

TEES VALLEY: OPPORTUNITY UNLIMITED

An independent report.



The Rt Hon the Lord Heseltine of Thenford CH

June 2016

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Introduction

I was delighted to receive an invitation from Sajid Javid, Secretary of State for the Department of Business, Innovation and Skills to support inward investment in the Tees Valley, and to look at the SSI site following its closure. My first conclusion was easy. The site itself is only a part of a much bigger picture. Four miles of the south bank of the Tees is a scene of desolation, a memory of industrial activity now gone. Yes, there are some conspicuous examples of recent investment particularly with PD Ports and Northumbrian Water facilities but the contrast with the north bank is stark.

The Government and the Combined Authority have seized the opportunity to establish the first Mayoral Development Corporation outside of London to prepare the wider South Tees area for an exciting future. I could have felt the announcement on the 10 May, of the structure and local personalities to undertake the task, amounted to 'job done'.

But I have been fascinated by the few months I have spent visiting and thinking about the Tees Valley. I make no apology for indulging in mission creep. It is the only way I can adequately salute and praise the transformation that is taking place in the Tees Valley. These changes will be accelerated by the recent creation of the new Combined Authority in April 2016 and the enhanced leadership of a directly elected Mayor next April.

So the mission creep extends to questions about the ability of the Tees Valley to educate its children and supply the skilled workforce, without which this transformation will be threatened. Let me stress a point I have made repeatedly. I am not a member of the Government. This report reflects only my own views. It is only my snapshot but I have been hugely impressed by the number of people in local government, the public and private sectors who are determined to lead this new opportunity. I take the liberty of making some suggestions. They are based on my view that the Tees Valley has an exciting future and that it should be helped to assert its own character and personality.

The Government is driving forward the Northern Powerhouse. The new Combined Authority can stamp its own imprint, break out from the shadow of Newcastle, exploit its past, secure the interconnectivity of transport infrastructure, establish Darlington as its gateway and add an escalating range of new industries to those on which its past depended.



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Key Report Recommendations

The Tees Valley has a broad range of strengths and local Leaders, working with the Local Enterprise Partnership, have made significant progress in securing a successful economic future for their area.

These key report recommendations support innovative thinking to secure a strong and sustainable economic future for the Tees Valley.

Chapter 4: Industrial and Urban Regeneration

- **BIS should work closely with both DWP and HMRC to create a plan setting out how information relating to those affected by closures can be made available quickly, and how it can be used to inform the response to an economic shock. This plan should then form part of the standard process for managing future economic shocks. (see 4.3.9)**
- **That the South Tees Development Corporation is established as quickly as possible and that Government and local partners put the relevant resource in place in order to realise this goal. Also that Government begins engagement with the Combined Authority on how and when ownership and management of the SSI site can be moved to the South Tees Development Corporation, including with relevant Her Majesty's Treasury funding agreements, and the agreement of the Combined Authority. (see 4.6.10)**
- **That the Shadow Board creates an ambitious strategy for the area within a year of the publication of this report. (see 4.7.6)**

Chapter 5: Growth Opportunities and Wider Regeneration

- **Universities work with local employers, and Lord Baker, to consider whether technical based education provision in the form of either a University Technical College or Institute of Technology may help to address skill gaps and contribute to meeting future needs of business. (see 5.2.7)**
- **The Chambers of Commerce should agree with the Local Enterprise Partnership a visit to one of the leading German cities in order to learn at first hand the scale and quality of the services on offer to German companies with which Tees Valley companies have to compete. (see 5.5.6)**
- **The Tees Valley Combined Authority to work with the Chamber of Commerce and the Local Enterprise Partnership to bring together all business support organisations, enhancing the Business Compass model to ensure all businesses have access to the right sort of advice and support. (see 5.5.7)**
- **The five Local Authorities, community groups, and developers should actively explore the opportunity presented by the Prime Minister's ambitious new Estates Regeneration programme. (see 5.7.5)**

