



Association of North East Councils
Report of the Economic Development Task and
Finish Group

Growth
Economy Councils
Investment
Local Enterprise Partnerships
Access to Finance
Promotion Assets
Infrastructure Transport
Connectivity Energy
Digital and Broadband Employment
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Best Practice Collaboration
Business
Development

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Introduction

North East councils have a strong tradition in economic development and in helping create the right conditions for business growth and investment. The role of councils in key areas such as infrastructure, promoting investment opportunities, business support and advice, planning, procurement, capital expenditure and developing strategic relationships with partners in the private sector have been critical. Councils are also committed to developing skills and promoting employment opportunities, recognising that these are at the heart of improving the economies of their areas. Their democratic mandate uniquely places them in a position to represent the interests of communities in their areas.

The landscape in which councils are operating is changing significantly. The impact of the global economy and of decisions aimed at reducing the national deficit present challenges and opportunities, not least in this area of the country, when 11 out of 12 councils will see a higher than average reduction in spending power over the next two years.

In addition, over the past two years we have also seen the creation and development of two Local Enterprise Partnerships (LEPs) which have a key role in economic development. The role of councils and LEPs in stimulating investment and economic growth in their areas, through new models of capital investment, including the localisation of business rates, will continue to be important. The potential for streamlining the management of EU Structural Funds, aligning priorities on the basis of plans led by the LEPs, presents a significant opportunity for future funding to support local economic growth.

Councils and businesses are central to the functioning of LEPs and these new arrangements are likely to become more important to economic growth in the future, especially as the Government takes forward Lord Heseltine's proposals as set out in *'No Stone Unturned: In Pursuit of Growth'* announced in the Chancellor's Budget (March 2013), which includes the creation of a single competitive pot to bid into for local projects from April 2015. The Tees Valley LEP is taking great strides forward and the publication of the *'North East Independent Economic Review Report'* is an important step forward for the NELEP area. The Group underscored that both LEPs have an important role to play in driving forward our economies in the North East area, both separately and, where appropriate, together. For many years,

councils have recognised the clear value of working across the North East as exemplified through ANEC.

Task and Finish Group Members were clear that this report would not seek to cut across LEP discussions and should focus on councils' role in a changing landscape.

There is no doubt that local authorities across the North East want to be part of the solution in addressing the challenging fiscal and economic circumstances affecting this area and the country. The breadth of activity already happening to support economic growth in partnership with the private sector, through LEPs and locally, is evident and has been highlighted in the evidence submitted to the Group. We capture in ANNEX A examples of how councils have, and are continuing to work, with the private sector in their areas.

Members have underlined their commitment as part of the Task and Finish Group process to build on the good practice that already exists, whilst considering what councils might do differently in a changing environment. *There is strong support for demonstrating what we are contributing to local, LEP level, North East and national economies, what we are doing on the ground to achieve this and what might be at risk through reduced budgets and future spending power.* This latter point is being considered in the Association of North East Councils' work on resources and so it is not the focus of attention in this report.

In summary:

- All 12 councils in the North East want to create the conditions for economic growth;
- We are proud of what we have achieved so far but there is still more to do as our economies remain fragile;
- Working across boundaries with LEPs and with partners in the private; sector will be crucial to our future success and we encourage LEPs to work together where appropriate;
- Councils are part of the solution to economic growth locally and nationally;
- Adequate resources to get on and do the job will be critical.

Scope and Approach

The Task and Finish Group model is designed to place Members at the heart of policy development and supports the Association of North East Councils' role in cross party working. It also offers the potential to listen and respond to a wide range of viewpoints and perspectives, harnessing the expertise, experience and resources of member authorities and external partners. It is time limited, fleet of foot, responsive and flexible. It is also intended to identify and encourage potential areas of collaboration, sharing and adoption of good practice.

Members agreed to adopt a Select Committee style approach to the Task and Finish Group sessions by inviting representatives from external organisations and local authorities to hear views and stimulate discussion, supplemented by written evidence from a number of organisations referenced at the end of the report.

Given the breadth of economic development as a theme and the time limited nature of the process, Members agreed that the Economic Development Task and Finish Group should have a role in exploring the barriers and blockages to North East councils in pursuing their role in economic growth and what needs to happen to unblock them. Linked to this, to consider how central Government can enable and incentivise councils to maximise their leadership role in local economies through greater devolutionary measures and national policy decisions. Also, to explore what we need to do collectively to be known as the most 'business friendly' area, how we are taking forward inward investment and what we are doing to communicate positive messages about the strengths and assets of the area as a place to do business in, particularly with overseas markets.

As a core objective, Members agreed that their focus would specifically be on the *role of councils* in stimulating and supporting economic growth. Members emphasised that in order to inform the findings and recommendations of the Task and Finish Group that emphasis should be on taking evidence from business organisations and business representative bodies. To underline the relationships between councils and private sector partners in support of economic regeneration projects in their areas, the Group also decided that meetings would be convened in business premises, including Nissan, Nifco, DurhamGate and BT.

Following an initial scoping meeting, Members decided to hear oral evidence over a number of sessions that would focus on some of the 'tools' for delivering economic growth, specifically:

- **Access to Finance**
- **Infrastructure: Digital and Broadband Communications**
- **Infrastructure: Transport, Connectivity and Energy**
- **Promotion and Inward Investment**

In setting the context for the Task and Finish Group, an economic overview from the Tees Valley Local Enterprise Partnership, the North East Local Enterprise Partnership and the North East Chamber of Commerce formed the basis of the first evidence session.

Contributors were asked to give a perspective on what they considered to be the key sectors, industrial clusters and growth potential in the economies of the North East. Energy, process industries, creative, digital and IT, automotive and rail (recognising the importance of the investment by Hitachi/Agility trains and impact on supply chain industries) and manufacturing were all identified, based on discussions in the evidence sessions, but by no means represent an exhaustive list. The two LEPs outlined their priorities and activity within their respective economic geographies.

Members of the Task and Finish Group underlined the importance of the two LEPs and of them working together where appropriate to stimulate economic growth and in the need to ensure that measures identified for action would result in genuine growth and not simply displace development within the area.

The Group also heard from several business organisations that they do not recognise boundaries between local authorities, which they see as being arbitrary. Representations from business highlight the importance of local authorities working better collectively on strategic issues and reference Local Enterprise Partnerships as creating the opportunity for such collaboration. Business is looking to local authorities to be ambitious and innovative, with a clear focus on what they can do. *'Strategy must connect with delivery and other organisations we hope will invest in the North East - whether businesses or Government - must be able to see clearly the commitment of local government in the region to creating the best possible conditions for economic growth'* (North East Chamber of

Commerce). The Chamber clearly recognised the financial pressures councils are under but are keen to ensure that the good work by councils to support economic growth is continued in as best a way as possible.

Issues highlighted in the economic overview session provide the context to each of the themed areas the Task and Finish Group agreed to focus on, as detailed in the report.

The issue of **skills, apprenticeships and youth employment** was raised on a number of occasions throughout the deliberations of the Task and Finish Group. Members agreed that these two related issues were so significant that they could in themselves form the basis of a future Task and Finish Group and could build on the good work that councils are already taking forward to help young people into work, as highlighted at a Youth Jobs Summit jointly organised last summer by the Association of North East Councils and the Association of Chief Executives of Voluntary Organisations (ACEVO).

The Task and Finish Group convened for six meetings between July 2012 and March 2013.

Theme 1: Access to Finance

Key Issues:

Members heard that accessing credit at an affordable cost is one of the biggest barriers that small businesses across the North East face, with as many as 6,000 SMEs with less than 100 employees - and most of these having less than 10 employees.

Since the 2008 financial crisis and the subsequent recession there has been a reduction in bank lending, which the Federation of Small Businesses (FSB) and others are saying is holding back economic growth, with small firms feeling the pressure and needing a clear plan to help them get back on track. The FSB considers this is a huge problem for small companies, saying *“accessing finance is one of the biggest issues that our members across the region are facing. With statistics showing that the banks aren't lending to small businesses, many are exploring alternative sources of finance to meet their growth ambitions”*.

The national FSB's 'Voice for Small Business' Index published in September 2012 showed that growth intentions continued to be threatened by an increase in the number of businesses being refused finance - with more than 40 per cent of applicants having been refused in each quarter of the previous year. Almost two thirds of members think the availability of credit is poor and more than 60 percent of firms thought that finance is unaffordable.

As reported by the FSB, over the past year, many **FSB members are exploring alternative sources to traditional finance to meet their growth ambitions**, with new initiatives such as crowdfunding starting to emerge. The latest SME Finance Monitor published in November 2012 suggests that SMEs are using less external sources of finance and a declining use of 'traditional bank lending'. The perception amongst them is that access to finance is becoming more of a barrier to them. It was reported that awareness of various Government and bank initiatives to boost lending has not increased over the last year suggesting that communication and raising awareness could help.

