might not otherwise know exist to help them grow. Market experts work with businesses to identify new customers, new markets and supply chains that they may never have previously considered. The programme provides access to the specialist support and resources required to unlock doors, adopt new technology and adhere to new quality standards and requirements.
- Invest North East England (INEE), the North East Combined Authority's strategic inward investment body, acts as a single point of contact for inward investment, and works closely with the North East LEP and local authorities. INEE has access to an extensive partnership network of support agencies, sector specialists, universities, colleges, knowledge networks and business organisations throughout the region.



Place

The North East LEP covers seven Local Authority areas; County Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland. Each is home to specific energy assets and opportunities, while contributing to the regional context and pipeline (see Appendix 1). There are two Combined Authorities within this region, the North of Tyne mayoral Combined Authority which spans Newcastle, Northumberland and North Tyneside, and the North East Combined Authority which brings together Durham, Gateshead, Sunderland and South Tyneside.

The North East is an important contributor to the energy agenda across wider geographies. This includes across the Northern Powerhouse, the Borderlands project, the NEYH energy hub, and through national sector deals and challenges. The wider North has a well-established energy heritage, with the region's role in the sector embedded in local culture.

The North was historically a powerhouse for the country, with a long history of centralised power generation. It is now playing a world-leading role in agendas such as offshore energy, renewables, and development of hydrogen technologies. An overview of the North East, and the wider energy agenda of the North, includes:

Public sector

The North East has a higher proportion of employment in the public sector than other areas. Over and above the services of local authorities, this includes strong education and health services, and a concentration of shared service and back office functions for government and other agencies.

All seven Local Authorities within the North East are developing Local Plans. These will set out local planning policies, and identify how land will be used. In particular Local Plans will set out what development will take place, for example where new housing should be built, and where new office and industrial space is needed to support economic and population growth.

The ambitions of the North East LEP's SEP are supported by partners across the region. With a reputation for effective delivery and innovative solutions, the North East LEP was invited to be one of the first six Local Enterprise Partnership areas to work with government on wave two of Local Industrial Strategies.

2017 saw the agreement of a devolution deal for the North of Tyne area, and in November 2018, the new Mayoral Combined Authority was created, bringing new policy, powers and resources into the region.

Economy

The North East's economy is fast growing and generates over £40 billion each year. It was traditionally dominated by mining and manufacturing. Manufacturing remains an important part of the regional economy, which is growing with clusters in automotive and medicines.

The wider regional economy has grown, developed and diversified over the last 40 years. Energy has been identified by the North East LEP as one of four areas of distinct economic opportunity for the region, alongside digitalisation, advanced manufacturing, and health and life sciences. The North East also has strengths in a number of enabling services sectors including financial professional and business services, education, transport and logistics and construction.

Population and geography

The North East is home to almost 2 million people, three cities, with a well connected urban hinterland. Newcastle has vibrant science, education, culture, digital and service sectors. Historic Durham has a leading university, science and tourism sites. Sunderland is renowned for its manufacturing capability, home of Nissan's world-leading car manufacturing base and the focus of one of the Europe's leading automotive clusters.

Towns, rural and coastal communities provide employment in a number of sectors. Across these territories, creative initiatives embedding new business growth are underway. For example incubators alongside rural tourism hubs like The Sill in Northumberland, growth in iconic cultural locations like Beamish and Auckland Castle and initiatives to foster digital innovation in farming and water delivery, demonstrate opportunities to drive employment across every part of the economy.



Energy across the North

The North has a long-established heritage in the energy sector, historically acting as a powerhouse for the country through centralised generating capacity, and more recently through wind and nuclear power. This heritage has led to the energy sector becoming embedded in the fabric of local culture, with a strong legacy of engineering and manufacturing skills, and a concentration of energy research and innovation.

Building on this legacy, the North is now playing a world-leading role in emerging energy challenges, with expertise in nuclear energy, large scale renewables, energy storage, transport, and a proven record in the global oil and gas and offshore wind sectors.

The North is also acting as the UK centre of excellence for development of hydrogen technology. Through the H21 project Northern Gas Networks, in collaboration with partners, is leading globally significant plans to use hydrogen as a heating fuel, helping decarbonise millions of Northern homes.

Northern Gas networks, and Cadent the gas distribution network operator for the North West and West Midlands, are also a key partners in other pioneering Hydrogen projects such as HyDeploy. This leading project has been granted approval from the UK Health & Safety Executive, and will run live large-scale trials delivering a blended hydrogen and natural gas to homes and businesses at a large scale.

In terms of offshore energy, the East coast is critical for the UK to capitalise on global opportunities in offshore wind. Across the North East, Teesside and the Humber, the Northern Powerhouse is playing a central role nationally. The region already has the majority of the UK's offshore wind farms along its coast, and services them from operations and maintenance, to fabrication of blades and foundations.

Global developers are building huge amounts of new capacity off the East coast in the coming years, such as Ørsted's Hornsea 1 and 2, and Equinor, SSE and Innogy's Dogger Bank developments. The North is extremely well placed to secure a significant share of the UK content in these farms, following recent investments in the region such as the Siemens Gamesa blade factory in Hull.

The North East, Yorkshire and Humber (NEYH) Energy Hub, part of the BIES local energy programme has been established to take a co-ordinated approach across the development and delivery of LEP energy strategies. This hub will identify and prioritise pan-Northern energy priorities, providing delivery support.

Across the Northern Powerhouse further partnerships are being created which could support or align to energy priorities. For example, the creation of Transport for the North, and a new Northern Powerhouse structure, where the 11 LEP Chairs will work together to support growth across the North.

Work to develop a Borderlands Deal will include Northumberland in a new cross-border structure with four other areas in northern England and Scotland. The ambition is to create an exemplar in rural growth.

Strategic energy themes

The North East has a distinctive energy context across the foundations of productivity, with a vast amount of cross-sector activity presenting unique strengths and capabilities. In addition to this energy context, energy trends across heat, power and transport indicate areas where the region has a particular opportunity or challenge.

Wide stakeholder engagement has been undertaken across the public, private and academic sectors to shape this context, and regional energy trends, into thematic areas for delivery. This has taken place through specific one on one discussion with stakeholders, and via North East LEP working groups and other regional fora.

Following initial engagement with partners to determine existing activity and priorities, a specific energy strategy workshop was also convened by the North East LEP to enable discussion of emerging strategic themes. This was attended by organisations including BEIS, public authorities, distribution network operators, private businesses, universities and centers of innovation.

Following discussion and feedback from partners at this workshop, themes have been subsequently refined with a view towards prioritisation and practical delivery. Themes listed



below highlight where a coordinated approach among partners, or a strategic project, would further contribute to national goals while driving additional regional growth, productivity, competitiveness.

For example, this may be where cross-sector collaboration could unlock previously undelivered potential, address a market failure, achieve economies of scale, attract inward investment, create more and better jobs, enable an opportunity to be grasped at scale, or deliver wider social and environmental benefits.

Strategic themes

Offshore energy and subsea technology

The North East is home to a globally important offshore energy and subsea technology supply chain cluster. The sector presents a distinct area of opportunity for the regional economy, as a leading location in England for the offshore wind and oil and gas sectors.

North East businesses have a well-established track record servicing both UK and global markets. The region is home to world-class expertise in subsea engineering, robotics, planning and development, as well as design and fabrication of components such as pipelines, umbilicals and wind turbine foundations.

Local businesses across the supply chain are delivering goods and services around the globe, and international companies have chosen to locate and invest in the North East. The subsea sector itself includes around 50 supply chain companies, supporting 15,000 jobs and generating combined turnover in excess of £1.5 billion.

The North East LEP and Tees Valley Combined Authority (TVCA) areas together, are a leading location in England for oil and gas foreign direct investment (FDI). Relative to population, this is the best performing region in England at attracting coal, oil and natural gas FDI, securing 7% of all projects in the UK from 2013-2017. This area is equally a leading location for offshore wind investment, securing 5.4% of all FDI projects in the wind sector in the UK from 2003-2017.

The North East has been identified as a key cluster for delivery of the offshore wind sector deal, which reinforces the industry's ambition to deliver at least 30GW of capacity by 2030. This follows government announcements confirming new Contracts for Difference (CfD) auctions, to support an additional 2GW of offshore wind capacity per year in the 2020s.

The North East has excellent proximity to key UK offshore wind development sites such as Dogger Bank, Firth of Forth and Hornsea. With its supply chain cluster and infrastructure offer, the region is extremely well placed to service these important developments, attract inward investment, and contribute more widely to a transformational offshore wind sector deal for the UK.

As well as the potential scale of UK offshore wind capacity, the Offshore Wind Industry Council (OWIC) has highlighted the global export potential for the offshore wind industry. With exports at approximately £0.5 billion in 2017, there is the potential to reach £2.6 billion by 2030, with UK expertise, components and services being exported to a growing global market³.

³<https://www.renewableuk.com/news/420533/Offshore-Wind-Industry-Prospectus.htm>



The North East is a center for offshore innovation, with a crucial role in creating exportable intellectual property for the UK. Regional demonstration and innovation assets include Tyne Subsea and ORE Catapult's National Renewable Energy Centre, alongside a range of innovative supply chain businesses. North East universities are also in the top 20 for research publications in both offshore wind (Durham 3rd, Northumbria 19th) and oil and gas (Newcastle 7th, Durham 11th).

The North East's offshore energy and subsea technology cluster is nationally and globally important. The region stands to benefit from both new and existing global market opportunities in offshore wind and oil and gas. Supporting employment, competitiveness and productivity in this sector is a strategic energy opportunity for the North East.

Infrastructure intelligence

The National Grid Future Energy Scenarios (FES) 2018⁴ highlights the changing nature of the UK's energy system as a result of technological innovation, changes in the profile of energy generation, and new end-user demands and behaviours. FES 2018 sets out four key messages and trends:

- ***The growth of decentralised and low carbon energy.*** The energy system and market will need to adapt to a changing generation mix, balancing security of supply, affordability and efficiency.
- ***The growth of electric vehicles and supporting infrastructure.*** Smart charging and vehicle to grid solutions can help decarbonise electricity. Balancing supply and demand will become increasingly complex, and data and information flows will be increasingly critical.
- ***Accelerating the mix of low carbon heat.*** Accelerating the decarbonisation of heat during the 2020s is essential to meet national carbon reduction targets. A mix of solutions and better thermal efficiency of buildings is needed. Development of hydrogen and the rollout of heat pumps need to be driven by clear policy.
- ***Gas will play a key role in providing reliable, flexible energy supplies, and can decarbonise the whole energy sector.*** Development of hydrogen and carbon capture utilisation and storage needs innovation and demonstration projects to overcome challenges

These trends are all relevant to the North East, and the changing nature of the energy system is affecting the region. Energy is a crucial enabler of business growth and productivity, therefore understanding and planning for these changes to the energy system is vital to support economic development. For example to ensure that adequate energy capacity, affordability, and security is available on key development sites such as enterprise zones.

Similarly, supporting communities to respond to the changing energy system is critical in enabling them to be economically active and prosperous. For example allowing new and existing homes to access electric vehicle charging infrastructure, affordable and secure energy either through grid connection or microgeneration, and to be flexible with their energy consumption to reduce costs.

Local organisations are already engaged in understanding the challenges and opportunities that are arising as a result of the changing energy system. This is both to support communities and businesses through the changes, and to develop emerging commercial opportunities.

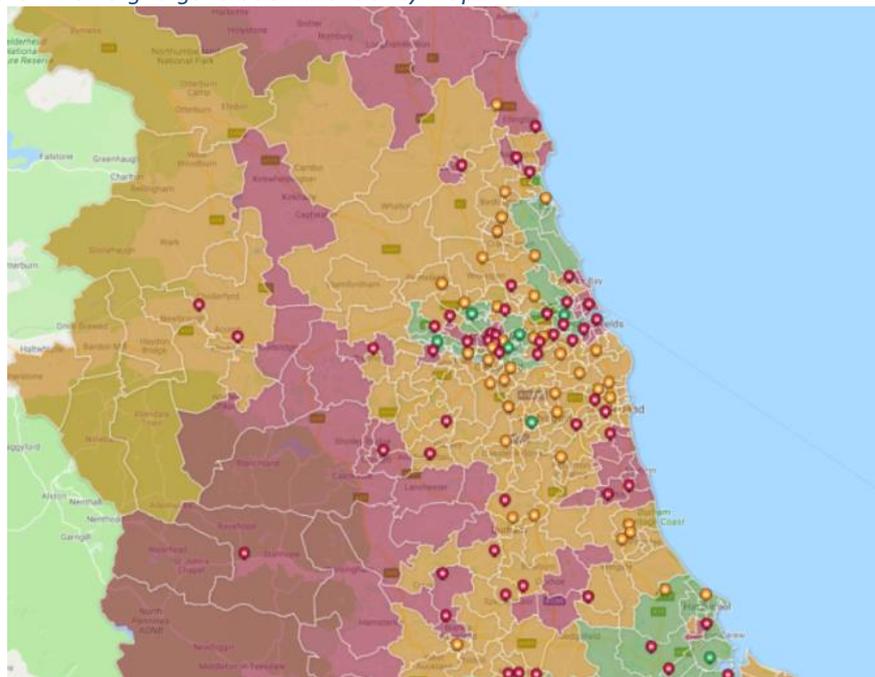
⁴<http://fes.nationalgrid.com/>



Energy distribution network operators, Northern Powergrid and Northern Gas Networks, share information with end users, to help guide investment decisions. This includes information on system trends, capacity, and investment plans.

In terms of the electricity distribution network, an initial assessment of capacity for generation can be made using the Northern Powergrid availability map⁵. This indicates that available capability to connect developments to major substations may be subject to some constraints. While this data only provides an indication of capabilities, it supports the need to share regional intelligence.

Figure 2, Northern Powergrid generation availability map



In response to energy system trends, end-users such as public authorities and private businesses are exploring and deploying various technologies. This includes decentralised energy generation, electric vehicles and charging infrastructure, battery storage systems, and low carbon heating. These technologies place new demands on, and can be constrained by, network capacity.

A shared understanding of the needs and plans of end users, alongside network capacity and constraints, is essential for the regional organisations to adapt to the changing energy system. Sharing this infrastructure intelligence in a tailored and detailed way, would allow network operators and end users to plan and invest effectively. Ensuring economic growth and communities are supported.