The Federation of Small Businesses has urged the Government to put a firm plan in place for small firms to grow. It has consistently called for more competition in the banking sector as small firms continue to struggle and has said, *“the Chancellor should provide more details of the Business Bank, including a clear road map for its creation and how this will increase competition in the small business finance market”*. Subsequently, the Government's Mid

Term Review commits to helping small businesses by 'creating a Business Bank to bring together support for SMEs and to deploy additional capital of £1 billion together with guarantees that will address long-standing, structural gaps in the supply of finance and to promote Supply Chain Finance to provide easier credit for SMEs'.

In written and oral evidence to the Task and Finish Group, North East Access to Finance Limited highlighted the following as key findings from commissioned research undertaken by Newcastle Business School, Northumbria University in relation to, 'SME Access to Finance: an exploration into the demand and supply constraints around SME access to finance':

- SMEs are experiencing difficulties in gaining bank finance for new but also established businesses. Almost 80% of SMEs responding to the survey have faced difficulties in raising capital; some were unable to raise any finance at all. Many were therefore faced with forced stagnation as they had to put plans on hold or defer projects;
- A large number of SMEs will, in the near future, require access to external growth finance, which suggests many (if not all) may soon be affected by potential difficulties in finding funding sources suitable for their growth intentions;
- In the last 12 months, SMEs used bank finance, especially overdrafts, more than any other funding source;
- More than one third of survey respondents were unaware of the suitability of various funding providers, which may possibly indicate demand-side reasons underlying their inability to raise capital;
- SMEs noted that advice and mentoring are crucial to the sector but the value placed upon that information depends upon the provider;
- There was a general call for awareness, communication and transparency of support and finance sources to be improved;
- Networking and business contacts are considered key for sourcing relevant information and support;
- Just under one third of participants openly claimed to be unaware of what funders need from a funding proposal. Almost two thirds of participants thought finding the right business support involves having to contact too many different organisations.

Key Findings:

In summary, Members of the Task and Finish Group heard that:

- There is a need/demand for an integrated and co-ordinated approach to access to finance provision as SMEs find the current landscape too complex and do not have time to navigate through the many different providers.
- Many SMEs feel banks and business angels are not responding to what they need and that there are different perceptions between funders and those seeking funding.
- Young talent often sees its future elsewhere and we ought to recognise that we need to talk a different language in relation to attracting young entrepreneurs.
- Previous funds have been hampered by too many restrictions with limits on investment size, sector, ability to follow on, length of both investment and realisation period.
- Loss of local control in access to finance is a risk.
- We need to maintain focus on restoring and building confidence, in spite of a lending climate that has fundamentally changed, and continue to promote the North East as a place to do business in.
- The opportunity for local authorities and LEPs to work with North East Access to Finance Limited (NEA2F) on improving communications, signposting and providing a one-stop-shop on access to finance. NEA2F has subsequently launched (12 February 2013) a new guide to 133 sources of equity and loan funding, business angels, other loans, grants, business support, support for social enterprises and advice on raising finance, legal issues and tax incentives for business and investors.
- North East Access to Finance Limited is currently consulting on the re-deployment of the legacy from previous funds and seeking views and gathering research to inform the development of new funds to be the successor of Finance to Business North East to begin investing in 2015.

Recommendations:

- Local authorities should be asked to continue contributing to the development of the digital Guide 2013 through advising of new initiatives, adding to the online event calendar, other sources of relevant information and adding reciprocal links between councils' websites and www.nea2f.co.uk
- All partners are asked to consider how they give focus to supporting young entrepreneurs in coming to the North East and starting up a new business.
- The provision of 'investor readiness' support be endorsed, which could include advice to new and existing businesses on issues of business planning and development and helping them on being 'smarter' in their approach to business finance.
- Local authorities and LEPs will be informing and influencing the outcome of the design of the new publicly backed investment funds, post 2015 to ensure that there is maximum flexibility, alignment with LEP priorities and a focus on balancing returns on capital with creation of economic growth and employment as clear outcomes.
- Local authorities and LEPs will continue to make a strong case for local determination in the design of European Structural Funds post 2014 and to continue to maximise ERDF funding opportunities for the area.

Theme 2: Infrastructure

Broadband and Digital Infrastructure and Communications

Key Issues:

Business need for effective and reliable digital connections:

LEPs and businesses told us that the area needs effective and reliable digital connections which, alongside transport links, will be increasingly important for connecting with markets. The economic importance of digital and broadband is evident. The sector skills body, e-Skills UK, found that more effective use of technology could add 3.8% to North East GVA over the next five years. Members of the Task and Finish Group were advised that in Northumberland, for example, 1700 jobs could be created through the roll out of superfast broadband.

Given the rural characteristics of significant parts of the North East, with Northumberland officially the most sparsely populated county in England, interspersed with dense conurbations, digital connectivity plays a vital role in connecting business, people and markets. 1 in 5 people in Northumberland do not access the Internet due to skills behaviour and affordability choices. In social housing this is nearly 3 in 5 so this is a social inclusion issue rather than access. In County Durham 55% are without superfast broadband and about 40% have effective broadband. The Task and Finish Group were keen to hear evidence about the particular challenges and opportunities for rural businesses and communities.

The Commission for Rural Communities Report *'Rural micro-businesses: what makes some thrive in a challenging economic climate'* (March 2013) argues that *'the value of England's rural economy is about one fifth of the national total, and it can therefore make a substantial contribution to restoring the economic strength of the nation. Rural economies are largely comprised of small or micro-businesses, operating in a very diverse range of sectors. Broadband has become an essential business tool. Without it, or with slow and unreliable connection, rural micro-businesses are at a competitive disadvantage compared to urban businesses'*.

The Government's stated ambition is for the UK to deliver the best superfast broadband network in Europe by 2015 by providing superfast broadband to at least 90% of premises in the UK and to give

universal access to standard broadband with a speed of at least 2Mbps. Ofcom defines 'superfast broadband' as broadband with potential headline download access speeds greater than 24 Mbps. The market will provide superfast broadband to around two thirds of the country. It is essential the *whole country* shares in the benefits of high-speed internet access.

Funding

The Government is providing funding to make it economically viable for telecoms companies to roll-out broadband to the whole of the UK. It is providing a number of funding streams towards this goal managed by Broadband Delivery UK (BDUK), a unit within the Department of Culture, Media and Sport (DCMS), and individual projects are the responsibility of local authorities and the devolved administrations. Councils are expected to provide match funding in many cases. Government funding includes £680m to help provide 90% of homes and businesses with superfast broadband, £550m to help take superfast broadband to rural areas and £150m in creating super-connected cities with 80-100 Mbps broadband and city-wide high-speed mobile connectivity. In March 2012 the Chancellor announced the UK's first ten super-connected cities of which Newcastle is one.

The UK Government has awarded over £100 million of investment into improving the connectivity of Scotland's rural areas, matched by the Scottish Government and European funding. Its stated aim is to help ensure that Scotland has the broadband infrastructure it needs to support its technical industries, and businesses and education across the country. It also recognises that in the Highlands and Islands, the infrastructure is currently less developed and the costs of connecting additional premises are much higher than other parts of the UK. The allocation is based on an assessment of need focusing on the areas where the market will fail to deliver superfast broadband to enough premises and the associated costs of additional infrastructure. It is not based on the number of people living or working in an area therefore Scotland is receiving a higher proportion of funding in relation to its population than many parts of England, including the North East. The Scottish Government also has discretion on how to spend its funding. Further allocations are available for urban and mobile infrastructure.

In evidence to the Task and Finish Group, BT reported that it was investing £2.5 billion in superfast broadband across the UK that will reach two thirds of

homes and businesses mainly in urban areas.

Stimulating Demand and Digital Skills

Once the digital infrastructure is in place there remains the challenge of stimulating demand and sign up amongst households and businesses. According to research, the Government has previously estimated that about 25% of North East businesses do not yet use the internet, compared with 19% nationally. Levels of demand remain a significant issue and councils have a role in stimulating demand amongst businesses and householders across the North East.

The need to increase the numbers of digitally skilled people was identified as a major issue and the point was emphasised that maximising the opportunities afforded by digital and broadband for stimulating economic growth was dependent upon having skilled people and workforces.

Evidence to the Group highlighted that consideration needed to be given to how digital inclusion and stimulation techniques are implemented at local levels and that people, attitudinal, motivational and behavioural aspects were as important as infrastructure considerations.

Key Findings:

In summary, Members of the Task and Finish Group heard that:

- The importance of digital infrastructure to a competitive future for businesses is critical. The general consensus is that we need to go further on broadband speed and coverage providing faster and more reliable web access to companies that rely on it for communicating with and accessing new markets.
- It is essential the whole country shares in the benefits of high speed internet access. The differential level of funding available in England, by comparison with investment in digital/broadband infrastructure in Scotland was raised as an issue, particularly in the context of the opportunities and threats associated with the devolution debate in Scotland. Scotland is receiving a higher proportion of funding in relation to its population than many parts of England. Northumberland, officially, the most sparsely populated county - bordering with Scotland - receives just £7 million of BDUK funding.

- Levels of demand remain a significant issue and councils have a role in working together to stimulate demand amongst businesses and householders across the North East.
- Government investment is following demand for broadband services and a key challenge is how to encourage businesses to develop different applications which will stimulate that demand.
- It is predominantly SMEs that need encouragement in developing innovative approaches through greater use of digital and broadband technology, which councils can play a key role in. It was felt that individual local authorities operate at the right scale to encourage take up of digital technology and that working at a granular scale with local communities is hugely important.
- Councils also have an important role in encouraging users to develop and improve their digital skills and build greater confidence that will improve their employment and life chances; the Group heard that lack of skills and confidence are key factors in accessing Internet opportunities and that this is not an area that central Government is currently - or best placed - to address.
- Broadband is critical to educational attainment and for improving life chances of young people; 90% of all jobs now require interface skills with technology.
- Councils have an important role in demonstrating and communicating the strengths and opportunities provided by our digital infrastructure as part of strategies for promoting the area as a place to invest and do business in.
- Evidence gathered shows how councils - individually and working across boundaries - have been proactive in seeking opportunities for greater collaboration, achieving critical mass and sharing good practice to achieve positive outcomes for improving infrastructure in the North East (highlighted in ANNEX B). Opportunities exist for such lessons and areas of good practice to be extended across wider boundaries and partnerships.

Recommendations:

- For the Government and local authorities to consider how they input to further stimulate behaviour and attitudinal change to encourage citizens and businesses to become more digitally aware, digitally confident and digitally 'ready'.
- Councils could encourage the up-skilling of young people and improve educational attainment, including exploring the possibility of a pilot project aimed at shaping curriculum content in schools on digital and broadband technology skills.
- Councils be encouraged to re-visit their strategies for supporting and encouraging their own employees to develop digital and broadband skills to ensure these opportunities are being maximised.
- Recommend the promotion of greater collaboration between digital businesses that will help stimulate and encourage innovation and create greater awareness of digitally based applications and solutions.
- Businesses, LEPs and local authorities should work together where appropriate to make the case for adequate levels of investment to achieve national and local aspirations for improving broadband coverage and take up.
- Government must look to fund digital inclusion projects to maximise economic and social benefits.
- All authorities in the North East are able to point to good progress and there is a real opportunity for sharing good practice across wider geographical areas and for assessing what will be needed in 5 - 10 years' time.

Theme 3: Infrastructure:

Transport, Connectivity and Energy

Key Issues:

Relationship between infrastructure investment and economic growth

The Task and Finish Group heard that the relationship between infrastructure investment, stimulating and supporting economic growth and improving the attractiveness of an area for business investment is clearly evident and has been well documented both by local government and business community organisations. Infrastructure can and should support and stimulate manufacturing and exporting, improve connectivity between cities, both within and outside the UK, and in the North East.

We have significant untapped potential for growth in this area of the country and stakeholders are taking the view that we must capitalise on all opportunities for enhancing our transport, energy and digital infrastructure if we are to be economically successful and competitive into the future.

In written evidence to the Task and Finish Group, Civil Engineering and Contractors Association (CECA) has cited that *'infrastructure is the first and most significant blockage in the short term to economic growth'* and that councils have a key role in ensuring that infrastructure is in place to support and encourage inward investment.

Transport and Connectivity

Improving transport infrastructure and investment in the North East is a shared priority and one on which there is much active debate involving a number of organisations. The CBI and KPMG's Infrastructure Survey 2012, 'Better Connected, Better Business', the NECC's *'Manifesto for Growth in 2013'*, a *'Transport Priorities'* report jointly developed by the CBI and NECC (Feb 2013) and the CBI's *'Trading Places'* aviation report (March 2013), make useful contributions.

Transport and connectivity are critical issues at LEP level and in localities across the North East, and there are some key strategic issues that span the area and indeed beyond, including rail devolution in which ANEC is playing an active role. ANEC is also using its advocacy role in making the case to the Government and others for looking at issues and opportunities in relation to rail devolution.

Key Findings: Transport and Connectivity

In summary, Members of the Task and Finish group heard that:

- It is critical for competitiveness that the North East continues to develop its connections to key global and UK markets; connectivity, between places both within and outside the UK fundamentally means an improved transport infrastructure to enable the fast and efficient movement of people and goods.
- Collaborating with other areas along the East Coast to strengthen the case for future investment in conventional rail and to be linked into a High Speed network would be critical. The calibre of our rail infrastructure will be a major factor in the North East's ability to fulfil its potential to produce a stronger return for the UK plc.
- Investment in the East Coast Main Line is a key economic driver, not just in relation to passenger rail services, but with an important role to play in supporting the development of freight to and from the region, including links with major ports in the North East.
- The North East's ports and airports have a crucial role in connecting passengers and freight with international markets and have significant potential for expansion and growth of new services and routes that we need to encourage.
- Strong policy and fiscal levers, mechanisms and incentives are important in supporting regional aviation activity and a more even distribution of passenger and freight throughput at UK airports in future.
- The Government has stated that it wants to explore how to create the right conditions for regional airports to flourish; intervention in respect of Air Passenger Duty (APD) is by far the biggest lever available. The announcement in the Chancellor's Budget of a further increase in APD from 1 April 2013 is of concern and will continue to have a disproportionate impact on regional airports.
- Support for a network of international scheduled flights to be complementary with the North East's continued access into the London airports.
- The Government is making a number of announcements on infrastructure investment, and we need to see delivery on the ground, in the North East, as early as possible.

- Moves by the Government towards devolution of funding for transport is regarded as an opportunity for North East councils to collaborate at LEP level and where appropriate, for example on rail devolution, across the 12 authorities.

Recommendations:

- Continue to make a strong case for ensuring the North East is properly linked to High Speed 2 at the earliest opportunity and for the Government to invest in the East Coast main line to achieve maximum compatibility of conventional line and high speed services.
- Press for intra-regional connectivity and improvements in infrastructure and services for both passengers and freight in the North East as these remain critical factors for economic and business success.
- Actively explore opportunities for councils presented by the Government's rail franchising programme, and potential for devolution of Northern Rail and Transpennine Franchises.
- Continue support for the North East's ports and airports.
- Continue to press the Government to revise its approach to Air Passenger Duty (APD) which currently has a disproportionate impact on regions and localities; a differential approach to APD that would lower the rate for regional airports could have a transformational impact in terms of protecting key routes and attracting new ones.
- As part of planning permission for any further expansion at London Heathrow, some of the additional capacity should be ring-fenced for regional air services.
- Ensure that the North East maximises the opportunity presented by the 'pinch point' scheme announced in the Autumn Statement which signalled support for local transport priorities, which need to be delivered as swiftly as possible.

Energy

Given that the North East's energy generators and energy intensive industries make up over a quarter of the North East's economy and our capabilities in contributing to energy efficient and low carbon technologies and solutions, this was identified as a key area of interest.

Current and emerging economic opportunities linked to the North East energy sector have been identified as a priority for action at LEP level and local authority level - and it is recognised that sustainable energy technologies are being developed and delivered alongside the existence of some of the UK's most energy intensive manufacturing industries. The Task and Finish Group heard that one of the key messages from business, in this context, is that these two facets ought to be complementary rather than competing in order to continue to produce jobs and wealth.

Organisations contributing to innovation within fields related to energy intensive manufacturing and renewables deployment include:

- Narec, the New and Renewable Energy Centre;
- Nissan's electric vehicle technology;
- The Centre for Process Innovation (CPI);
- The North East Process Industry Cluster (NEPIC); and
- The five universities in the North East.

Such organisations will, the Group was told, benefit from additional investment especially in grid infrastructure.

The NECC has reported that its members have listed energy costs as their top growing concern and has highlighted the National Grid's use of system charges, which vary geographically across the UK with reduced charges in areas closer to centres of population. This results in high charges in the North East where roughly 75% of electricity produced is used within the region. An OfGem review of transmission charges looked into this discrepancy, which sees the average generator of electricity in the North East being charged £9.85 per kilowatt (the highest rate in England) as opposed to 25p in Kent. In May 2012, the review concluded that making generation charges the same regardless of location would result in increased overall costs of £7bn for consumers nationally, *'exacerbating existing patterns of fuel poverty with no proven overall benefit to consumers'*. Currently these charges make up about 4% of domestic bills and the cost to consumers of any potential change was a key consideration in OfGem's review.

On energy pricing, the national CBI/KPMG infrastructure 2012 survey also highlights the number of energy intensive industries coming under increasing pressure as a result of rising energy costs.