The North East is also home to a range of academic institutions and industry partnerships which are leading national research, innovation and demonstration agendas for energy systems. This makes the region an ideal place to explore new ways of sharing detailed and tailored infrastructure intelligence.

Energy infrastructure is critical in enabling economic growth, and supporting communities through the transition to clean growth. As new demands are placed on this infrastructure, a clear and coordinated sharing of intelligence between both end-users and network operators is essential. This will create an evidence base for effective decision making and mutual benefit.

⁵<https://www.northernpowergrid.com/generation-availability-map>



Fuel poverty

Fuel poverty is a prominent energy challenge for the North East. Within the North East LEP area all local authorities have estimated rates of fuel poverty above the national average, with over 117,000 total households estimated to be in fuel poverty⁶. The region also has a higher proportion of households in social housing than the overall average for England⁷.

Figure 3, Fuel poverty and social housing statistics

2016	Est' % of households fuel poor	Est' no. fuel poor households	Est' % social housing
County Durham	14.00%	31,906	19.84%
Gateshead	12.80%	11,663	5.49%
Newcastle upon Tyne	14.40%	17,268	7.86%
North Tyneside	11.20%	10,469	5.94%
Northumberland	12.80%	18,162	11.49%
South Tyneside	13.20%	9,050	6.86%
Sunderland	15.30%	18,670	26.98%
North East Total	13.54%	117,188	13.77%
England	11.09%	2550565	10.48%

Fuel poverty has wide social and economic consequences. Fuel poor households living in cold homes are often subject to exacerbation of illness, including respiratory illness such as asthma and influenza. This places subsequent costs and strain on health services.

Fuel poor households are also often forced to make difficult decisions about paying for heating, or going into debt, and can therefore be less economically active or mobile. This can have subsequent impacts in terms of wellbeing and vulnerability.

Within the North East (including Tees Valley), over 90% of fuel poor households are in a property with an Energy Performance Certificate (EPC) rated in band D or worse. Of households that are EPC band C or better, only 2.9% are fuel poor.

Figure 4, EPC, fuel poor households and ECO AW data (National Energy Action, analysis of English House Condition Survey, 2016)

	North East (Incl' Tees)	England
% of fuel poor households in EPC band C or better	7.4%	6.0%
% of fuel poor households in EPC band D	63.9%	53.4%
% of total households eligible for ECO AW	12.9%	11.1%
% of ECO AW eligible households which are fuel poor	30.5%	29.7%
% of total households in EPC band D or better	33.9%	28.5%

In the context of the Clean Growth Strategy's goal for all fuel poor homes to reach band C or better by 2030, and with high rates of fuel poverty overall, the North East a critical region to invest in measures, and to test new technologies or policy approaches which address fuel poverty.

The North East also has a higher proportion of properties in EPC band D than England overall, many of these homes may present cost-effective opportunities to move a proportion of homes to band C or better. The North East is also a key region for of solutions focused on addressing fuel poverty in social housing, due to its higher than average concentration of social homes.

Additionally the North East has a higher proportion of households eligible for energy company obligation affordable warmth (ECO AW), and a higher percentage of those households in fuel

⁶ <https://www.gov.uk/government/statistics/sub-regional-fuel-poverty-data-2018>

⁷ <https://www.gov.uk/government/statistical-data-sets/live-tables-on-dwelling-stock-including-vacants>



poverty, than the average in England. This makes the North East an important region for meeting multiple policy objectives via this funding.

Fuel poverty is a prominent energy concern for the North East, which is a critical region in achieving national objectives. Addressing fuel poverty has wider social, environmental and economic benefits for the region. The North East is also well-placed to explore and deliver new policy, investment, technology or partnership approaches to addressing fuel poverty.

Domestic energy

As a region, the North East has a higher proportion of energy consumption in the domestic sector than the UK overall⁸. Domestic gas in particular is a significantly higher, and the second highest single source of energy consumption in the North East, at 28% of total energy compared to 21% for the UK⁸.

Figure 5⁸

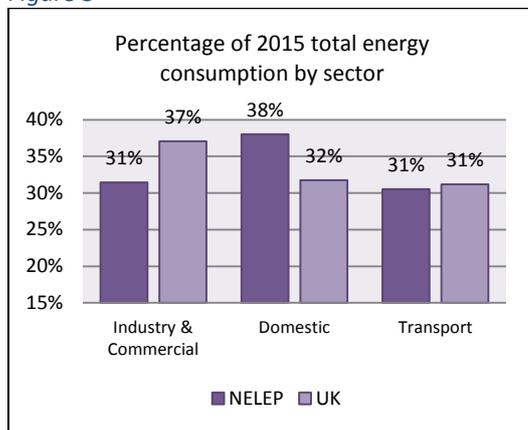
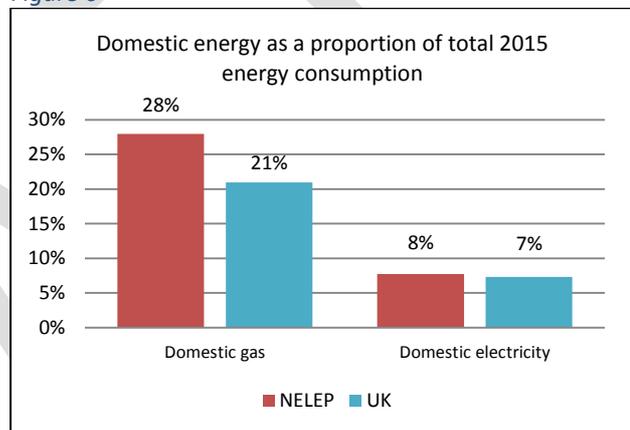


Figure 6⁸



Average domestic gas consumption per meter is above the average for England and Great Britain in all North East Local Authority areas except South Tyneside⁹. This may be indicative of lower than average thermal efficiency of housing stock, a prevalence of inefficient gas domestic heating systems, or a greater need to heat the home for other reasons. While this trend has obvious implications for fuel poor households, it also reflects the wider regional domestic energy context.

The North East is broadly in-line with Great Britain and England overall in terms of total energy consumption from domestic electricity. However average electricity consumption per domestic meter is below the average for England and Great Britain in all North East Local Authority areas¹⁰.

While this could be due to various factors, the inability of fuel poor homes to afford electricity may be a contributor to this overall context. As heating is decarbonised, and a transition away from gas is made to alternative technologies such as electric heat pumps, North East homes may see a greater impact on energy bills and fuel poverty due to these trends.

⁸ <https://www.gov.uk/government/statistical-data-sets/total-final-energy-consumption-at-regional-and-local-authority-level>

⁹ <https://www.gov.uk/government/collections/sub-national-gas-consumption-data>

¹⁰ <https://www.gov.uk/government/collections/sub-national-electricity-consumption-data>



Figure 7⁹

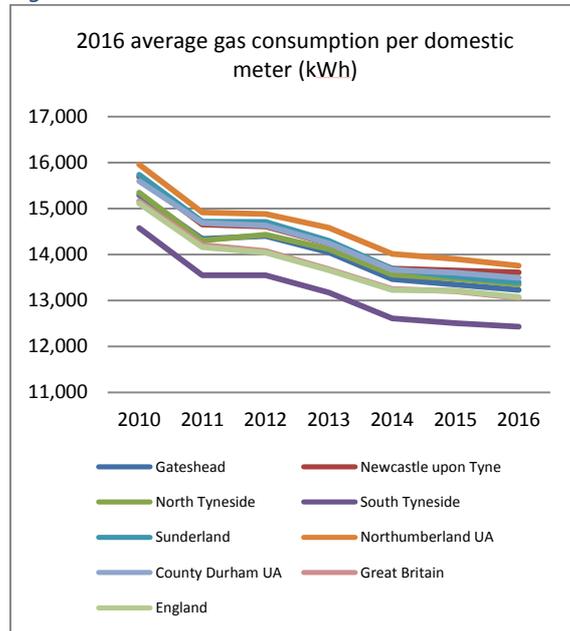
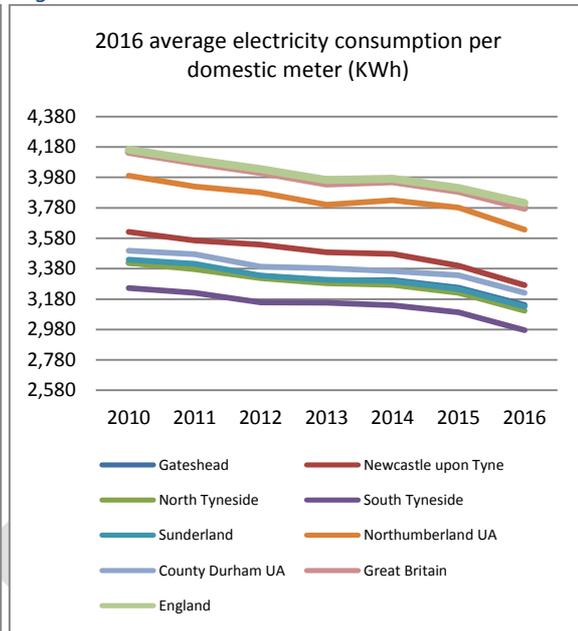


Figure 8¹⁰



Analysis of regional EPC ratings in figure 4 reveals that nearly two thirds of total households in the North East (including Tees Valley) are rated in EPC band D or worse at 66.1%. This is better than for England overall, where 71.5% of households are rated in EPC band D or worse.

However, addressing this at scale remains a significant challenge in the context of national targets; for all private rented homes to be EPC band C or better by 2030, and social rented homes to reach a similar standard. Large-scale domestic retrofit programmes have been traditionally difficult to implement, and The North East has a higher proportion of social rented homes than the overall average for England (figure 3).

Due to its notable domestic energy trends, and high proportion of energy use in the domestic sector, the North East is an important region in meeting national domestic energy goals. This is both in terms of delivering domestic energy improvements at scale, and in terms of exploring new domestic fuels, particularly for decarbonising heat.

Off-grid domestic energy

The percentage of households within the North East estimated to be not connected to the gas network is lower than Great Britain overall. However, the region has significant rural communities particularly across Durham and Northumberland, and a legacy of off-grid mining communities.

Within specific Local Authority areas there are notably high estimates of households not connected to the gas network, for example 18% in Northumberland and 11% in Newcastle¹¹.

¹¹ <https://www.gov.uk/government/statistics/isoa-estimates-of-households-not-connected-to-the-gas-network>



Figure 9, Off-grid property statistics¹¹

2016	Est' households not connected to the gas network	Est' % households not connected to gas network
County Durham	11,275	5%
Gateshead	4,481	5%
Sunderland	4,948	4%
North Tyneside	3,855	4%
South Tyneside	1,154	2%
Northumberland	25,330	18%
Newcastle	13,198	11%
North East LEP	64,240	7%
Great Britain	3,744,445	14%

Although based on older estimated data, the North East LEP also has a higher proportion of off gas grid properties greater than 2km from the network than the UK average. These properties are all in Durham and Northumberland. Almost one third (30%) of off grid properties are also greater than 50 meters from a network connection, compared to 14% for the UK overall¹².

Figure 10¹²

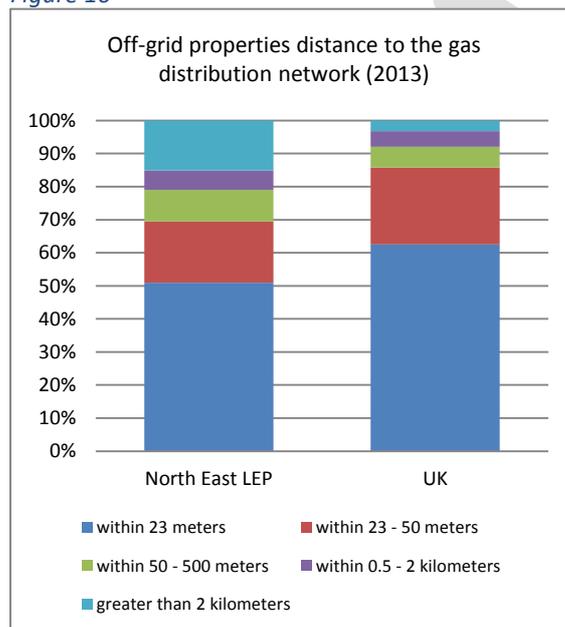
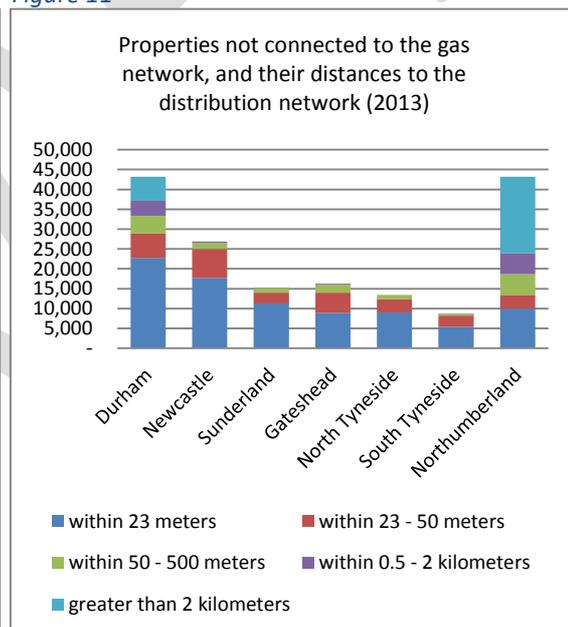


Figure 11¹²



There may therefore be a concentration of communities, particularly within rural geographies and legacy mining communities, which are both off gas grid and a long distance from a network connection.

These communities may also contain fuel poor households, given the high rates of fuel poverty within the same Local Authority areas. Properties may also have low EPC ratings and be of 'hard to treat' construction type for energy efficiency, such as solid wall.

¹² <https://www.gov.uk/government/statistics/lsa-estimates-of-distances-between-non-gas-households-and-nearest-grid-connection>



Regardless of the proportion of households in these communities which are fuel poor, the lack of gas network connection may leave only expensive and carbon intensive alternatives for domestic energy, such as oil heating. Additional costs of such energy sources may also reduce the economic activity of these households, with long distances from a network connection increasing the costs and technical difficulty of achieving a grid connection.