It cites that *'more than four fifths (86%) of respondents from this part of the economy say the quality of energy supply is an important factor in their investment choices and for 90% the cost of energy is a key consideration'*.

The significant conclusion for the energy industry is that locational charging will remain but the industry had been tasked with developing an improved system that will help to facilitate moves to a low carbon economy by more accurately reflecting the costs of intermittent electricity generation systems such as wind power.

The NECC, NEPIC, CBI and FSB have also all raised concerns about the likely negative impact of the Government's new Carbon Floor price from April 2013. Recent research by IPPR has reported that the floor price will push up the wholesale cost of electricity by 17% in 2015/16 compared to today's price, undermining the competitiveness of British industry.

Key Findings:

In summary, Members of the Task and Finish Group heard that:

- NEPIC cited carbon taxation as being *'the biggest negative impact on energy and manufacturing for the North East ...Although NEPIC and its stakeholders are heavily involved in pressing for policies that will result in a level playing field for our industries who are facing ever growing international competition there is no question that ANEC has a role to play'*.
- The de-stabilising effect on business decisions arising from higher energy costs in the North East and uncertainties about future energy policy.
- North East process industries make up more than 50% of the North East's exports and 33% of the area's industrial economy and the sector *'needs vocal and overt support going forward to secure future investment'* (NEPIC).
- Growth in the North East's green energy sector, from AAD to Biogas production to wind, solar and wave renewable power, should be coupled to our existing energy intensive businesses to ensure that these assets can be protected and grown. This can be done in a way that de-carbonises energy intensive industry over time to ensure that the growth is both environmentally and

economically sustainable and should be viewed as an opportunity rather than a challenge.

- The need for effective engagement at EU level to help promote economic strengths and aspirations and to focus on accessing information and opportunities aimed at drawing down European funding.
- The strengths of the area are being significantly underplayed nationally and internationally as a result of Office of National Statistics data on, for example, manufacturing which fail to reflect the strength of the offer to potential investors; national data collection statistics give the impression that *'little or no pharmaceutical industry is based here in the North East...until this is corrected we will continue to lose out on internationally mobile investments as industries will not invest where there is apparently no local expertise, infrastructure or supply chain. ANEC can lobby most powerfully in this regard'* (NEPIC).
- We have untapped potential in the North East in relation to the opportunities presented by our natural assets and resources and arising from our strong credentials in new and renewable energy technologies and capabilities. The strength of the North East's 'offer' in this area is one that could have a transformational impact on economies and has the potential to be a unique selling point in a globally competitive market place and be of local, national and international significance.

Recommendations:

- Raise with LEPs, business representative organisations and BIS Local the issue of ensuring that in future ONS statistical information reflects the real strengths of key industries.
- Make representation, where appropriate, on carbon taxation, energy pricing and the design of future energy policy which have been cited as significant issues for attracting and retaining energy intensive industries and promoting a level playing field with other areas of the country.
- Work together around a strong proposition that reflects our strengths in areas such as carbon capture and storage, wind power and electric vehicles, and nurture an internationally recognised reputation for our energy credentials and capabilities.

Theme 4: Inward Investment and Promotion

Key Issues:

Members heard that the area has the potential to make a significant contribution to national economic growth and prosperity.

The North East is currently the only area of the country with a positive balance of trade in the export market, now exporting £14.125 billion of goods each year to every continent. Our manufacturing industry is worth £7.5 billion to the North East economy and offers further opportunities for growth opportunities.

Among our successes are:

- A strong and successful advanced engineering sector;
- Leading in low carbon technology and sustainable energy solutions;
- World class research and engineering capabilities in wind, wave, tidal and solar power;
- Strong and successful advanced manufacturing sector;
- 40,000 skilled people employed in the supply chain to the process and energy intensive industries generating £10 billion in sales for the UK economy; and
- More than 65,000 people work in the oil and gas sectors and more than 70% of the oil and gas platforms operating in the North Sea were built in the North East.

Increasing globalisation, continuing development of new technologies and the emergence of big international players are dramatically changing the economic landscape. Manufacturing and engineering are central to re-invigorating the global economy and enhancing productivity growth via their impacts on R&D and innovation.

Trade in high value manufacturing and associated services is central to North East trade with the European Union and still provides a competitive advantage to the EU - and the North East is relatively more integrated with Europe than the UK average. Britain doubled exports to nine Eastern European countries in 2009, but comparatively with Germany and France, the UK has not exploited business opportunities in these countries.

UKTI is currently in the process of capturing feedback from investors to the UK as part of its processes for gathering an evidence base that can be shared with LEPs and local authorities in the North East, to be used as a basis for affecting change or adopting new

approaches to inward investment and promotional activity. Though much of this feedback is still anecdotal, patterns are emerging that in due course will provide a sufficient evidence base to provide valuable insights.

In this context, it appears that unless there is a specific draw (eg offshore supply chain, automotive supply chain, or perhaps the need to locate near to a very precise university or centre of excellence expertise) then *geography could go against the North East*. If an investor wants to supply to or sell to the bulk of the UK market then the centre of gravity is not here, with investors drawn to bigger markets with a bigger population reach. They are also drawn to clusters of companies - we have advanced engineering and chemicals clusters - but *we need to develop more to act as a pull*.

The Group noted that many overseas investors new to the UK will not necessarily have heard of the North East or its component parts, leading to the need to re-examine the communications and messaging about the area's location and its transport links and accessibility to/from London and Scotland.

The Group heard that local authority boundaries are irrelevant to investors and they will often badge areas according to the nearest large city; there are views that less emphasis should be placed on 'badging' places within local authority areas and more focus given on creating the right tailored package of support for the investor based on their specific requirements. In this regard, focused messaging and targeting the offer is more attractive to the investor and easier for UKTI to 'sell' the area and its proposition. The European Cities Monitor 2011 cites *'for the third year running, the most important factor in deciding where to locate is 'easy access to markets, customers and clients'*.

Key Findings:

In summary, Members of the Task and Finish Group heard that:

- UKTI North East's local International Trade Team is working closely with the North East LEP, Tees Valley LEP, local authorities and universities in providing support through a range of programmes. It was reported that UKTI is drilling down into sub-sector strategies which LEPs are engaging in to help identify optimal areas for investment through benchmarking LEP geographical areas that excel in specific sectors. In this context, 10,000 inquiries were reported to be logged in the 'national pipeline', which LEPs have access to; 2,000 are not geographic specific.

- Account management is important to encourage greater investment and there is a need to do more to improve the targeting, promoting the 'offer' and focusing the message to optimise investment opportunities.
- We need to improve the way we explain what the area delivers for the UK plc and the potential for greater growth, in order to create a strong case for investment in future success. Local government has a key role to play in making this happen through a variety of mechanisms including the LEPs and local businesses.
- We need to be much clearer and cleverer about understanding what factors determine inward investment decisions - and why decisions not to come to the North East are made.
- Local authority activity has played a significant role in the success of many of the sectors or clusters identified as current strengths. It is critical to create or build on genuinely distinctive elements. Focus on particular sectors can also quickly become out of date and so resource must be flexible and quickly adjusted to where new market opportunities arise.
- Over the next 10 - 15 years, opportunities will become much more IT driven, and 'Smart Cities' offering *knowledge, innovation, skills and infrastructure*, will become key to economic growth.
- Internationalisation promotes innovation, R&D and two-way knowledge flows, which is why it is so important to *be global and become global*. This is viewed as being a big challenge for small companies.
- There is a need for support for businesses that do not have experience in exporting in certain markets or countries, with views expressed that such mentoring, introductions and personal/specialist advice can be as valuable as more formal business support routes.
- We have tremendous capacity for growth - environmental capacity and land availability - which are strong 'selling' points. The North East is swiftly building climate resilience which can be promoted as a strength for the area. We also need to raise our profile and make a stronger case for attracting water intensive industries - as a key selling point for the North East, given our extensive water resources.
- National and regional strengths in employment law and political stability, which are the most

balanced in the EU, give us a competitive edge, but are often overlooked as selling points.

- Local authorities have a role to play in using geographical links to help support and drive international trade in their area and wherever possible twinning arrangements ought to have a stronger economic focus, building on civic or cultural ties.
- Businesses are looking to local authorities to be champions of their areas and to help lead activity that will increase visitors, business investment and raise the profile of their areas.

Recommendations:

- Encourage those involved in economic development to work closely with UKTI to ensure there is an in-depth understanding of the account management process and how this and further research can be harnessed to provide valuable economic intelligence that LEPs and local authorities can draw on to improve their competitive advantage.
- To continue to provide UKTI Local Team with the *evidence base* to help promote investment opportunities and, in particular, highlight differentiation and sectoral strengths in LEP economic geographies that have the competitive edge.
- Help build the evidence base and critical mass of information to build up intelligence about why companies decide *not* to invest in the North East (e.g. lack of co-ordinated packages of support, lack of financial incentives etc), as well as those that are influential in attracting investment opportunities.
- Harness civic leadership to ensure that the North East maximises opportunities for developing relationships with foreign ambassadors, UK based and overseas consulates and embassy offices so that we can nurture our strengths with key influencers in target markets and sectors.
- Councils can play a critical role in helping business and young people have a dialogue about what job opportunities there are in localities, and in helping to communicate positive images - working with businesses themselves - to promote positive images of traditional industries (engineering and manufacturing) as being attractive workplaces with good career paths and prospects.