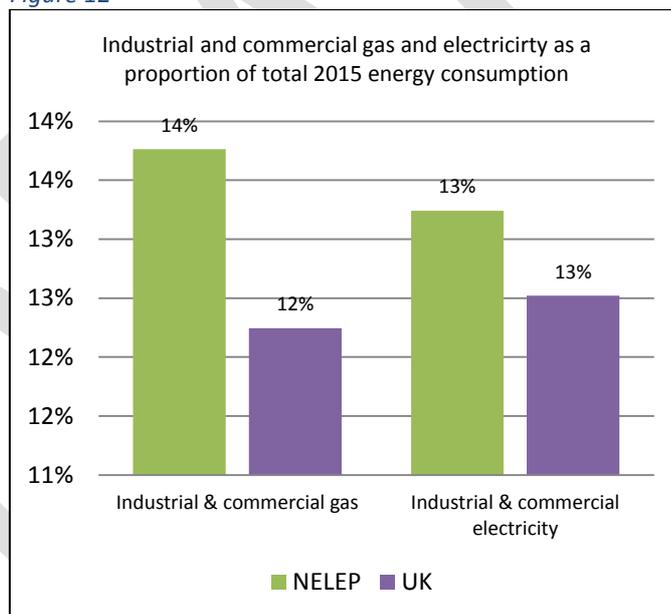
The North East has a likely concentration of communities both off the gas network and a significant distance from a network connection. This can lead to use of carbon intensive and expensive energy sources, and exacerbate fuel poverty. Exploring business models, technologies and policy approaches for off-grid domestic energy is an important regional energy theme.

Industrial, commercial and public estate

The North East has a lower proportion of energy consumption in the industrial & commercial sector than the UK overall (including gas, electricity, petroleum products, manufactured fuels and coal), see figure 5.

However the North East has a higher proportion of energy consumption from industrial and commercial gas and electricity than the UK overall⁸. Industrial and commercial electricity usage makes up 64% of total electricity consumption, and gas makes up 31%⁸.

Figure 12⁸



Northumberland and Gateshead have a consistently higher average non-domestic gas consumption per meter than for Great Britain overall. Other areas have remained within a similar range as the national average, except South Tyneside which is notably below⁹.

Average non-domestic electricity consumption per meter varies significantly in volume among Local Authority areas. Sunderland has consistently the highest, with Newcastle, Gateshead and North Tyneside also being consistently above the average for Great Britain. Overall consumption trends have broadly followed national consumption trends¹⁰.



Figure 13⁹

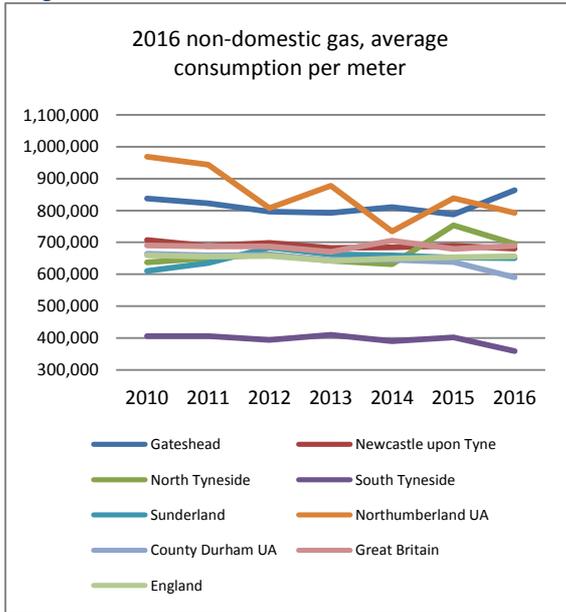
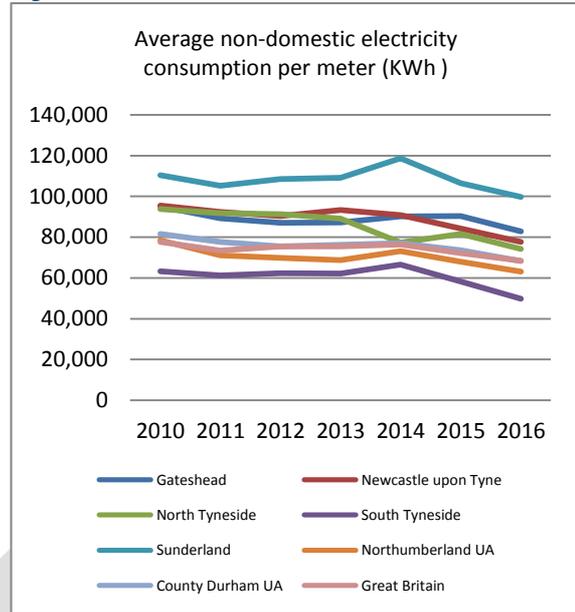


Figure 14¹⁰



Industrial and commercial electricity and gas consumption is very likely to reflect the nature of facilities and economic activity in this sector. For example the Nissan manufacturing plant in Sunderland is almost certainly a factor in the consistently high electricity consumption per meter.

Total non-domestic electricity and gas consumption in the North East, and in each Local Authority area, has broadly followed national trends between 2010 and 2016. However following an increase in in 2015, gas consumption declined in 2016 diverging from the national trend.

Figure 15⁹

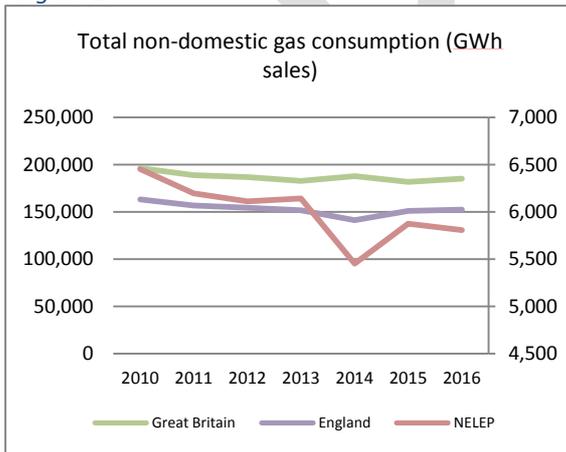
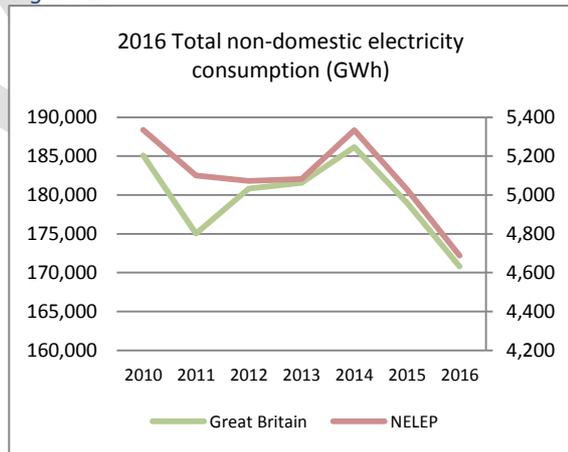


Figure 16¹⁰



A competitively priced and secure energy supply and being able to maximise energy productivity are important factors in business competitiveness. Subsequently, industrial and commercial energy trends are an important issue for business growth, job creation, and wider economic growth within the region.



The North East is also home to a considerable public estate, which includes Local Authority offices, depots, schools, academies, leisure sites and community centers. Energy consumption data on this estate has been made available by the North East Procurement Organisation (NEPO), following agreement by the Local Authorities. Analysis of this shows that in 2016/17 the total public estate for which data is available made up 10% of non-domestic gas consumption in the North East, and 7% of non-domestic electricity consumption. Almost two thirds of energy consumption in the public estate is from gas.

In certain Local Authority areas the public estate comprises between approximately 10% and 30% of total non-domestic gas consumption, and up to around 10% of electricity consumption. Since 2014, most authorities follow a gradual trend of reduction in electricity consumption, however gas consumption has been much more variable possibly due to seasonality. It is important to note that this data does not cover all public estate energy consumption within the region.

Energy is an important cost base for local authorities, which are also developing and implementing plans for a range of energy projects and pilots across their managed estates. These include energy flexibility, generation and efficiency schemes. This could present opportunities for Local Authorities to collaborate on such schemes, and to use the public estate as an anchor and critical mass for wider collaboration and delivery

Industrial and commercial energy is an important factor underlying productivity and competitiveness for the region. The North East's considerable energy consumption in the public estate also presents an opportunity to explore collaborative deployment of interventions at scale, perhaps through new business models or with new technologies.

District energy

Studies undertaken by the Association of Decentralised Energy (ADE) estimate that the North East is home to around 9% of UK heat networks. However, adjusted for economic activity (heat capacity per £mGVA), the North East is second only to the North West and London¹³.

The North East has a number of existing district heating schemes including; the Freeman Hospital, North Tyneside General Hospital, The Royal Victoria Infirmary, Sunderland Royal Hospital, Riverside Dene high-rise Newcastle, The Rise new build housing scheme Newcastle, Newcastle University, the Gateshead Energy Centre, Gateshead HEIGHTs high rise, and the Newcastle Helix Energy Centre (which is currently in development).

Deployment of heat networks is recognised by the regions public authorities as a key opportunity to address social, economic and environmental challenges. District energy schemes can provide domestic, public and commercial customers with competitively priced, low carbon and secure energy. As such, local authorities and partners are actively managing existing schemes, as well as exploring deployment of further schemes in line with national and local policy objectives.

Across the North East a significant number of new heat network feasibility studies have been undertaken. The results show huge potential for new schemes to be deployed, as well as for extension of existing schemes. This feasibility work has largely been led by local authorities, with many studies capitalising on BEIS funding via the Heat Network Delivery Unit (HNDU).

¹³ https://www.theade.co.uk/assets/docs/resources/Heat%20Networks%20in%20the%20UK_v5%20web%20single%20pages.pdf

The studies have included heat mapping and technological and economic feasibility assessment, allowing consideration of how district energy schemes could service specific areas of heat and power demand. Analysis of the most appropriate technology options, and how potential schemes fit into broader urban development plans, is also considered.

This aggregated pipeline of schemes, across both the North East LEP and Tees Valley Combined Authority areas, comprises 23 potential schemes with a total estimated value of over £280 million. Schemes vary in terms of progress, between pre-feasibility and planned network extensions. There are also a variety of potential technology options, locations, timescales and end-customers.

The aggregated scale of the pipeline demonstrates the significance of the North East to the national clean growth agenda, particularly on decarbonisation of heat, and its inward investment appeal for district energy supply chain partners. Most schemes are at the high-level feasibility stage, with a view to potentially undertaking detailed project development and commercialisation subject to approval. However, projects at feasibility stage are not yet committed to progress.

Figure 17, Potential district energy pipeline, North East LEP and TVCA areas

	Name	Technology	Current stage	Estimated value	Estimated timescale
North Tyneside	Killingworth Town Centre	Gas CHP	High-level feasibility	£1,400,000	TBD
	A19 South Scheme	Gas CHP	High-level feasibility	£1,300,000	TBD
	Killingworth and Murton Gap	Gas CHP + heat pump	High-level feasibility	TBD	TBD
Gateshead	Town Centre – phase 1	Gas CHP expansion	Planned expansion	£6,600,000	2019
	Town Centre – phase 2	Gas CHP expansion	Planned expansion	£1,200,000	2020-2021
	Gateshead Quays	Gas CHP expansion	Planned expansion	£2,500,000	2022-2023
	Baltic Business Quarter	Gas CHP expansion	Subject to developers	TBD	2019-2024
	Exemplar Neighbourhood	Gas CHP expansion	Subject to housing market	£4,000,000	TBD
South Tyneside	Viking Energy Network Jarrow	Gas CHP + heat pump	Funding application	£9,640,000	2019-2020
Durham	Durham town centre	Gas CHP + heat pump	High-level feasibility	£11,150,000	2019
	Durham University	Gas CHP	High-level feasibility	£22,110,000	2019
Newcastle	Civic quarter	Gas CHP	High-level feasibility	£6,090,000	TBD
	Newcastle Helix	Gas CHP expansion	High-level feasibility	TBD	TBD
	Forth Banks	Gas CHP	High-level feasibility	TBD	TBD
Sunderland	City Centre	Gas CHP	High-level feasibility	£18,000,000	TBD
	St Peters	TBC	Pre-feasibility	£6,000,000	TBD
	Stadium Village	TBC	Pre-feasibility	£4,000,000	TBD
	Transport Corridor	TBC	Pre-feasibility	£43,000,000	TBD
	Washington	TBC	Pre-feasibility	£10,000,000	TBD
Tees Valley Combined Authority	Middlesbrough District Energy Network	Gas CHP or AD	High-level feasibility	£40,000,000	From 2021
Stockton	Seal Sands	Network expansion	High-level feasibility	£50,000,000	TBD
	Billingham	Network expansion	Funding application	£20,000,000	2019
	Stockton	Network expansion	High-level feasibility	£25,000,000	TBD
TOTAL				£281,990,000	



Based on this feasibility work, the regions local authorities are now considering possible next steps for greater deployment of heat networks, alongside existing district energy and local development plans. Authorities have come together to share these plans and discuss this potential, within the context of a nationally significant pipeline of potential schemes across the North East.

There is a nationally significant potential pipeline of district energy schemes within the North East. De-risking and commercialising these schemes could increase the likely scale and pace of delivery, and the realisation of wider social, environmental and economic benefits. This is a significant strategic opportunity for the region, and in the national decarbonisation of heat.

Minewater and geothermal heat

The North East has a particularly rich geothermal potential, with both deep and shallow resources. This includes radiothermal granites in the North Pennines, and flooded mineshafts in abandoned coalfields particularly in Durham and Northumberland.

Figure 18, Sedimentary basins & radiothermal granites¹⁴

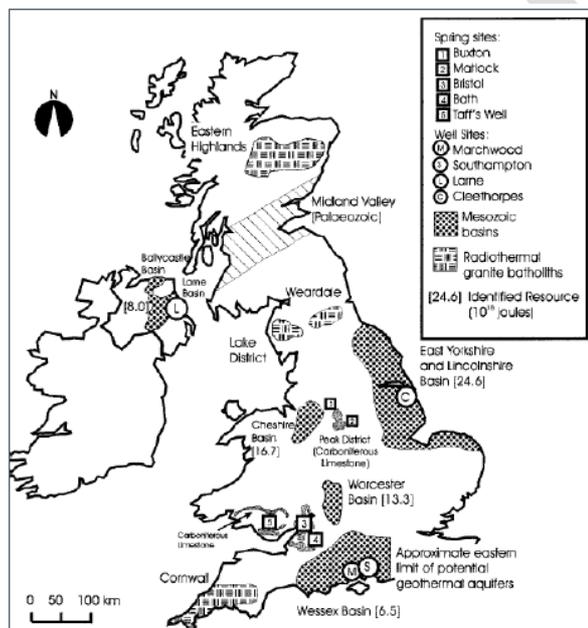
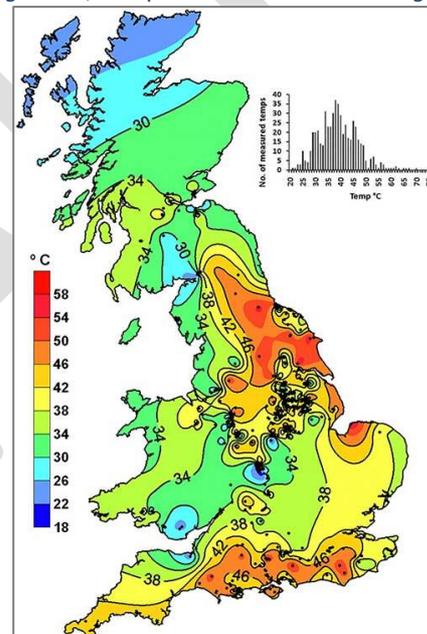


Figure 19, Temperatures at 1km below ground¹⁵



These resources offer an opportunity to decarbonise heat within the region, while providing wider social and economic benefits. The concentration of opportunities in the region also makes it an ideal location to prove and commercialise the technology nationally.

Use of geothermal energy sourced from abandoned coal mines presents a particular opportunity for creation of wider social benefits in post-industrial former mining communities. In coalfield areas, 43% of coalfield neighbourhoods are within the worst 30% in the UK with respect to deprivation¹⁶. There are 50 jobs available per 100 residents of working age, and poor health is widespread¹⁶.

¹⁴ <https://www.gov.uk/government/publications/deep-geothermal-review-study>

¹⁵ <https://eurogeologists.eu/european-geologist-journal-43-collins-the-development-and-deployment-of-deep-geothermal-single-well-dgsw-technology-in-the-united-kingdom/>

¹⁶ <https://www.coalfields-regen.org.uk/our-research>



Using the UK's abandoned mining heritage as a low carbon, and potentially low cost, energy source could help attract development, investment and employment onto what in many cases are brownfield sites. This would support wider social and economic regeneration of potentially depressed communities, and could also help tackle problems such as fuel poverty and off grid energy provision in a domestic setting.

Examples of such benefits can be seen internationally, for example at Heerlen in the Netherlands heat from abandoned mines has supported social regeneration within depressed ex-mining communities, and attracted inward investment¹⁷.

Minewater heat schemes have also already been deployed in the North East, with two existing projects; at Lanchester Wines and Dawdon Colliery. Wider geothermal schemes have also been explored to various stages, including the Eastgate Borehole. This research well was the first deep geothermal exploration to be drilled in the UK for over 20 years when it was drilled in 2004. More recently the Science Central Borehole was drilled in Newcastle in 2011¹⁸.

A range of potential deep geothermal and minewater heat schemes exist at various stages within the region. North East institutions, local authorities and other partners have begun collaboration to define and scope these schemes and identify policy, regulatory, market and commercial barriers. This work is informing a potential implementation plan and pipeline of delivery, with an early focus is on demonstration, awareness raising, and commercialisation of the technology.

Skills and supply chains present in the North East's oil and gas sector would be well placed to support development of geothermal energy schemes. This could offer diversification and export opportunities for North East businesses, as well as attracting inward investment.

The North East has significant potential for deployment of minewater and deep geothermal heating schemes. The region can play a national role in commercialising this technology for decarbonisation of heat. Implementing such schemes could also deliver wider social and economic benefits, potentially in deprived, fuel poor and off grid communities.

Community energy

Community energy projects are typically initiatives led by local communities, with an emphasis on community ownership, leadership or control, where the community benefits. They are typically focused on reducing energy use, better managing energy, and generating or purchasing energy.

Community energy projects are often initiated in rural communities, and can help maintain energy security, reduce consumer energy bills, and enable a transition to clean growth. They can also deliver wider social, economic and environmental benefits, such as building cohesive communities, developing skills and creating local income streams.

The North East has historically had a low concentration of community energy projects, with a low number of schemes in implementation compared to other regions. The Community Energy Strategy (2014)¹⁹ showed that many projects in the North East were either abandoned or progress was unknown.

¹⁷ <http://www.mijnwater.com/?lang=en>

¹⁸ <http://www.britgeothermal.org/home.html>

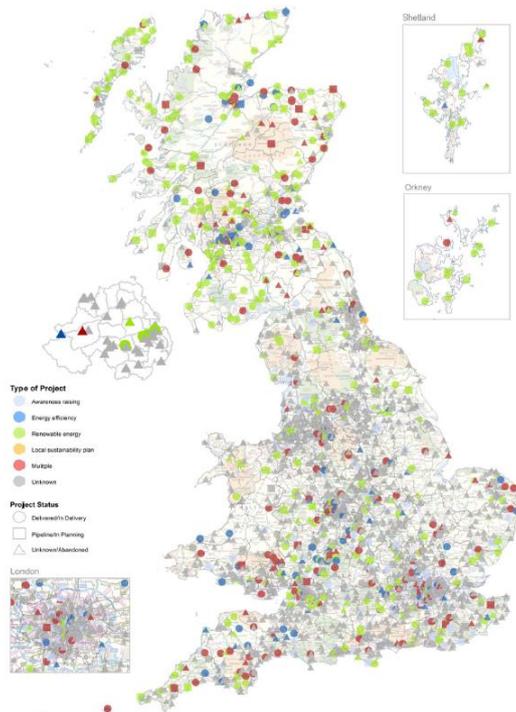
¹⁹ <https://www.gov.uk/government/publications/community-energy-strategy>



A review of the Community Energy England project map also shows that the North East has a relatively low number of projects in place. This is particularly compared to other regions across the Midlands and the South.

Figure 20, Community Energy Strategy project map¹⁹

Figure 21, Community Energy England project map²⁰



Despite the benefits of community energy projects, this is seemingly a gap for the North East. However, given the region's sizeable rural population as well as urban communities, high rates of fuel poverty, and off-grid communities a long distance from a network connection, there may be considerable benefits in wider deployment of community energy schemes.

Community energy business models may also assist in commercialising some of the unique energy opportunities in the North East, such as minewater heating in coalfield communities. They could also be suited to building on the track record of regional deployment of other renewables such as solar PV or onshore wind, and to addressing wider domestic energy trends.

Feedback from local authorities, and other regional partners with previous involvement in community energy projects, has been that lack of project scale, skills gaps and access to finance are common barriers to implementation. This could also indicate that a number of feasible community energy projects may be lying dormant due to such barriers.

The North East has a relative lack of community energy projects, which could deliver substantial social, economic and environmental benefits. Sharing of best practice or exploration of how schemes could be aggregated, address skills gaps and access finance, could unlock further implementation.

Large-scale renewables

The North East has a track record of delivering renewable energy capacity, capitalising on available natural resources, supportive planning regimes, and local supply chain capacity and skills. A number of Local Authority areas within the region are in the top 50 for renewable energy, across 406 UK authorities.

Figure 22, North East Local Authority areas UK rankings for renewable energy²¹

2016	Photovoltaic (no. of sites)	Onshore Wind (Gen MWh)	Hydro (Gen MWh)	Anaerobic Digestion (Gen MWh)	Landfill Gas (Gen MWh)	Plant Biomass (Gen MWh)
County Durham	5th	21 st (6th in England)	21 st (7th in England)	19th	38th	15th
Gateshead					14th	
North Tyneside	50th					
Northumberland	6th	10 (2nd in England)	10th (1st in England)		50th	
Sunderland	4th					

Most notably, Northumberland generates the most renewable electricity from hydro, and second most from onshore wind, of any English Local Authority area. County Durham is also in the top six English Local Authority areas for onshore wind generation. The North East generates a significantly greater proportion of renewable electricity from onshore wind than the UK average.

County Durham, Northumberland and Sunderland are all in the top six UK Local Authority areas for solar PV sites. The region also produces a greater proportion of renewable electricity from landfill gas and anaerobic digestion than the UK average. Overall Northumberland generates almost 40% the amount of its total electricity use from renewable sources.

Although the percentage of electricity generation from solar PV is lower than the UK average, it makes up 22% of installed renewable capacity in the North East. As well as a number of large scale individual solar farms, the region also has good penetration of domestic solar PV, including roll-out on some Local Authority and social housing stock.

Figure 23²¹

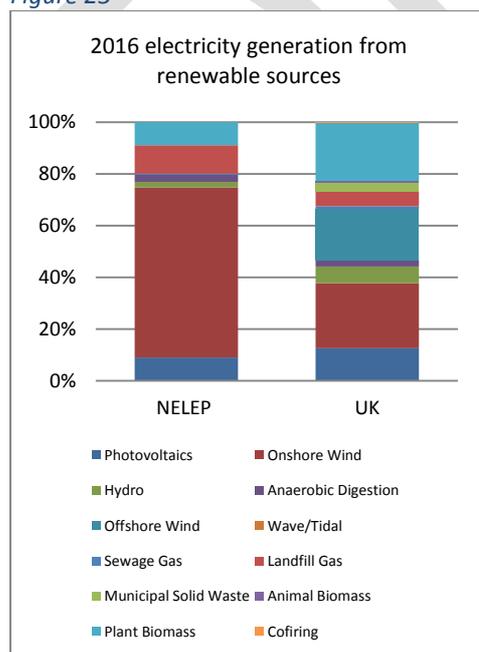
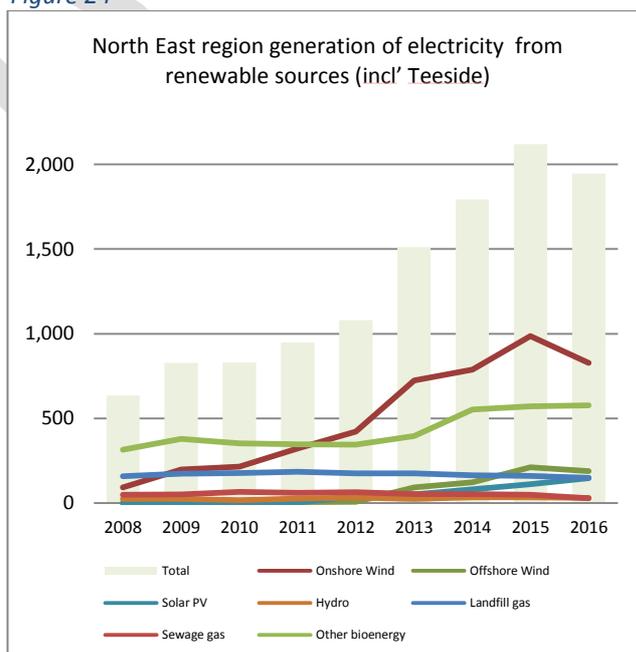


Figure 24²¹



²²<https://www.gov.uk/government/statistics/regional-renewable-statistics>

The amount of electricity generated from renewable sources in the North East (including Teeside) has grown by 206% since 2008. However this declined in 2016, largely due to a reduction in generation from onshore wind assets.

While this rate of growth is slower than the UK overall (281%), the North East has grown its onshore wind capacity significantly faster, 804% between 2008 and 2016 compared to 262% for the UK. The North East has also outpaced the UK in terms of increasing renewable electricity generation from hydro since 2008 (27% compared to 5%).

Figure 25, Growth or decline in GWh generation by renewable source, North East vs UK²²

2016	Onshore Wind	Offshore Wind	Solar PV	Hydro	Landfill gas	Sewage gas	Other bioenergy	GWh total
North East	804%	2775%	290%	27%	-5%	-42%	83%	206%
UK	262%	116%	670%	5%	0.1%	73%	464%	281%
	since 2008	since 2012	since 2012	since 2008	since 2008	since 2008	since 2008	since 2008

Within the context of government goals to transition to clean growth and deliver clean power for the UK, the North East is an important region for deployment of renewable energy at scale. The region has a particular track record around deployment of well-established technologies which have seen costs reduce drastically in recent years, onshore wind and solar PV in particular.

Further potential to deploy these technologies exists within in region, given the right commercial and policy environment, or where technical feasibility overlaps with a demand for energy. Together with local energy demonstration and innovation assets, this also makes the region an ideal place to continue to innovate to further reduce costs of deployment for such technologies, in-line with national objectives.

In addition a number of companies are also exploring and developing specific large-scale low carbon energy innovations in the North East. These include the Catfoss-owned 'Graphite Resources' energy from waste facility in Gateshead, which is developing is processes to convert waste into compost like output (CLO), refuse derived fuel (RDF) and solid recovered fuel (SRF).

The North East is an important region for the continuing deployment of large scale renewable energy, for example onshore wind and solar PV. This is both in terms of single large scale developments, and large scale rollout of domestic micro generation. The region also has an important role in continuing innovation to reduce costs of such technologies.

Energy flexibility

In response to the changing nature of the energy system, various new business models and technologies are emerging to provide the grid with greater flexibility, and also create new revenue streams. The majority of these are focused on the electricity grid, including demand-side response (DSR) schemes which incentivise users to change the profile of their consumption, and energy storage technologies which allow surplus energy to be stored and sold when its needed.



Organisations in the North East are already exploring these emerging solutions, for example several utility-scale energy storage and demand side response schemes are in place, including:

- A 25MW lithium-ion battery close to the Cobalt Business Park, North Tyneside, developed by Element Power and since acquired by Enel
- A 35MW battery at Port of Tyne, developed by Renewable Energy Systems, and since acquired by Foresight Group
- A 3MW battery which is part of the Gateshead Energy Centre, developed by Gateshead Borough Council

Organisations within the region are also undertaking a growing number of feasibility studies, and experiencing inward investment enquiries and approaches from businesses with a service offer around energy flexibility. These include demand-side response schemes and related smart systems technology, and battery storage schemes.

As indicated by National Grid FES 2018, the balancing of supply and demand of energy is likely to become increasingly critical over coming years. The All Party Parliamentary Group (APPG) on Energy Storage set out in its 'Batteries, Exports, and Energy Security' report²³, the clear requirement for energy storage technologies in the UK.