Additional Themes

Planning and procurement were also highlighted in a number of written submissions and raised in oral evidence sessions.

In summary, on **planning** it was noted that significant changes to national policy have been made in recent years aimed at encouraging economic growth. This includes the introduction of the National Planning Policy Framework and relaxation of planning laws which will allow homeowners and businesses to expand without the need to apply for planning permission. Local authorities are working with these changes at local level.

The Task and Finish Group heard that this area of the country has greater potential for further development than many other areas of the country in terms of housing and commercial development. It also has relatively low land costs, natural resource availability and comparatively little congestion. Together these make the capacity for growth a competitive advantage when backed up by a planning system which prioritises enabling development.

The Group heard that businesses are keen to be fully involved in the development of local plans and to see planning measures such as use of Local Development Orders enhance the advantages of Enterprise Zones and other areas.

The North East Chamber of Commerce has also said that it recognises *'the scale of the challenge that local authorities face in continuing to deliver high quality service, promote economic growth and add value for businesses while facing significant budget cuts'*. Nevertheless, it is asking local authorities not to prioritise disproportionate cuts to services that support growth, such as in planning and development.

On **procurement**, in summary, the Group heard that progress had been made to improve public procurement for suppliers in the North East and local government has gone further than many areas of the public sector in working to help local businesses access public procurement opportunities.

Some contracts will continue to be managed at local authority level and there are examples of good practice such as the 'Quick Quotes' system to help a broad group of local suppliers have the opportunity to compete for contracts to which several councils have signed up.

The importance of collaborative procurement being co-ordinated with understanding of, and responsiveness to, the North East supply market was

also highlighted through evidence submissions. Businesses also highlighted the benefits of closer harmonisation of documents, standards and procedures and to use agreed tender frameworks to avoid or lower costs to business. It was reported that small businesses, in particular, can find it difficult to hear about and then access local government tender opportunities and for many SMEs the costs of putting bids together is a real issue, alongside variations in PQQs and regulations, acting as a barrier to SMEs bidding for work.

Supporting suppliers in improving their bidding skills was also highlighted as an issue and local authorities could contribute to this through supplier development programmes such as the current Business Generator scheme managed by Business and Enterprise Group.

Summary of Recommendations

Theme 1: Access to Finance

Recommendations:

- Local authorities should be asked to continue contributing to the development of the digital Guide 2013 through advising of new initiatives, adding to the online event calendar, other sources of relevant information and adding reciprocal links between councils' websites and www.nea2f.co.uk
- All partners are asked to consider how they give focus to supporting young entrepreneurs in coming to the North East and starting up a new business.
- The provision of 'investor readiness' support should be endorsed, which could include advice to new and existing businesses on issues of business planning and development and helping them on being 'smarter' in their approach to business finance.
- Local authorities and LEPs will be informing and influencing the outcome of the design of the new publicly backed investment funds, post 2015 to ensure that there is maximum flexibility, alignment with LEP priorities and a focus on balancing returns on capital with creation of economic growth and employment as clear outcomes.
- Local authorities and LEPs will continue to make a strong case for local determination in the design of European Structural Funds post 2014 and to continue to maximise ERDF funding opportunities for the area.

Theme 2: Infrastructure Broadband and Digital Infrastructure and Communications

Recommendations:

- For Government and local authorities to consider how they input to further stimulate behaviour and attitudinal change to encourage citizens and businesses to become more digitally aware, digitally confident and digitally 'ready'.
- Councils could encourage the up-skilling of young people and improve educational attainment, including exploring the possibility of a pilot project

aimed at shaping curriculum content in schools on digital and broadband technology skills.

- Councils be encouraged to re-visit their strategies for supporting and encouraging their own employees to develop digital and broadband skills to ensure these opportunities are being maximised.
- Recommend the promotion of greater collaboration between digital businesses that will help stimulate and encourage innovation and create greater awareness of digitally based applications and solutions.
- Businesses, LEPs and local authorities work together where appropriate to make the case for adequate levels of investment to achieve national and local aspirations for improving broadband coverage and take up.
- Government must look to fund digital inclusion projects to maximise economic and social benefits.

Theme 3: Infrastructure: Transport, Connectivity and Energy

Transport and Connectivity Recommendations:

- Continue to make a strong case for ensuring the North East is properly linked to High Speed 2 at the earliest opportunity and for the Government to invest in the East Coast main line to achieve maximum compatibility of conventional line and high speed services.
- Press for intra-regional connectivity and improvements in infrastructure and services for both passengers and freight in the North East as these remain critical factors for economic and business success.
- Actively explore opportunities for councils presented by the Government's rail franchising programme, and potential for devolution of Northern Rail and Transpennine Franchises.
- Continue support for the North East's ports and airports.
- Continue to press the Government to revise its approach to Air Passenger Duty (APD) which currently has a disproportionate impact on regions

and localities; a differential approach to APD that would lower the rate for regional airports could have a transformational impact in terms of protecting key routes and attracting new ones.

- As part of planning permission for any further expansion at London Heathrow, some of the additional capacity should be ring-fenced for regional air services.
- Ensure that the North East maximises the opportunity presented by the 'pinch point' scheme announced in the Autumn Statement which signalled support for local transport priorities, which need to be delivered as swiftly as possible.

Energy Recommendations:

- Raise with LEPs, business representative organisations and BIS Local the issue of ensuring that in future ONS statistical information reflects the real strengths of key industries.
- Make representation, where appropriate, on carbon taxation, energy pricing and the design of future energy policy which have been cited as significant issues for attracting and retaining energy intensive industries and promoting a level playing field with other areas of the country.
- Work together around a strong proposition that reflects our strengths in areas such as carbon capture and storage, wind power and electric vehicles, and nurture an internationally recognised reputation for our energy credentials and capabilities.

Theme 4: Inward Investment and Promotion

Recommendations:

- Encourage those involved in economic development to work closely with UKTI to ensure there is an in-depth understanding of the account management process and how this and further research can be harnessed to provide valuable economic intelligence that LEPs and local authorities can draw on to improve their competitive advantage.
- To continue to provide UKTI Local Team with the *evidence base* to help promote investment

opportunities and, in particular, highlight differentiation and sectoral strengths in LEP economic geographies that have the competitive edge.

- Help build the evidence base and critical mass of information to build up intelligence about why companies decide *not* to invest in the North East (e.g. lack of co-ordinated packages of support, lack of financial incentives etc), as well as those that are influential in attracting investment opportunities.
- Harness civic leadership to ensure that the North East maximises opportunities for developing relationships with foreign ambassadors, UK based and overseas consulates and embassy offices so that we can nurture our strengths with key influencers in target markets and sectors.
- Councils can play a critical role in helping business and young people have a dialogue about what job opportunities there are in localities, and in helping to communicate positive images - working with businesses themselves - to promote positive images of traditional industries (engineering and manufacturing) as being attractive workplaces with good career paths and prospects.

Membership of the Economic Development Task and Finish Group

ANEC Members:

- Councillor **Alan Armstrong**, *Northumberland County Council (LD)*
- Councillor **Bob Cook**, *Stockton on Tees Borough Council (Lab) Chair*
- Councillor **George Dunning**, *Redcar & Cleveland Borough Council (Lab)*
- Councillor **Neil Foster**, *Durham County Council (Lab)*
- Councillor **Martin Gannon**, *Gateshead Council (Lab)*
- Councillor **Peter Jackson**, *Northumberland County Council (Con)*
- Councillor **Nick Kemp**, *Newcastle City Council (Lab)*
- Councillor **Chris McEwan**, *Darlington Borough Council (Lab)*
- Councillor **Michael Mordey**, *Sunderland City Council (Lab)*
- Councillor **Charles Rooney**, *Middlesbrough Council (Lab)*
- Councillor **Heather Scott**, *Darlington Borough Council (Con)*

Co-optees:

- Councillor **Michael Johnson**, *Newcastle City Council (Lab)*
- Councillor **Judith Wallace**, *North Tyneside Council (Con)*

Chief Executive Advisers:

- **Ada Burns**, *Darlington Borough Council*
- **Neil Schneider**, *Stockton on Tees Borough Council*
- **Dave Smith**, *Sunderland City Council*

ANEC Directorate:

- **Melanie Laws**, *Chief Executive*
- **Hilary Knox**, *Deputy Chief Executive*
- **Lucy Jowett**, *Policy Manager*