It specifically outlines the important role storage technologies play in increasing household and business energy self-reliance, maximising efficiency and managing variable generation from renewables, and managing the electrification of passenger vehicles.

The APPG also reported that the battery storage sector could grow from 60MW in 2016, to up to 12GW by the end of 2021, in the right UK regulatory framework²⁰. This could allow the UK industry to develop, and allow UK companies and institutions to export products and services globally.

The North East is home to several national centres of excellence, and unique demonstration facilities for energy systems which could play a central and leading role in this UK industry. This includes CESI, INTEGREL, the ORE Catapult e-grid and the Smart Grid Lab at Newcastle Helix. Further to this, a variety of local businesses are developing products and services related to energy flexibility and storage, including Equiwatt, Hyperdrive, and Connected Energy.

As well as providing national benefits for energy system flexibility and reliability, there are also local benefits from schemes for communities or organisations. These include creation of revenue streams, increasing energy productivity and self-reliance, better management of energy costs, maximising output from renewables, and enhancing energy security. More widely these benefits can support the inward investment case on key economic development sites such as enterprise zones, or support the economic prosperity of communities.

The North East could leverage existing experience and expertise to maximise deployment of energy flexibility schemes. The region can also play a central role in the development of the UK energy flexibility industry. Collaborative exploration of business models, or aggregation of schemes for favourable terms, could help de-risk and deploy an emerging pipeline of schemes.

Low emission transport and advanced propulsion

The single largest source of energy consumption in the North East is road transport, at 29% of total energy consumption⁸. The North East has followed the broad national trend of declining energy use in road transport following 2007. However while the UK began a consistent upward trend in 2013, the North East began to decrease again in 2014²⁴.

²³ http://www.r-e-a.net/upload/energy_storage_appg_report-_dec_2017_-_large_-_final.pdf

²⁴ <https://www.gov.uk/government/statistical-data-sets/road-transport-energy-consumption-at-regional-and-local-authority-level>



Figure 26²⁴

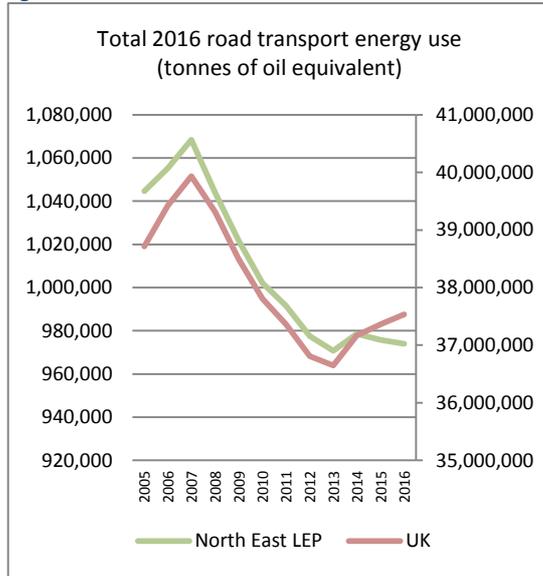
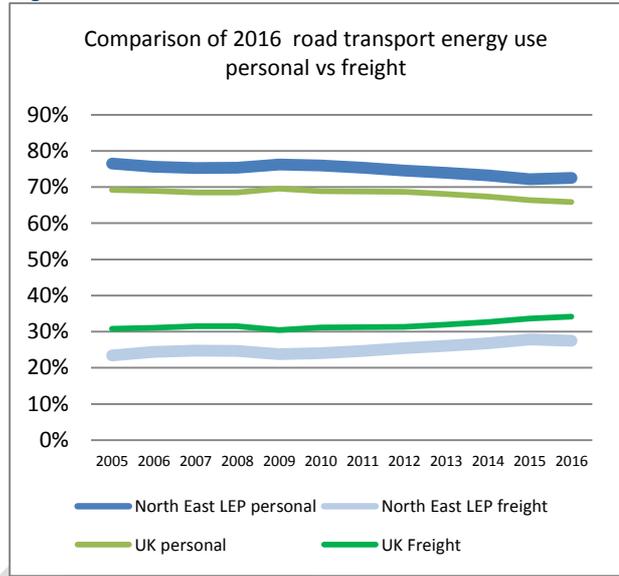


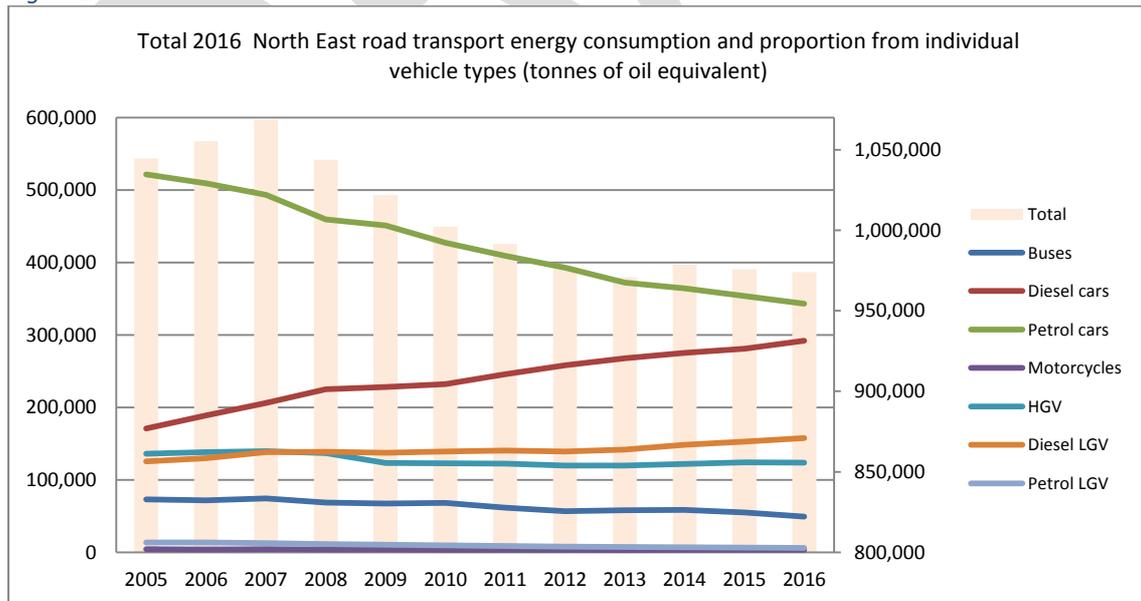
Figure 27²⁴



This appears partly to be due to the UK’s increasing freight energy consumption from 2013. The North East’s freight consumption decreased between 2014 and 2016, against a national trend of increase. The region has had a consistently lower percentage of freight road transport energy use than the UK overall.

Of the declining energy use in road transport in the North East, petrol cars have consistently been the largest source. Though, their total energy consumption has been in consistent decline. Diesel cars are the second largest source, with total energy consumption gradually increasing. Diesel light goods vehicles (LGVs) are the next highest source, which is slowly increasing. Heavy goods vehicles (HGVs) follow, and have remained broadly level in terms of total energy consumption since 2009.

Figure 28²⁴





Of the top four vehicle types for total energy consumption, the majority of energy consumption occurs on A roads, followed by minor roads. These consumption trends for each vehicle type broadly mirror that of the UK overall.

Figure 29²⁴

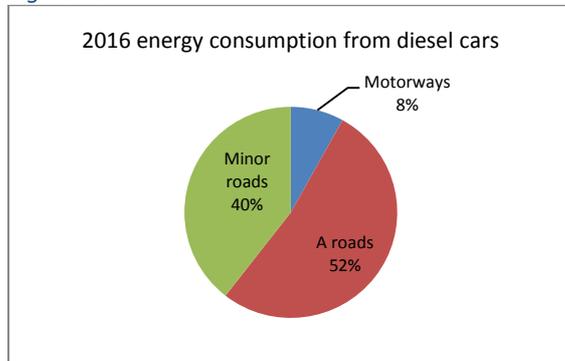


Figure 30²⁴

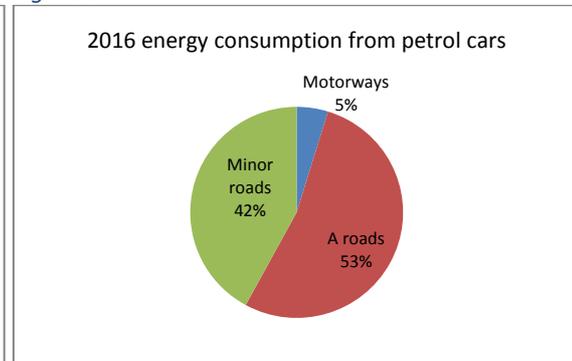


Figure 31²⁴

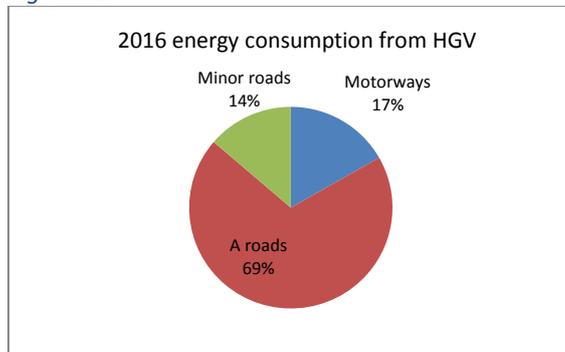
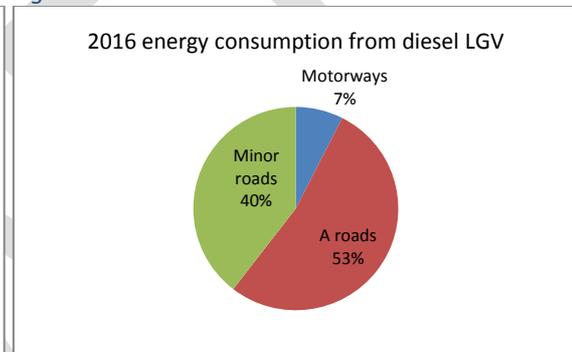


Figure 32²⁴



In accelerating the shift to low emission road transport, electric vehicles and supporting charging infrastructure is a focus for national policy, as set out in the Road to Zero strategy. It is also acknowledged that other technologies will be important to provide a range of solutions which meet different needs. This includes hydrogen, compressed natural gas, biogas, and biodiesel.

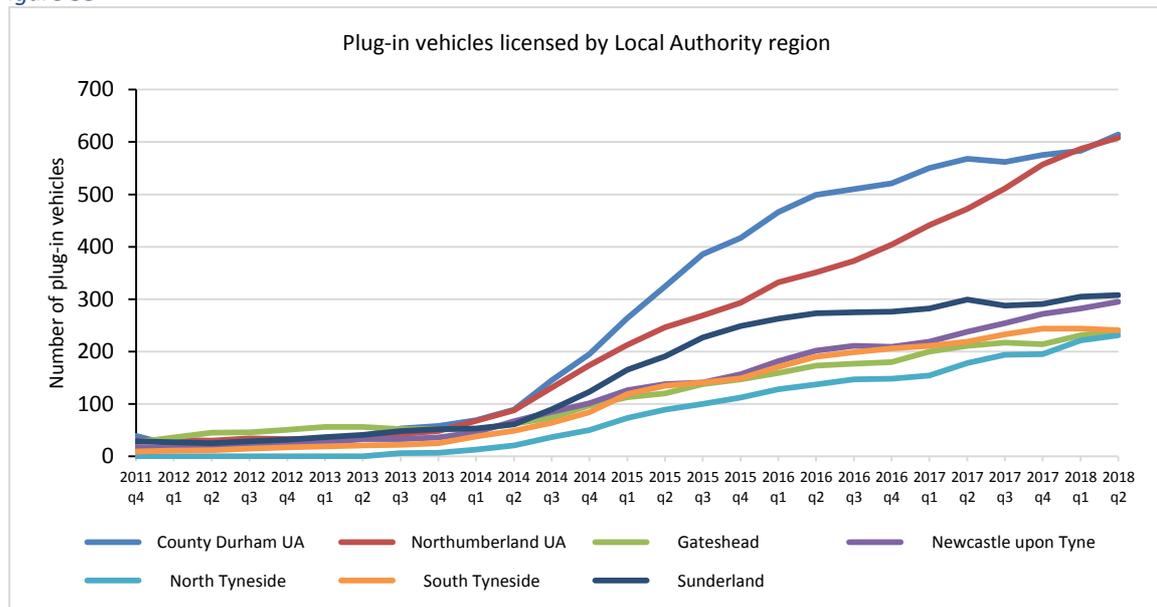
Delivering on this national policy, and implementing these technologies, will not only reduce carbon emissions but will also result in important health and social benefits. Increasing use of low emission vehicle technology will improve air quality, reducing emissions of Nitrogen oxides (NOx), particulate matter (PM), and other emission which are harmful to human health.

Given the profile of the North East's road transport energy consumption, supporting a switch from petrol and diesel cars to low emission alternatives is crucial in the transition to clean growth. In the context of national policy, the provision of electric vehicle charging infrastructure and encouraging use of electric cars is an important factor in this. This is particularly true in serving rural communities, and infrastructure around A-roads.

The North East has had a very successful 'Go Ultra Low programme', which has made progress in delivering a high quality electric vehicle charging network for the region. Plans are also being developed by regional public authorities to further develop this network, including introducing rapid cluster charging points and EV filling stations by the end of 2019. This supports continued growth in the number of plug-in vehicles licensed in each Local Authority area.



Figure 33²⁵



As well as supporting the transition of private cars to low emission alternatives, addressing energy consumption from LGVs and HGVs is an important aspect of regional road transport energy. Regional organisations are already developing plans for low emission commercial fleets.

For example, local authorities and utility providers are developing low emission fleet strategies, with many focused on electric vehicles and infrastructure. Other technologies are also being investigated, such as gas, for vehicles which may need a longer range or have a less predictable routes and duty cycles.

This could present opportunities for collaborative development of low emission fleet strategies and infrastructure plans. Accessing economies of scale for procurement, or other benefits through standardisation of specification, may also be possible.

The North East is home to wider low emission transport expertise, and is engaged in this agenda nationally. The internationally significant automotive cluster, the NEAA, brings together regional organisations on workstreams including advanced propulsion. The Gateshead College subsidiary consultancy Zero Carbon Futures has also developed an international reputation for development of low carbon vehicle strategies.