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Economic Overview

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- **Linda Edworthy**, *Director of Policy and Strategy, Tees Valley Local Enterprise Partnership*
- **Ross Smith**, *Director of Policy, North East Chamber of Commerce*

Access to Finance

- **Martin McTague**, *Regional Vice Chairman, Federation of Small Businesses*
- **Stephen Lightley**, *Chief Operating Officer, North East Access to Finance Limited*

Infrastructure (Broadband and Digital Infrastructure and Communications)

- **Simon Roberson**, *Regional Partnership Director North East, BT*
- **Stephen Gray**, *Programme Director, iNorthumberland*
- **Stephen Gowland**, *Solutions Architect, Sunderland City Council*
- **Phil Jackman**, *Head of ICT Services, Durham County Council*

Infrastructure (Transport, Connectivity and Energy)

- **Stan Higgins**, *Chief Executive, North East Process Industry Cluster (NEPIC)*
- **Heidi Mottram**, *Managing Director, Northumbrian Water, Member of CBI National Infrastructure Board and Chair of CBI Northern Region*
- **Jonathan Spruce**, *Vice Chair of Transport Panel, Institution of Civil Engineers*

Inward Investment and Promotion

- **Chris Pywell**, *Director, Centre for Industrial Growth*
- **Tasleem Baqir**, *Partnership Manager, Investment Services Team UKTI*
- **Andrew Robinson**, *French Honorary Consul (North East of England), French Business School*
- **Kevin Fitzpatrick**, *Vice President - Manufacturing Operations, Nissan Motor Manufacturing (UK) Ltd*

Written Evidence was submitted by the following:

- Bank of England
- Centre for Urban and Regional Development Studies, Newcastle University
- Civil Engineering Contractors Association (North East)
- Confederation of British Industry
- Developing Consensus
- Jayvee Renewables
- JK Property Consultants LLP
- Newcastle International Airport
- North East Access to Finance
- North East Chamber of Commerce
- North East Process Industry Cluster
- Northumbria University
- Royal Institution of Chartered Surveyors
- Tees Valley Unlimited

ANNEXES

ANNEX A: Local Authority Economic Growth Case Studies

**ANNEX B: Broadband and Digital Infrastructure:
Summary of Progress and Partnerships across
North East Local Authority areas.**

**ANNEX C: <http://www.nelep.co.uk>
<https://www.teesvalleyunlimited.gov.uk>**

Local Authority Economic Growth Case Studies

Darlington - Central Park Development

Central Park, a 30-hectare brownfield site, represents a tremendous opportunity to revitalise a key strategic site near the centre of Darlington, bringing investment and jobs, which will benefit both Darlington and surrounding area.

Managed by Darlington Borough Council working with the Homes and Community Agency, the project will bring forward a high quality mixed development scheme of a value in excess of £100 million over the next 10 years. The initial phase of development will deliver over 320 new homes and the iconic park land will be bought forward by the selected residential developer, commencing in 2013. In addition a public sector-led Business Growth Hub, offering a fully serviced and supported business environment for new and expanding SMEs in Darlington and the surrounding area will also be delivered by 2015.

This links closely with the recently developed education hub containing the new £35 million Darlington College campus and £13 million Teesside University complex, along with the Central Park Enterprise Zone, the commercial centre which focuses on a fast growing digital economy that will provide business incubator facilities.

Central Park will deliver:

- 500 new homes, including family town houses including affordable units;
- over 1,000 new jobs, in addition to those in the construction phase;
- the new Darlington College;
- the new Teesside University Darlington Campus;
- hotel and facilities close to Darlington Bank Top mainline railway station;
- a new local centre;
- a new iconic park;
- high quality office accommodation, including the Business Growth Hub in quality surroundings;
- a new link to the mainline railway station and the town centre; and
- provision for a Tees Valley metro stop near the University.

Durham - DurhamGate

Located five miles south of Durham City, DurhamGate will deliver a vibrant mixed-use destination, providing a quality environment to attract high calibre employers, and will create a regionally significant development that regenerates the Durham area.

Through effective partnership working, Durham County Council has enabled swift progress to be made in the joint venture between Carillion Developments, part of Carillion plc, and North East property business, Arlington Real Estate.

DurhamGate delivers a strong blend of commercial, living and leisure opportunities that will play a significant part in the future of County Durham. Committed and expected investment totals over £50 million and over 400 people were already employed at DurhamGate at the start of 2012. This is a significant achievement given planning approval was only granted in 2009.

DurhamGate will deliver:

- approximately 400,000 square feet of office space;
- 30,000 square feet of shops, restaurants and cafés;
- a hotel; and
- residential developments creating up to 376 homes.

Local Authority Economic Growth Case Studies

Gateshead - Northern Design Centre

The Northern Design Centre is a centrally located regional resource for the North East and is Gateshead's Innovator Connector, located on Baltic Business Quarter in Gateshead, a regeneration site on Gateshead Quays close to Newcastle City Centre.

Gateshead Council has led the Northern Design Centre project, securing investment funding and taking a strategic role in its delivery.

The project has delivered:

- a new home for the North East's leading creative and design enterprises;
- the first European office for New York based mobile design and development agency - Fueled;
- an on site university presence, where businesses can interact with universities;
- a focus on knowledge driven, graduate enterprise development and Multi Disciplinary Design Initiatives (MDDI); and
- a location for the vast knowledge and science base in regional universities, from which small to medium size enterprises can benefit.

Hartlepool Business Incubation System has delivered:

- £4 million investment at Queen's Meadow in partnership with UK Steel Enterprise resulting in a 27,000 sq ft centre which achieved 100% lettings within months. It is the best performing centre in UK Steel Enterprise property portfolio and has driven up awareness of business start up and self employment opportunities. A further 18,000 sq ft opened in 2011 at a cost of £5 million and good letting rates of around 60% have been achieved even in the face of challenging economic conditions;
- a move-on accommodation project for Queen's Meadow by Rivergreen Developments at Brougham Enterprise Centre in two phases of 40,000 sq ft each offering high quality hybrid space built to BREAAAM standards;
- support to local residents seeking advice on setting up a new business and the encouragement of growth and sustainability within existing businesses; and
- a doubling of business start up rates between 2002-2007, the fastest improving rate in the North East and the rate has remained healthy given the challenging economic conditions.

Hartlepool - Business Incubation System

Hartlepool Business Incubation System is playing a major role in the development of sustainable local businesses that contribute to making Hartlepool more globally competitive. It was conceived as part of Hartlepool Council's strategy to stimulate indigenous business start up and business growth.

Hartlepool Council working in partnerships including UK Steel Enterprise, Rivergreen Developments and others, created a hot house development at Queen's Meadow, Hartlepool's most modern business park developed on a brownfield site, an enhancement scheme at Brougham Enterprise Centre, a converted Victorian School and embedded business infrastructure support in the town for start ups and existing businesses. 2011 business start ups for Hartlepool remained reasonably positive and are above the Tees Valley and North East rate.

Local Authority Economic Growth Case Studies

The Boho Zone has delivered:

- Boho One: Digital Enterprise Centre providing 3,200 sq m of award winning workspace, built to BREEAM Excellent standards offering business accommodation for 27 accelerating and established digital companies employing over 180 people;
- Boho Two: Bo-House, Digital Live/Work Accommodation providing 20 live/work units for digital and creative professionals built by Erimus Housing, which is fully occupied and developing a significant waiting list;
- Boho Three: Platform Arts which redeveloped a Victorian railway building, housing 14 artists including painters, sculptors and print makers; and
- Boho Four: Gibson House 'Move-On' Space converted the former Cleveland Club which officially opened in April 2012 following a £1m+ refurbishment, and is already 60% let to digital companies.

Middlesbrough - the Boho Zone

Since 2007 the St. Hilda's area of Middlesbrough has been transformed from a once problematic housing area to a thriving business hub known as the Boho Zone, generating local jobs and attracting international investment.

The high profile physical transformation and tangible sense of economic vibrancy in the area has been driven by the success of the DigitalCity initiative, a partnership between Middlesbrough Council and Teesside University. Based on the Soho areas of both New York and London, Boho facilitates continuous interaction between companies and ensures that a 'pipeline' of workspaces is available to allow companies to start up and establish themselves within a creative and collaborative environment.

Middlesbrough Council provide ground-breaking support services aimed at accelerating the growth of digital start ups and more established creative businesses and 'fast-tracking' them through to international markets.

The combination of high quality physical workspace and innovative business support provided by the Council has been key to maximising the economic impact of the Boho Zone and ensuring a long-term contribution to the regeneration of the town.