The North East is extremely well placed to explore the connections between low emission transport, advanced propulsion and energy systems, combining this automotive expertise with nationally important assets related to energy flexibility. As outlined in the National Grid FES 2018, electric vehicles have the potential to contribute towards increasing energy system flexibility, for example through vehicle to grid technology.

The North East can combine its energy and automotive capabilities, and play a national role in developing technologies at the intersection of advanced propulsion and energy systems. Deployment of low emission transport infrastructure is vital to serve regional communities, and transitioning commercial fleets presents opportunities for collaborative strategy.

²⁵ <https://www.gov.uk/government/collections/vehicles-statistics#vehicle-licensing-statistics>



Demonstration and innovation

The range of energy demonstration and innovation assets in the North East, described on pages 8 to 10, form a significant hub for academic research, and a powerful test-bed for businesses. These assets play a crucial role in addressing national and international challenges across all energy vectors, de-risking, commercialising and reducing costs of new and existing technologies.

There are significant challenges ahead if the UK is to meet its future carbon budgets, and achieve the transition to clean growth. North East capabilities can play an important national role in accelerating the route to market for solutions which address these challenges, including:

- proving the case for technologies at scale, such as hydrogen and larger wind turbines
- decarbonising heat and transport
- implementing a low carbon waste system
- integration of energy vectors and smart grid technologies
- development of energy storage solutions
- low emission transport and vehicle to grid solutions
- reducing the costs of renewable energy technologies.

Facilities in the North East present the unique ability to innovate, demonstrate, and test a highly comprehensive range of energy technologies at all scales, including offshore and onshore technologies. Common themes among the capability of these assets include grid connectivity, flexibility and integration, energy storage, and skills needs.

These assets are also a platform through which to connect private, public and academic partners around key challenges, with various existing industrial and academic partnerships. As partners utilise demonstration and innovation facilities to better define energy challenges, they also create opportunities to engage businesses from other sectors for mutual benefit.

By bringing different sources of expertise together, for example from the digital or advanced manufacturing sectors, this can assist in developing new technologies and solutions to emerging energy challenges. These cross-sector links can help generate new business growth, export, GVA and employment opportunities.

In addition to these specific assets, the region's unique 'Place' characteristics make it a perfect test-bed for real-world innovation, demonstration and deployment of energy solutions. The North East offers a wide range of geographies from rural communities through to a core city, three rivers and a wealth of coastline, and key development sites identified for housing and business growth.

The strategic energy themes identified also demonstrate the region is an important location in addressing specific national policy goals, such as those around fuel poverty, domestic energy, and decarbonisation of heat. Together with the range of local geographies, this offers a wide variety of scenarios for new applications of energy technologies, or testing of new policy approaches and business models which address national challenges.

The North East's energy demonstration and innovation assets play a crucial national role in accelerating the transition to clean growth, generating exportable intellectual property, and creating new growth and investment opportunities in the region. Fully mapping and coordinating capabilities could help maximise these opportunities.



Summary of strategic themes

<i>Offshore energy and subsea technology</i>	The North East's offshore energy and subsea technology cluster is nationally and globally important. The region stands to benefit from both new and existing global market opportunities in offshore wind and oil and gas. Supporting employment, competitiveness and productivity in this sector is a strategic energy opportunity for the North East.
<i>Infrastructure intelligence</i>	Energy infrastructure is critical in enabling economic growth, and supporting communities through the transition to clean growth. As new demands are placed on this infrastructure, a clear and coordinated sharing of intelligence between both end-users and network operators is essential. This will create an evidence base for informed decision making and mutual benefit.
<i>Fuel poverty</i>	Fuel poverty is a prominent energy concern for the North East, which is a critical region in achieving national objectives. Addressing fuel poverty has wider social, environmental and economic benefits for the region. The North East is also well-placed to explore and deliver new policy, investment, technology or partnership approaches to addressing fuel poverty.
<i>Domestic Energy</i>	Due to its notable domestic energy trends, and high proportion of energy use in the domestic sector, the North East is an important region in meeting national domestic energy goals. This is both in terms of delivering domestic energy improvements at scale, and in terms of exploring new domestic fuels, particularly for decarbonising heat.
<i>Off-grid domestic energy</i>	The North East has a likely concentration of communities both off the gas network and a significant distance from a network connection. This can lead to use of carbon intensive and expensive energy sources, and exacerbate fuel poverty. Exploring business models, technologies and policy approaches for off-grid domestic energy is an important regional energy theme.
<i>Industrial, commercial and public estate</i>	Industrial and commercial energy is an important factor underlying productivity and competitiveness for the region. The North East's considerable energy consumption in the public estate also presents an opportunity to explore collaborative deployment of interventions at scale, perhaps through new business models or with new technologies.
<i>District energy</i>	There is a nationally significant potential pipeline of district energy schemes within the North East. De-risking and commercialising these schemes could increase the likely scale and pace of delivery, and the realisation of wider social, environmental and economic benefits. This is a significant strategic opportunity for the region, and in the national decarbonisation of heat.
<i>Minewater and geothermal heat</i>	The North East has significant potential for deployment of minewater and deep geothermal heating schemes. The region can play a national role in commercialising this technology for decarbonisation of heat. Implementing such schemes could also deliver wider social and economic benefits, potentially in deprived, fuel poor and off grid communities.
<i>Community energy</i>	The North East has a relative lack of community energy projects, which could deliver substantial social, economic and environmental benefits. Sharing of best practice or exploration of how schemes could be aggregated, address skills gaps and access finance, could unlock further implementation.
<i>Large-scale renewables</i>	The North East is an important region for the continuing deployment of large scale renewable energy, for example onshore wind and solar PV. This is both in terms of single large scale developments, and large scale rollout of domestic micro generation. The region also has an important role in continuing innovation to reduce costs of such technologies.
<i>Energy flexibility</i>	The North East could leverage existing experience and expertise to maximise deployment of energy flexibility schemes. The region can also play a central role in the development of the UK energy flexibility industry. Collaborative exploration of business models, or aggregation of schemes for favourable terms, could help de-risk and deploy an emerging pipeline of schemes.
<i>Low emission transport and advanced propulsion</i>	The North East can combine its energy and automotive capabilities, and play a national role in developing technologies at the intersection of advanced propulsion and energy systems. Deployment of low emission transport infrastructure is vital to serve regional communities, and transitioning commercial fleets presents opportunities for collaborative strategy.
<i>Demonstration and innovation</i>	The North East's energy demonstration and innovation assets play a crucial national role in accelerating the transition to clean growth, generating exportable intellectual property, and creating new growth and investment opportunities in the region. Fully mapping and coordinating capabilities could help maximise these opportunities.



Policy gap analysis

The outlined strategic energy themes for the North East highlight areas where energy can help drive and enable regional growth. Strategic energy projects can improve the energy productivity of organisations, attract investment, create and maintain jobs, and underpin communities with energy affordability and security so that they can prosper and contribute to the regional economy.

These strategic themes also map closely to national policy objectives, demonstrating clearly the important role that the North East can play in contributing to the transition to clean growth across various policy goals. An overview of how regional strategic themes map to national policy can be found in Appendix 2, showing clear overlap between regional themes and policy objectives.

Particularly prominent regional themes in this respect include the domestic energy, demonstration and innovation, and delivering clean and flexible energy and transport system. Two areas of government policy show no overlap with regional themes; carbon, capture, use and storage, and the phasing out of unabated coal.

The North East does not have traditional centralised power generation assets, such as coal or gas fired power stations. However, neighbouring LEP areas within the NEYH Energy Hub do have assets related to these two topics, for example the concentration of energy-intensive industry and centralised generation on Teeside. The North East LEP will work closely through the hub with partners in these areas, aligning local assets to any activity on these topics.

Delivery

Energy for Growth Programme

The North East LEP works with cross-sector partners on regional energy priorities and projects through the *Energy for Growth* programme. The programme seeks to coordinate activity at a regional level, where strategic interventions can drive economic growth, job creation and competitiveness, while meeting national goals. As such its overarching vision is to:

‘Drive growth in the North East while delivering on national energy objectives’

In working to meet this vision, the objectives of the *Energy for Growth* programme are to:

- Bring together regional and national energy stakeholders
- Identify and prioritise strategic energy opportunities
- Facilitate delivery support for a strategic energy project pipeline
- Constructively identify challenges and support needs
- Communicate North East energy strengths and activity.

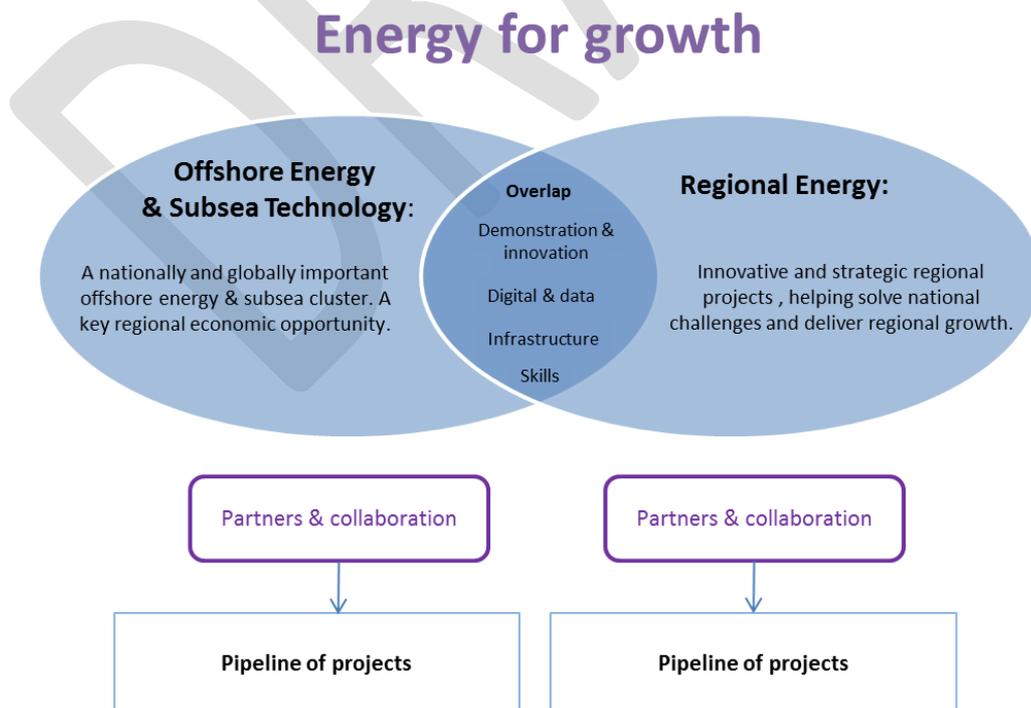
Working with partners on its objectives, the *Energy for Growth* programme seeks to identify, prioritise and facilitate delivery of activity which can positively impact regional GVA and creation of more and better jobs. Activity in the energy sector can do this in a number of ways.

Figure 34 (as in figure 1), How energy activity can impact regional GVA and creation of more and better jobs



The programme is structured around two workstreams; 'Offshore Energy & Subsea Technology' and 'Regional Energy'. The offshore energy & subsea technology workstream focuses on a key industrial sector of economic opportunity, and with a specific set of stakeholders. The regional energy workstream is focused on opportunities across regional power, heat and transport.

Figure 34, An overview of the Energy for Growth programme:





With partners in the region, opportunities arising in each workstream will be prioritised and shaped into collaborative and strategic interventions. These interventions can be supported as a regional energy project pipeline, where appropriate leveraging capacity to deliver through North East LEP's wider programmes (e.g. skills, business growth, investment, innovation) and other regional partners and assets.

There are areas of overlap between the two main workstreams, with scope to explore sector-wide interventions or activities. Most notably this includes energy demonstration and innovation capabilities, and cross-cutting agendas around digital and data, infrastructure, and skills.

The North East LEP collaborates and engages partners through cross-sector stakeholder groups in each workstream. Within the offshore energy and subsea technology workstream, the North East LEP facilitates a steering group made up of universities, supply chain businesses, ports, centres of innovation and other public sector organisations. This group helps shape a regional agenda, and provides advice to the North East LEP on opportunities which support growth and job creation.

A regional energy stakeholder group has also been convened by the North East LEP which includes local authorities and other public bodies, sector cluster groups, distribution network operators, utilities, universities and private sector businesses. This group assisted with an initial prioritisation of regional energy themes (see Appendix 3).

This initial prioritisation indicated that taking a regional approach to each of the strategic themes would be impactful, and add value. The themes were considered to be of varying difficulty for implementation as a regional project, based on previous experiences, expected success factors and challenges, and capacity of regional partners to deliver.

A variety of approaches, and involvement of different partners, would therefore be required to achieve successful implementation around any of the strategic themes identified. Further development is necessary to prioritise and shape these themes into a project pipeline, based on capacity to deliver, existing activity, expected impact, and ease of implementation.

Shaping a project pipeline

Routes to regional implementation against the strategic energy themes will be further developed in collaboration with partners, and through the *Energy for Growth* programme. Regional partners will collaborate around the two workstreams as described, to further prioritise themes and define a delivery approach. All strategic themes may not be included within the immediate project pipeline, subject to delivery capacity and this prioritisation of activity.

Various approaches may be taken, for example stakeholder sub-groups may be convened to lead particular themes, or work may be led or commissioned by specific stakeholders. Certain themes may strongly align to the energy priorities and activity of existing regional structures or individual organisations. The North East LEP may also directly facilitate projects, convene a delivery group, or remain as a stakeholder in work led by another party as appropriate.

Projects could be supported during delivery in various ways such as through the North East LEP's delivery programmes (e.g. skills, innovation, investment, and business growth), and through capacity of other regional partners and assets. This may include identification of funding

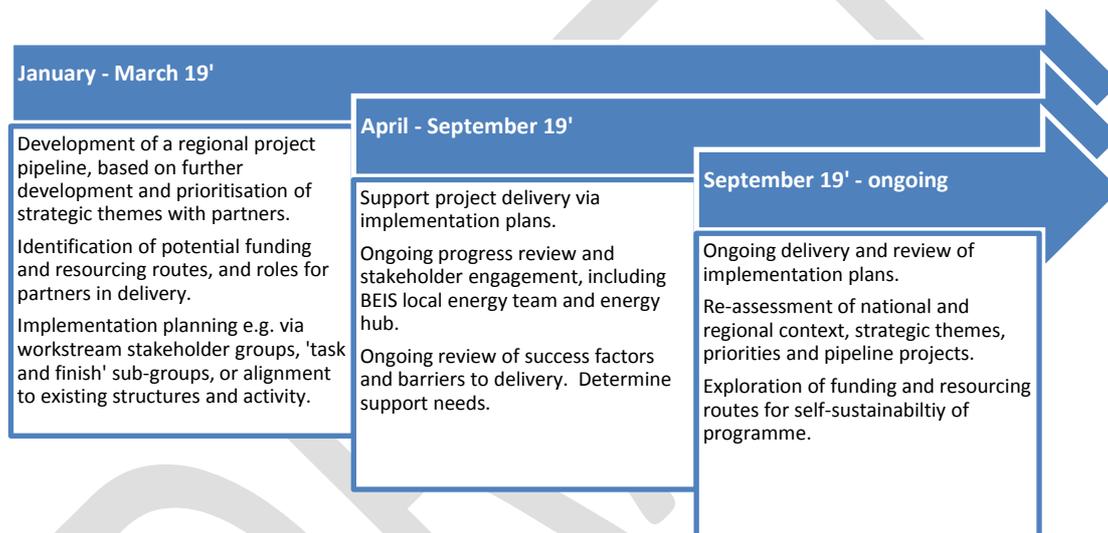
opportunities, facilitation of partnership working, alignment to existing work programmes, and business case development.

The North East LEP, working with partners, will also seek to align the energy project pipeline to wider geographies and activity where this may add value. This may include national sector deals, the Northern Powerhouse, the NEYH energy hub, the Borderlands project, or regional digital, skills or innovation agendas.

A study commissioned by all seven North East local authorities, to identify potential carbon emissions reduction projects and trajectories, is also being aligned to assist with further development of this energy project pipeline around the strategic themes.

An indicative timeline for the development of a project pipeline based on the strategic themes is outlined in figure 35 below.

Figure 35, Outline project pipeline development and delivery plan.



During development of the project pipeline, barriers to delivery and specific implementation challenges will be identified. This will help inform feedback to regional and national policymakers on how delivery against energy policy goals, opportunities and challenges could be better enabled. This may include needs for specific funding, finance, market, regulatory or policy support.

The project pipeline, barriers identified, and the wider *Energy for Growth* strategy, will also inform the North East LEP's Local Industrial Strategy. It will help shape the approach to this area of opportunity for the regional economy, including identifying an energy inward investment focus, innovation agenda, and pipeline of projects and capabilities to contribute to Grand Challenges.

It will also help inform the local approach to relevant aspects of the UK Shared Prosperity Fund (UKSPF), and position local clusters of business through relevant sector deals, such as the role of the Offshore Energy and Subsea Technology Cluster within the Offshore Wind Sector Deal.



Next steps and review

The North East LEP, working with national and regional stakeholders, will facilitate activity in-line with the pipeline development and delivery plan in figure 35. Progress against this strategy, plan, and project pipeline will be reviewed by the North East LEP Board on at least an annual basis.

Other bodies and structures involved in the resulting project pipeline will help determine the consultation and monitoring requirements of individual projects, to ensure their own reporting requirements are met. The BEIS local energy team, NEYH energy hub, and broader Northern partners, will also be regularly updated on progress around the *Energy for Growth* strategy and project pipeline as appropriate.

Parties with an interest in the strategic themes outlined, or the *Energy for Growth Strategy* more generally, are invited to make contact to explore opportunities to share work or collaborate.

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Delivering more and better jobs

End



Appendix 1, geographical outline of North East energy assets, challenges and opportunities.

North East						
<p><u>Region-wide assets and themes</u></p> <ul style="list-style-type: none"> • Offshore energy & subsea technology supply chain expertise • Proximity to key offshore oil and gas, and offshore wind sites • High rates of fuel poverty • High proportions of energy consumption in the domestic sector, specifically gas • Below average domestic electricity consumption per meter • Shared energy distribution network operators (Northern Powergrid & Northern Gas Networks) • Sizeable energy consumption in the public estate • District energy pipeline projects • High proportions of industrial and commercial gas & electricity use 						
North East Combined Authority				North of Tyne Combined Authority		
County Durham	Gateshead	South Tyneside	Sunderland	Newcastle	North Tyneside	Northumberland
<p><u>Regional energy</u></p> <ul style="list-style-type: none"> • Off-gas properties a large distance from the grid • High proportion of social housing • Above average domestic gas consumption per meter • Business Energy Efficiency Programme (BEEP) • 'Renovation for Energy Efficient Buildings' European project • LOCARBO energy efficiency European project • Significant onshore wind resource • Operational minewater heating system • Specific high-potential deep geothermal and minewater heat opportunities • Significant solar PV roll-out • Significant hydro generation • Significant anaerobic digestion generation • Significant landfill gas generation <p><u>Demonstration & Innovation</u></p> <ul style="list-style-type: none"> • Durham Energy Institute <p><u>Research & education</u></p> <ul style="list-style-type: none"> • Durham University 	<p><u>Regional energy</u></p> <ul style="list-style-type: none"> • High non-domestic gas consumption per meter • Above average domestic gas consumption per meter • Pioneering Gateshead Energy Centre • Existing utility-scale battery • Existing district energy schemes • Significant ground source heating schemes • Operational minewater heating system • Significant landfill gas generation <p><u>Demonstration & Innovation</u></p> <ul style="list-style-type: none"> • InTEGReL • Graphite Resources energy from waste facility <p><u>Research & education</u></p> <ul style="list-style-type: none"> • Gateshead College 	<p><u>Regional energy</u></p> <ul style="list-style-type: none"> • Existing utility-scale battery <p><u>Offshore energy & subsea technology</u></p> <ul style="list-style-type: none"> • Port of Tyne • Enterprise zones supporting offshore energy businesses <p><u>Research & education</u></p> <ul style="list-style-type: none"> • South Tyneside College 	<p><u>Regional energy</u></p> <ul style="list-style-type: none"> • Nissan's UK home & battery plant • 'A19 corridor' and IAMP enterprise zones, focussed on low carbon vehicles & advanced manufacturing • High proportion of social housing • Above average domestic gas consumption per meter • Existing district energy schemes • Significant solar PV roll-out <p><u>Offshore energy & subsea technology</u></p> <ul style="list-style-type: none"> • Port of Sunderland • Enterprise zones supporting offshore energy businesses <p><u>Research & education</u></p> <ul style="list-style-type: none"> • Sunderland University 	<p><u>Regional energy</u></p> <ul style="list-style-type: none"> • High proportion of off-gas properties • Above average domestic gas consumption per meter • Business energy efficiency scheme • Existing district energy schemes <p><u>Offshore energy & subsea technology</u></p> <ul style="list-style-type: none"> • Neptune Yard & riverside development sites • Enterprise zones supporting offshore energy businesses <p><u>Demonstration & Innovation</u></p> <ul style="list-style-type: none"> • CESI • Supergen Energy Networks Hub • Smart Grid Lab • Newcastle Helix • Tyne Subsea <p><u>Research & education</u></p> <ul style="list-style-type: none"> • Newcastle University • Northumbria University • Newcastle College 	<p><u>Regional energy</u></p> <ul style="list-style-type: none"> • Above average domestic gas consumption per meter • Significant solar PV roll-out • Existing utility-scale battery <p><u>Offshore energy & subsea technology</u></p> <ul style="list-style-type: none"> • Port of Tyne • Enterprise zones supporting offshore energy businesses <p><u>Demonstration & Innovation</u></p> <ul style="list-style-type: none"> • Tyne Subsea <p><u>Research & education</u></p> <ul style="list-style-type: none"> • Tyne Metropolitan College 	<p><u>Regional energy</u></p> <ul style="list-style-type: none"> • High proportion of off-gas properties • Domestic properties off the electricity grid • Above average domestic gas consumption per meter • High proportion of social housing • High non-domestic gas consumption per meter • Significant onshore wind resource • Significant solar PV roll-out • Significant hydro generation • Significant landfill gas generation <p><u>Offshore energy & subsea technology</u></p> <ul style="list-style-type: none"> • Port of Blyth • Energy Central • Enterprise zones supporting offshore energy businesses <p><u>Demonstration & Innovation</u></p> <ul style="list-style-type: none"> • Offshore Renewable Energy Catapult <p><u>Research & education</u></p> <ul style="list-style-type: none"> • Port of Blyth training services • Northumberland College



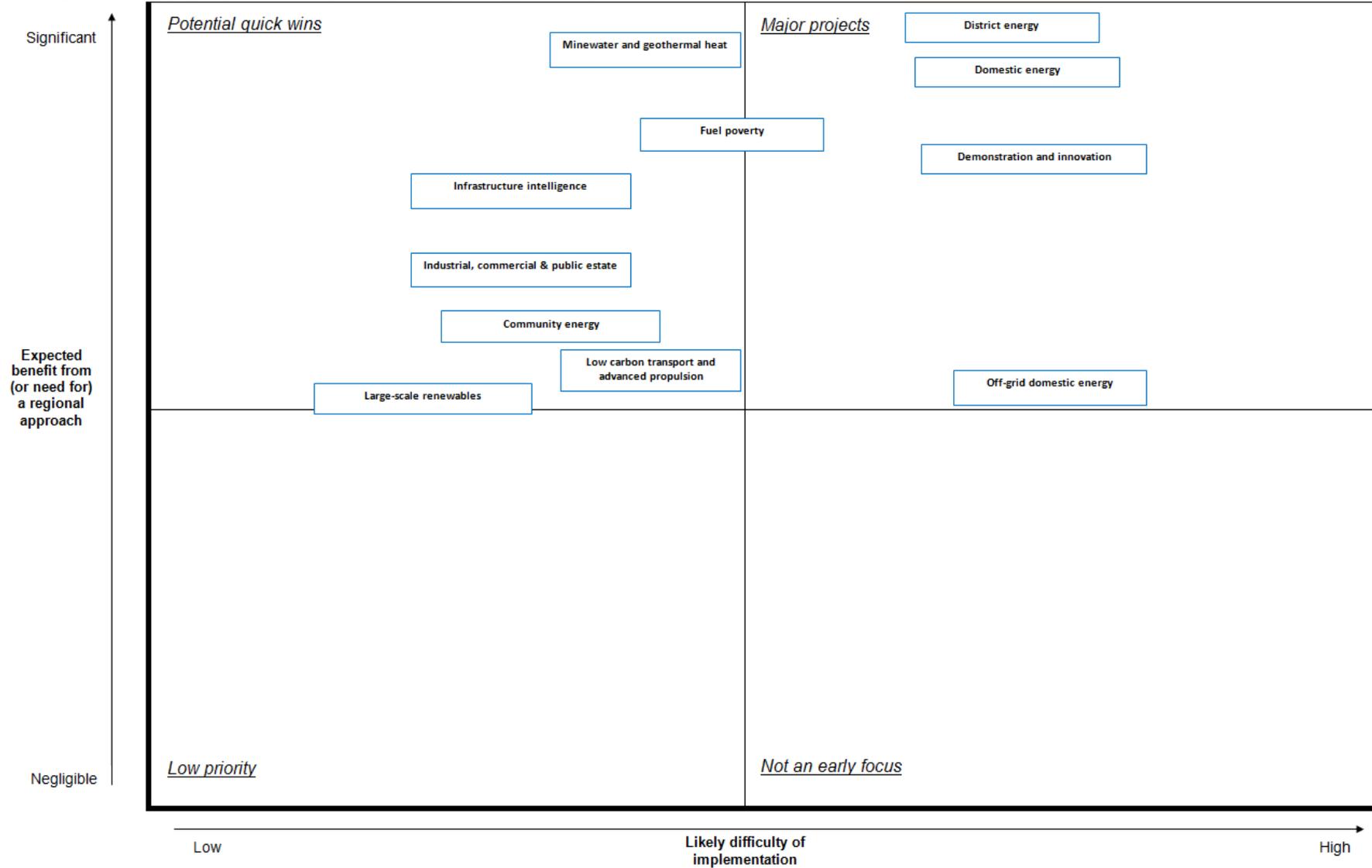
Appendix 2, strategic theme and policy gap analysis.

	Industrial Strategy, Clean Growth Strategy																		
	Specific policy			Business and industrial efficiency					Domestic energy										
	Automotive sector deal	Hydrogen and bioenergy innovation challenge	Offshore wind sector deal	Improve commercial & industrial energy productivity	Carbon Capture, Use and Storage	Low carbon heating in off-grid business	Recycling of industrial heat	Innovate in energy, resource & process efficiency	Domestic energy efficiency (ECO)	Fuel poor homes to EPC band C by 2030	Privately rented homes to EPC band C by 2030	Social housing to similar EPC standards	Energy performance of new homes via building regulations	Smart meter deployment by 2020	Build and extend heat networks underpinned by funding to 2021	Phase out high carbon fuels in heating off-grid properties during 2020s starting with new homes	Improve new boiler standards	Invest in low carbon heating via the RHI	Innovation for energy efficiency and heating for low cost low carbon homes
Offshore energy and subsea technology			✓				✓												
Infrastructure intelligence			✓	✓		✓	✓	✓						✓	✓			✓	
Fuel poverty								✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Domestic energy								✓	✓	✓	✓	✓	✓	✓				✓	✓
Off-grid domestic energy		✓						✓	✓	✓	✓	✓		✓	✓			✓	✓
Industrial, commercial and public estate				✓		✓	✓											✓	
District energy				✓		✓	✓		✓	✓	✓			✓	✓			✓	✓
Minewater and geothermal heat				✓		✓			✓	✓	✓			✓	✓			✓	✓
Community energy								✓						✓	✓			✓	✓
Large-scale renewables		✓	✓	✓		✓								✓	✓			✓	
Energy flexibility				✓			✓		✓	✓	✓		✓	✓					
Low carbon transport and advanced propulsion	✓	✓					✓												
Demonstration and innovation		✓	✓				✓								✓	✓			✓



Industrial Strategy, Clean Growth Strategy																	
Accelerating the shift to low carbon transport								Delivering clean, smart, flexible power						Value of natural resources and leading in the public sector			
Support take-up of ultra low emission vehicles, including electric cars	Develop one of the worlds best ev charging networks	Accelerate uptake of low emission taxis and buses	Public sector lead the transition to zero emission vehicles	Encourage walking and cycling for shorter journeys	Shift freight from road to rail, including low emission rail freight and zero emission last mile	Position the UK at the forefront of research, development and demonstration of Connected and Autonomous vehicle tech	Innovation in low carbon transport tech & fuels: electric batteries, HGV platoons	Reduce power costs: flexible use of energy	Phase-out unabated coal	Improve the route to market for renewables like offshore wind, further pot 2 CFD auctions and a sector deal	Innovation: smart systems and reducing the cost of electricity storage, advanced demand response, grid balancing	Innovation: new nuclear fuels, manufacturing technique, recycling reprocessing, reactor design	Innovation: reduce the cost of renewables, including offshore wind turbine blade technology and foundations	Zero avoidable waste by 2050	New and innovative ways to manage emissions from landfill	Innovation: technology and research for agri-tech and GHG removal, waste and resource efficiency	Energy efficiency in public bodies
Offshore energy and subsea technology										✓		✓	✓				
Infrastructure intelligence	✓	✓	✓		✓	✓	✓	✓		✓	✓						✓
Fuel poverty																	
Domestic energy	✓	✓		✓				✓			✓			✓			
Off-grid domestic energy		✓						✓									
Industrial, commercial and public estate		✓		✓	✓			✓			✓			✓	✓		✓
District energy								✓		✓	✓						
Minewater and geothermal heat																	
Community energy		✓		✓				✓		✓	✓						
Large-scale renewables								✓		✓	✓		✓	✓	✓	✓	
Energy flexibility	✓	✓					✓	✓		✓	✓						✓
Low carbon transport and advanced propulsion	✓	✓	✓	✓	✓	✓	✓	✓			✓						✓
Demonstration and innovation		✓	✓			✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	

Appendix 3, initial regional energy project prioritisation, following energy strategy workshop.