Newcastle City Council

Forming part of the Newcastle Science City initiative, Science Central is a partnership between Newcastle City Council and Newcastle University and is located on the 10 ha site of the former Scottish and Newcastle Brewery. Its master-plan and outline planning consent are in place and a funding package in excess of £30million is secured. The site is one of four Accelerated Development Zones (alongside Central Station and the Stephenson Quarter, East Pilgrim Street and Baltic Business Quarter) which have been created as part of the Newcastle City Deal. The four sites cover 80 ha and together will create up to 13,000 jobs over the next 25 years, using business rate growth to pay for infrastructure investment. Site enabling work began in Autumn 2012 and construction of the first building; a seven-storey office building for new and growing science companies will be open for business in Autumn 2014.

The project will deliver:

- the largest city centre investment opportunity in over a decade and will create a new urban quarter central to Newcastle's economic future and a hub for the scientific growth of the city;
- an international exemplar in sustainability, connecting and restoring previously rundown areas in the west end of Newcastle;
- development of the city's existing knowledge and scientific expertise in stem cell and regenerative medicine at the International Centre for Life, and ageing and healthcare at Newcastle University's Campus for Ageing and Vitality; and
- the creation of 1,900 jobs over the next 15 to 20 years by attracting hi-tech firms to locate within the city, alongside mixed retail and leisure uses.

Local Authority Economic Growth Case Studies

North Tyneside - A19 Corridor Employment Zone - Cobalt Business Park

The A19 Corridor Employment Zone is highly accessible located alongside the A19 (T) and the A1058 Coast Road and located within it is Cobalt Business Park, the largest office park in the UK. Occupiers include many national and international companies including Santander, Proctor and Gamble and Accenture and it has been ranked in the top five per cent of business parks nationally for its recruitment catchment and is one of the best transport connected business parks in the UK.

North Tyneside Council has been the driving force behind the vision required to enable private sector investment along the A19 corridor resulting in around 15,000 new jobs and diversification of the local economy. Its wide ranging role includes acquiring the land now being developed by the private sector, providing essential advance infrastructure (electricity supply, drainage, roads, footpaths, structural landscaping) and declaring the site as an Enterprise Zone with financial benefits and simplified planning powers.

The A19 Corridor Employment Zone will deliver:

- 2.5 million sq ft employing more than 18,000 people at Cobalt upon completion;
- the new Cobalt Data Centre Campus providing the highest standard of technical real estate available in the North East and totalling 64,584 sq ft. Data Centre 1 has been awarded a BREEAM 'excellent' rating, making it the greenest data centre in the North-East and one of only a handful in the UK;
- Cobalt Central, the park's own retail centre which includes six retail units, meeting places and a landscaped environment; and
- Cobalt Business Exchange comprising 117,000 sq ft of serviced offices, the largest of its kind in the UK and including an impressive reception/atrium, cafe, conference centre, extensive meeting rooms and extensive free parking.

The project will deliver:

- a £600m Tees Renewable Energy Plant - one of the world's largest biomass power stations;
- good quality local jobs which will last for many years;
- enough electricity each year to power 600,000 homes;
- a facility to help meet the EU's renewable energy target of 20% by 2020, accounting for 5.5% of the UK's target; and
- savings of about 1.2 million tonnes of CO2 per year.

Redcar and Cleveland - Tees Renewable Energy Plant

A biomass facility in Redcar and Cleveland, known as the Tees Renewable Energy Plant is an example of a long term visionary project which is well on its way to commercial operation, thanks to the determination of the local authority and commercial partner MGT Power.

Redcar and Cleveland Council has been instrumental in supporting MGT Power for over four years during the consultation and development period of the project. It has provided huge cooperation in terms of introducing investors to the site and the quality of the workforce and will continue its support until the site enters commercial operation in 2015, and beyond.

This renewable energy project demonstrates the council's commitment to regenerating brownfield/riverside sites.

Local Authority Economic Growth Case Studies

Northumberland - ARCH Corporate Holdings

Arch, The Northumberland Development Company, has a county-wide remit to deliver development and regeneration and to attract investment. The organisation brings together services in housing, commercial property, physical regeneration and business growth. Wholly owned by the County Council and with a mixed public-private Board, Arch has a focus on economic growth designed to bring a more enterprising and business-like approach to development and regeneration in Northumberland.

Arch is an asset-based business: acquiring, developing, upgrading and rationalising a portfolio of commercial and residential property, the profits from which are reinvested in growing the asset base and enabling regeneration and business development. The company aims to provide high-quality, affordable homes for families in Northumberland and a choice of good-quality, affordable industrial and commercial workspace for start-up businesses, growth companies and inward investors.

Arch will make a significant contribution to residential property development in Northumberland, helping to address demand for good quality, affordable homes to rent across the county. In addition to addressing continuing demand in deprived areas of south-east Northumberland, Arch will help tackle the shortage of affordable homes in high-cost areas of the commuter zone and in fragile rural and coastal communities.

ARCH Corporate Holdings will deliver:

- as Northumberland's largest private residential landlord, over 700 affordable rented homes, mostly in South East Northumberland;
- a diverse portfolio of industrial and commercial property as well as development sites throughout the county creating an asset base with a total value in excess of £50 million which can be used to drive growth in priority places in the county;
- selective acquisitions and acting as a developer increase its residential portfolio to 1,000 units by 2015, with plans to expand to 2,500 in the long term;
- plans to create a network of hi-tech incubators for key industry sectors including renewable energy, engineering and pharmaceuticals, as well as expansion space for growth companies;
- a business winning service which will market Northumberland as a competitive location, attract inward investment and support company relocations and expansions;
- commission enterprise services and targeted business growth activities; and
- the County Council's strategic investment priorities and development of key Homes and Communities Agency (HCA) sites including the Blyth Estuary Enterprise Zone where it will work in partnership with the HCA, Port and others to attract investment and start-ups by creating a range of workspace for the energy, offshore renewables and engineering sectors, Ashington town centre, where ARCH will lead a £30 million regeneration scheme including a new leisure centre, a learning centre and housing, Berwick-upon-Tweed, where ARCH will implement an action plan including proposals for new business space and FE/HE provision and for the historic Barracks, work with the Council and the HCA to bring forward investment plans for former hospital sites at Morpeth and Prudhoe.

Local Authority Economic Growth Case Studies

Key features

- new cinema, retail and leisure facilities in South Shields town centre;
- new transport interchange;
- 1960s eyesore Wouldhave House in South Shields market place currently being demolished;
- a seamless offer for residents and visitors, from the beautiful seafront to a regenerated town centre and Riverside area;
- easy links from town centre to new £16m seafront pool and leisure complex, Haven Point, new promenade and seafront improvements at Littlehaven and £2.3m riverside park at Harton Quays;
- swimming pool, state-of-the-art gym, library and customer service centre in new Hebburn Community Hub, as well as new family homes nearby;
- outdated residential blocks demolished to make room for new developments in Hebburn Newtown; and
- superb new school buildings opened in Hebburn.

South Tyneside - Regeneration of Town Centres

In spite of difficult economic times, South Tyneside Council are continuing to invest in ambitious regeneration plans to deliver growth and prosperity for the borough's residents. South Shields 365 is a bold vision for a £100m redevelopment including a new cinema, library and retail and leisure facilities, making the town centre an exciting destination every day of the year.

The Council is also spearheading the renewal of Hebburn town centre, with a new community hub which will provide quality services, boost the town centre and also make the area more attractive to private sector investors.

Sunderland - Nissan

Sunderland City Council has a proven track record in attracting, supporting and growing successful enterprises, from manufacturing to new technologies. Over many years it has developed a strong and successful strategic relationship with Nissan to ensure the automotive giant continues to realise major economic benefits - not only for Sunderland - but for the whole of the North East.

Nissan is more than a success story; it's a phenomenon. Since opening its Sunderland plant in 1986, Nissan has grown to become the largest plant in the history of the UK car industry, turning out over 480,000 cars in 2011 - one-quarter of UK-manufactured cars - over 80% for export. The Qashqai line currently runs round the clock and further investment in the plant will take production to 24 hours a day, five days a week on both lines.

Delivering success has depended upon:

- support for global projects. Sunderland City Council has got a good international feel of how to work with global companies, and have put this to good use;
- links to national government. Sunderland City Council have used these links to support projects such as the Leaf, the world's first, affordable, mass-market, pure-electric car;
- a solid and reliable support structure as almost half of Nissan's parts, in cost terms, come from UK-based suppliers. The council has very good links with key Nissan suppliers and helped them expand or relocate to meet Nissan's needs, for example, Vantec Europe which will handle around 6 million plastic and metal containers containing Nissan car parts each year. Vantec invested £22.5 million in a 421,000 sq ft building contributing towards 230 jobs by 2015 following the award of £2.7 million from the Regional Growth Fund (RGF). Sunderland City Council worked closely with Vantec on its RGF application and the plans for expansion; and
- availability of a highly skilled and flexible workforce. Nissan teamed up with Gateshead College to develop the UK's first Skills Academy for 'Sustainable Manufacturing and Innovation' which is based close to the Nissan plant.