North East Local Enterprise Partnership Board

31st January 2019



ITEM 9: Inward Investment in the North East

1.0 Background

- 1.1 The Board commissioned an independent, evidence based study to understand the current performance of the North East's inward investment model and to recommend how we can collectively improve performance to secure more investment into the region. Therefore during summer 2018, Mickledore, the appointed consultancy, reviewed delivery models and associated evidence in comparable UK regions and produced a report, which was considered at the Board meeting in November.
- 1.2 The Board resolved that a Public/Private Task and Finish Group be established to further consider the report and to develop an optimum inward investment solution for the North East, and that the Group reports back to the Board in January 2019. It was also agreed that Mark Thompson, Chair of the LEP's Business Growth Board, should lead this group.

2.0 The November LEP Board paper

- 2.1 As a reminder to inform the discussion, it was recognised in the November LEP Board paper that Mickledore's report suggests that the inward investment model we have now is performing well, but regional performance could still be improved if we are to meet our ambitions.
- 2.2 The ten Mickledore report recommendations are set out below:
1. Consideration needs to be given to the governance of the Invest North East England (INEE) team when there are two Combined Authorities within the North East LEP area. This needs to be done in the context of setting medium term certainty of budget and with knowledge of each Combined Authority's inward investment intentions.
 2. INEE is given clear targets for lead generation and project delivery to ensure that it is accountable, that its value is demonstrable, the on-going performance is visible to all and to ensure that the team is clear on how it is evaluated. These measures should be monitored twice a year.
 3. The organisation shifts its focus towards business development. Lead generation is the most important measure for an umbrella agency. This will require, most importantly, a shift in mind-set. It will also require building more local and national networks, a shift in the way in which investor development is undertaken and a more hands on approach to dealing with leads generated by the lead generation agency.
 4. A shift in the lead generation agency approach should allow additions to the in-house team with a business development post seeking to convert leads into projects.

5. Any further resource available to the INEE team would focus on business development for a sector. In an ideal structure each sector would have a sector lead specialist who creates the local and national networks and works with a third party lead generator or undertakes the work themselves.
6. The provision of proposal and client handling is prioritised to give 100% commitment and to think laterally about the highest priority clients but not to provide a response to enquiries with a low likelihood of success. There is a need to secure larger projects for the region. The focus of the team to win projects and hit targets is then reinforced.
7. There is a need to work more on investor development activity. This is the single most important shift that could be undertaken – all of the most successful inward investment agencies ensure that investor development is integrated with business development. Engagement with local businesses does not simply raise opportunities within that business but provides sector intelligence and also potential investment from suppliers or others within the industry. It could be, that INEE jointly visits some businesses with the relevant local authority – or to maximise the use of limited resources that Invest NE England undertakes some visits but on a completely open book basis with the local authority involved.
8. There is a need for a better integrated marketing plan for the region. There are more than enough markets and sub-sectors for INEE to add value to the North East collective effort without having any impact on the work of others.
9. The work that has been undertaken in strengthening the team approach can be taken further. With clear accountability and through sharing more proposals and research the value that INEE brings can be demonstrated. In return, more working together on investor development and an understanding of the need to prioritise can assist in securing more and larger projects.
10. All 7 local authorities and both combined authorities must 'sign up' to the provision of the agreed Agency provision for a medium term, not less than 3 years.

2.3 The November Board report also recognised that despite the independent nature of the report, there are diverse views on how we could collectively improve the regional model to secure maximum investment into the region. Therefore, at the November Board meeting, members were also asked to consider whether these 10 principles were acceptable as a starter to move the dialogue forward with public and private sector partners in the event that the ten recommendations were not agreed.

The proposed ten principles were:

1. Inward investment is delivered at the LEP geography covering all seven local authorities.
2. The delivery model is hub and spoke, although the number of spokes may reduce if combined authorities amalgamate resources in the future.
3. The hub is more than a 'conciierge' service, but prioritises investor enquiries and includes targeted lead generation.
4. The brand remains Invest North East England and an annual Marketing Strategy is produced.
5. An annual performance framework is agreed and reported on with clear targets on lead generation and project delivery.
6. An annual events programme is agreed in March each year for the following

financial year.

7. The LEP is the lead regional contact and conduit with the Department for International Trade (DIT) as requested by the Department, which could be delegated to the hub.
8. The hub will work with and utilise the sector lead specialists within the LEP.
9. Account management is led by the spokes (the seven local authorities) but intelligence is shared with the hub (INEE) and is also used to leverage new investment and supply chain growth.
10. The hub will promote North East trade missions to raise business and partner awareness.

2.4 The November Board concluded that a Task and Finish Group should report back before either the Mickledore Report ten recommendations or the proposed ten principles were further considered.

2.5 Mark set up a round table discussion, inviting property professionals from across the region and the two lead Chief Executives representing the north and south of the region. The note of the meeting is attached, which includes comments from those unable to attend, as appendix one which sets out the discussion and their suggested way forward.

3.0 Recommendations

3.1 The Board is asked to:

1. Consider and support the conclusions of the Task and Finish Group which suggest a strengthened focus and greater scrutiny of activity.
2. Agree that the Chair of the Task and Finish Group should lead further dialogue with the two combined authorities and seven local authorities to progress a strengthened inward investment service.

4.0 Background papers

4.1 The North East LEP Board paper – Item 6 – Inward Investment in the North East (29 November 2018)

Delivering Inward Investment in the North East of England – A Review (November 2018) by Mickledore

Appendix One – Note of the Meeting held on 15 January 2019

North East LEP Inward Investment Review Private Sector Consultation	Project number	0345:00
	Date	16 January 2019
	Author	Mark Thompson

This paper responds to the Mickledore report - Delivering Inward Investment in the North East of England - dated November 2018, commissioned by North East Local Enterprise Partnership (LEP) to review the performance of Invest North East England (INEE).

Introduction

The Mickledore review was instigated by North East LEP in response to the following concerns raised at the March North East LEP board meeting:

- 1 The inward investment budget of £460,000, which includes £20,000 from each of the seven local authority members, was deemed insufficient.
- 2 The existing approach of allocating the budget on an annual basis perpetuates a hand to mouth culture rather than a strategic approach. A commitment of three years funding was sought.

The resultant Mickledore report was presented to North East LEP board on 29 November. Concerns were raised by the board regarding the analysis of costs versus results and return on investment, the uninspiring level of ambition and the lack of consultation with the private sector.

A workshop was therefore convened on 15 January with the following in attendance to provide a private sector opinion from businesses with investments across the North East LEP area:

Colin Davidson, Northumberland Estates - property interests across the region, particularly in rural Northumberland
David Furniss, BNP Paribas - property consultant and member of North East LEP investment panel
Helen Golightly, North East LEP chief executive
Neil McMillan, Impec UK – developer of Durham Milburngate
Phil Moorin, UK Land Estates – property interests across the region, particularly Team Valley Trading Estate
John Seager, Siglion – developer with significant interests in Sunderland
Adam Serfontein, Hanro - property interests across the region, particularly Newcastle City Centre
Mark Thompson (chair), North East LEP board member
Fergus Trim, Broadoak Asset Management - developer of Quorum
Thomas Wheldon, Henry Boot – developer of IAMP
Nigel Wilcock, Mickledore – author of the report

Apologies were received from:

Heidi Mottram, North East LEP board member
Pat Ritchie*, Newcastle City Council chief executive and North of Tyne Combined Authority (NoT) representative for inward investment, Rob Hamilton deputised
Mark Robinson, Kier

Martin Swales*, South Tyneside Council chief executive and North East Combined Authority (NECA) representative for inward investment

*Mark Thompson met with them separately on 16 and 17 January respectively.

The Confederation of British Industry, North East England Chamber of Commerce, Federation of Small Business and Entrepreneurs Forum have also been consulted.

Discussion

For clarification, it was noted INEE is a North East Combined Authority (NECA) team rather than operating under the direction of North East LEP.

Everyone provided their views on inward investment. Rather than dwell on the calculations used in the analysis and the justification of the performance of INEE in comparison to other regions, the focus was on the lack of ambition articulated in the report, what could be done to raise that and what pragmatic suggestions could be made in the context of a changing political landscape with NoT being established since the Mickledore review was commissioned.

Concerns were voiced regarding the ongoing contribution from the three authorities forming NoT. There is an understandable assumption they will align and the existing funding to INEE of £60,000 will be redirected to their own inward investment team(s).

The Mickledore report claims DIT will only deal with LEPs. This was challenged and there is evidence from elsewhere that DIT is also dealing with mayoral authorities. Irrespective of this, and as the Mickledore report identifies, there are far fewer DIT generated inward investment opportunities than in years gone by so structures should not be dictated by DIT processes.

It was agreed that a hub and spoke model can work but trust, collaboration and transparent communication are all essential ingredients. This model is successfully operated in several other regions.

A consistent and coherent region wide narrative promoting all the assets of the region is missing. It is difficult to find something (perhaps the SEP is the closest document) which articulates the key developments which all contribute to the region regardless of location. This means when a desk study is undertaken, the constituent parts are seen to be too small for many of the enquiries so the region often struggles to be on short lists alongside Birmingham, Bristol, Leeds and Manchester. The ambition bar needs to be raised to an international level and we must abolish the all too evident parochialism.

In the search for new investment, the value of those who have already invested in the region must not be overlooked. More resource could be invested in the account management of those businesses, and our indigenous ones.

It is understandable that in such discussions much of the debate is around the urban areas, but the rural economies must not be ignored.

Maintaining the status quo is not an option and there is concern that public money and activities are being duplicated across the North East LEP region. A sector focused approach, rather than geographic, could reduce this and encourage everyone to pull in the same direction. A recent modest trade trip to Boston was cited as an exemplar case study focused on developing relationships with world leading organisations such as Microsoft and Massachusetts Institute of Technology.

Whilst it was acknowledged each local / combined authority will want their own brand identity, the seven (or five with NoT) could be designed such that they are obviously close neighbours. Consideration should also be given to city region scale, especially on the international stage.

There was some discussion around the most prominent inward investment teams. In a relatively short space of time, Invest Newcastle has done well to develop a reputation alongside the longer established Business Durham and Make it Sunderland.

Many suggested they would be willing to provide financial support, perhaps by way of paid membership of a properly funded region wide inward investment team.

The round table debate ended by acknowledging that while the region has done well, with clear direction, transparent measurement and increased funding, operating in a culture of collaboration, the inward investment activity could achieve so much more.

Conclusion

The meeting concluded by reinforcing the view that a single team covering the North East LEP area is the panacea for a proactive outward facing inward investment team. A view shared by many across the business community (ref CBI/NEECC One Front Door paper, March 2015). This solution would not only generate savings for each local authority due to the economies of scale, it would also benefit from critical mass and a single point of leadership.

That said, pragmatism in light of the political landscape endured. There is support for NoT devolution. With the move towards two combined authorities, attendees encouraged the merging of the NoT inward investment teams into a single entity. In such circumstances, the previous ask with regards to devolution - of keeping the door open for others to join - is as strong as ever. If the proposed NoT model could be replicated south of Tyne then meaningful collaboration between two teams should be easier to achieve than with seven, or even five.

In closing the discussion, the ten recommendations of the Mickledore report were reviewed. They could have been better emphasised in the body of the report as they seem to be lost amongst all the analysis. They could also have been categorised under the following priorities:

- 1 Investor Development (Mickledore recommendation 7)
Greater emphasis should be placed on account management and nurturing those businesses that have already invested to encourage them to do more. There was a general, but not unanimous, view that this is better done at local or combined authority level with a sharing of information with the sector experts referred to in recommendation 2.
- 2 Sector Focused Business Development (Mickledore recommendations 3, 5, 6, 8)
Rather than what appears to be the existing somewhat scattergun approach, every activity should fit with the SEP focus sectors rather than any geographical boundaries. We must not be afraid to decline opportunities if they do not fit the SEP – eg Channel 4. A team of sector experts should be assembled to work across the region, fully aware of all the sector activity and proactively marketing the region on the global stage. They would be the ones researching sector trends and leading any responses to enquiries.

- 3 Structure and Performance (Mickledore recommendation 1, 2, 4, 9)
The team should be led by an experienced economic investment director with a proven track record in converting leads into jobs. They would work to an agreed business plan, with a funding commitment for a minimum of three years at the existing annual contribution +20%, against which success could be measured to avoid the current suspicion around allocation of project successes and return on investment.

If these priorities can be implemented, then Mickledore recommendation 10 – the support of all seven local authorities - will also have been addressed.

However, if these priorities cannot be supported by the seven local authority partners, with funding guaranteed for a minimum of three years, then consideration should be given to how the INEE team be utilised - otherwise it will simply be more of the same, at best. Should that be the disappointing outcome, it is anticipated each of the local/combined authorities will progress as they see fit, hopefully with each taking on board the contents of this paper.