Local Authority Economic Growth Case Studies

Stockton - Nifco UK

Successful public/private sector working has resulted in the development of the largest new manufacturing space in the Tees Valley for 20 years to accommodate Nifco UK when it outgrew its original location. Nifco UK with its highly valued local workforce offer a world-class service in the field of injection-moulded products and is a Japanese company with subsidiaries and affiliated companies in twelve countries around the world. It is a key component of the UK automotive industry supply chain producing parts that are used in almost every UK-made car.

Working in conjunction with Tees Valley Unlimited, the area's Local Economic Partnership (LEP), Stockton Borough Council provides a business engagement function for key companies within the Borough. This function aims to develop positive relations with key employers, gather economic intelligence and support economic growth and investment. The council facilitated Nifco's world class solution by identifying suitable locations, providing advice and support on a range of development matters, vital funding support issues and building relations with the Japanese owners through demonstrating commitment to support growth plans. This successful joint working and shared vision will see Nifco's investment in the

Borough of Stockton rise to nearly £20m. The initial public/private sector joint working to support Nifco's growth plans continues to reap dividends for the area and Nifco UK itself enjoys continued growth and success.

This public/private sector working has delivered:

- an initial increase in the number of employees to over 300, safeguarding the existing workforce and creating 128 new jobs;
- Nifco UK successfully securing a Regional Growth Fund Round 1 award of £1.65 million to fund the purchase of new machinery and to ensure the new building is energy efficient with the inclusion of renewable energy measures such as photovoltaic cells;
- the North East based construction firm, Tolent, building the £8.5 million 130,000sq ft. premises;
- a further £11m to be spent on the new factory infrastructure, energy efficiency measures and production machinery;
- a further £1.92 million from the Regional Growth Fund will continue its expansion at a total cost of £12.8m, funding a new 61,000 sq ft production facility with new R&D capability and generating a further 167 new jobs which will bring the total Nifco UK workforce to 453 by 2015; and
- Nifco UK firmly embedded in the area are a key supporter of many economic initiatives including the Local Business Accelerator Initiative and as a champion for the engineering skills agenda and the need for new engineering graduates and apprenticeships in the UK.

Broadband and Digital Infrastructure: Summary of Progress and Partnerships across North East Local Authority Areas

Durham, Gateshead, Sunderland and Tees Valley

Durham County Council, Gateshead Council, Sunderland City Council and the five Tees Valley authorities are taking a collaborative approach to digital and broadband infrastructure and have successfully secured funding totalling almost £30 million through BDUK monies and match funding. Funding is aimed at ensuring that superfast broadband - currently defined as at least 24 Mbps - is available to 90% of businesses and homes, with the remaining 10% having a minimum of 2 Mbps speed. They are on track to deliver their aspirations and have appointed BT as provider with the aim of having superfast broadband to 94% premises by 2016. The approach adopted is a good example of how greater collaboration, achieving critical mass and sharing good practice can achieve positive outcomes for improving digital and broadband infrastructure in the North East. The programme goes beyond BT's commercial roll-out of fibre broadband and takes faster broadband to areas which are technically and economically more challenging. Improving broadband coverage is believed to give residents, communities and businesses greater opportunities, with the aim of strengthening the economy and potentially changing the way business is conducted and services delivered.

A number of local authorities have undertaken broadband demand stimulation surveys, which are an important tool in helping highlight where demand exist in order to strengthen the case for securing investment. A survey being led by Durham has received around 6,000 responses to date.

Newcastle

Newcastle City Council has secured Government funding from both the Local Broadband Programme and the Super Connected Cities programme; this will be more than doubled with matched funding from the council and private sector investment. Through the programme, Newcastle will deliver superfast broadband to at least 90% of the premises in the city (currently defined as at least 24 Mbps) and basic broadband to the remaining premises in the city (with a minimum speed of at least 2Mbps); improved access to ultrafast broadband (currently defined as at least 100 Mbps); free Wi-Fi in the council's publicly accessible buildings, extended wireless provision

across the city and investment in a centre for cloud computing.

The ambition is to create a world-class city where everyone has the opportunity to participate in the digital age: Go Digital Newcastle. This initiative encompasses all the council's broadband plans, including the superfast, ultrafast and wireless elements. Giving people and businesses access to superfast connectivity; affordable technology and practical support to get the most out of being online will contribute to the council's aspiration for a fairer future, a vibrant economy and making Newcastle a great place to live, do business, study and visit. It will help make sure that the benefits of rising prosperity are shared across the city to reduce inequalities, and ensure that people have good quality jobs, where they can realise their full potential.

North Tyneside

North Tyneside Council, in partnership with its main infrastructure providers, is on track to achieve over 91% superfast broadband coverage of the Borough by 2015. The remaining 9% of the Borough is mainly areas of protected and open space and therefore doesn't largely require superfast broadband will be covered by a 2Mbps service. The authority has been active in rolling out superfast broadband and has embedded 'Maximising the Borough's Connectivity' within their overriding Sustainable Communities Strategy.

Council officers have discussed their infrastructure plans with BT Openreach and Virgin Media representatives to assess the need for public sector investment and to discuss the local impact of their major national programme for upgrading local exchanges. Virgin Media already offer their customers speeds well in advance of superfast broadband minimum in the areas they serve across North Tyneside and they are currently upgrading their local infrastructure to increase available speeds up to 100 mbps and plan to increase this to 120 mbps by the end of 2013.

Northumberland

Backed by over £30 million of Government funding, Northumberland County Council and private sector funding, the iNorthumberland programme is ensuring, through its work with BT, that everyone has access to

Broadband and Digital Infrastructure: Summary of Progress and Partnerships across North East Local Authority Areas

a standard service of 2 Mbps, with 91% of the population able to access superfast speeds by 2015. Northumberland County Council recognised that better and faster internet connections will be essential to the future of the county and its ability to attract high-quality and lasting jobs into Northumberland. iNorthumberland Digital Champions are acting as co-ordinators between their communities and the County Council to encourage demand registration (now over 15,000 across the county) and involvement in funding bids. They are raising awareness, interest and demand for a world class broadband service.

iNorthumberland includes a £1.3m loans scheme, the first of its kind in the country, allowing private sector operators to deliver services to the remaining 9% of premises by offering wireless and satellite alternatives. They will be able to access the loans over a three year period to develop their businesses while signing up customers for their broadband services. iNorthumberland has also secured ERDF funding to create a £5.48m funding pot to deliver the Digital Economy Programme. 2,600 businesses will benefit from improved infrastructure and an extensive digital business support programme to help them gain the benefits of the emerging digital economy, equip them with on-line learning, best practice support and schemes to enable the more advanced SMEs to access ultrafast broadband (100meg+).

The County Council is the first local authority in the country to benefit from Defra's £20m rural broadband fund by securing £460,000 to deliver superfast broadband to more than 1,500 properties in the Rothbury area. The council is working with BT and GreySky Consulting to ensure the delivery of this community-led project.

South Tyneside

South Tyneside recognises that to achieve its vision, wealth and prosperity must be brought to local communities and businesses and that despite unprecedented challenges and economic uncertainty investment must continue for the long-term. This includes creating the infrastructure, including digital infrastructure, that will enable businesses to flourish and new job opportunities to emerge.

Ensuring key sites are digitally connected is an important strand in plans to regenerate towns, homes and communities and exploit the key strategic assets of the River Tyne, the A19 employment corridor and

to maximise the opportunities along the foreshore and within key urban centres and smaller towns and villages. The council's role in creating the conditions for business growth involves utilising the full range of technological tools to promote South Tyneside including the web and social media to deliver advice and support services to businesses. The council is also encouraging digital and new media businesses to develop and expand.

South Tyneside is fully committed to improving broadband infrastructure and more than 31,400 homes and businesses in South Shields and Boldon are benefiting from BT's expansion of its superfast broadband network. Work is continuing to achieve the national targets for broadband delivery by collaborating with partners and the broadband plan for the Borough is being updated to include an aspiration to provide broadband infrastructure to new development sites.

Sunderland

Sunderland City Council has prioritised connectivity infrastructure and will deliver a private city cloud, one of the first in Europe, through its Smarter City partnership with IBM. It also worked with BT to implement a superfast city-wide broadband infrastructure. These two initiatives are nurturing the growth of its software industry. Sunderland has the biggest cluster of high-tech companies, including more technology start-ups, outside London, and the investment in infrastructure and connectivity has been key to this. The cloud will provide a low cost, accessible and secure platform for use across Sunderland allowing residents to access services and information quickly and easily, increasing the capacity and capabilities of businesses without investing in new infrastructure, training new personnel or licensing new software. It has the potential to improve collaboration between organisations and reduce the council's operational costs by £1.4m a year over the next five years through a reduction in hardware, software, maintenance and improved IT management, allowing the council to recoup its initial investment.

<http://www.nelep.co.uk>

<https://www.teesvalleyunlimited.gov.uk>

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May 2013

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