Chapter 6: Education, Employment and Skills

- **The Department for Education build on their initial role in the Tees Valley Devolution Deal and make a commitment that they will play a collaborative and active role in the Education, Employment and Skills Board. (see 6.2.10)**

- **The Regional Schools Commissioner to play an active, collaborative, and advisory role on the Tees Valley Education, Employment and Skills Board which will ensure better joining up and collaborative working between Local Authority controlled schools and academies. (see 6.2.11)**
- **The Tees Valley Combined Authority must provide ambitious, visible and determined leadership of the strategy to transform education and skills across the Tees Valley. (see 6.3.8)**
- **Local Authorities to continue to send out letters to leaders of underperforming primary and secondary schools, and the Combined Authority to play a role in agreeing all school intervention plans with governing bodies, through the Education, Employment and Skills Board. (see 6.4.5)**
- **The Tees Valley area is prioritised for national roll out of the National Teaching Service, which seeks to incentivise talented teachers and middle leaders to work in areas that are struggling to recruit and retain high quality teachers. (see 6.4.9)**
- **After completion of the Further Education Area Review, the Tees Valley should consider whether it would be appropriate to create a University Technical College or Institute of Technology. (see 6.5.4)**
- **The Tees Valley LEP and Combined Authority to work with employers and schools to promote and increase the number of apprenticeships in the area and maximise the opportunities presented by the Government's apprenticeship reforms, including the levy. (see 6.6.5)**
- **All national and local careers advice initiatives should be coordinated through the Tees Valley Combined Authority Education, Employment and Skills Board. (see 6.9.2)**

Chapter 7: Energy Economy

- **The Tees Valley to continue to work with DECC and BIS on the Decarbonisation and Energy Efficiency Roadmaps to ensure that Tees Valley experience and expertise influences this work. (see 7.2.10)**
- **The Teesside Collective should develop a new business case that reflects changed circumstances (i.e. the end of the Carbon Capture Storage Commercialisation Competition and closure of SSI) and clearly sets out the rationale for Industrial Carbon Capture Storage in the area. (see 7.3.8)**
- **Should any further feasibility funding be available this Parliament, the Government should continue to support the Teesside Collective subject to the Teesside Collective proposals demonstrating a strong rationale for Industrial Carbon Capture Storage in the area and value for money. (see 7.3.9)**
- **The Government to set out its new approach to Carbon Capture Storage (CCS) taking into account the findings of Lord Oxburgh's CCS Advisory Group report. (see 7.3.10)**
- **The Teesside Collective should work with existing petroleum and carbon dioxide storage licence holders, and harness the Storage Site Appraisal work to explore and identify the best potential offshore pipeline network and potential storage site for Teesside's Industrial Carbon Capture Storage emissions. (see 7.3.16)**

- **The Tees Valley should continue to make progress on its potential energy (including heat) network schemes and encourage as many of the industrial companies located on the north and south sides of the Tees as feasible to join the schemes. (see 7.3.25)**
- **The Local Enterprise Partnership and the Tees Valley Local Authorities should continue to work in full, close co-operation with DECC's Heat Networks Delivery Unit in the development and delivery of heat network opportunities in the Tees Valley. (see 7.3.26)**
- **Hartlepool Borough Council should undertake work to consider whether the proposed new nuclear site at Hartlepool would be suitable to host a Small Modular Reactor. (see 7.5.5)**

Chapter 8: Housing

- **The Tees Valley Local Authorities should work in partnership with the Homes and Communities Agency to identify suitable sites for Starter Home development, and actively drive forward their ambition to fast-track the development for young first time buyers. (see 8.2.4)**
- **The Government expects to see local engagement reflected in proposals to the £3 billion Home Building Fund and the Tees Valley Combined Authority should make the maximum use of the funding on offer and work proactively with developers to bring forward bids. (see 8.3.8)**
- **The Tees Valley should continue to work with Government to explore innovative models of investment that enable the delivery of long-term housing and regeneration plans to support their economic growth. (see 8.5.9)**
- **To increase its rate of delivery, the Tees Valley should focus its immediate efforts on supporting viable bids for funding under the new more flexible developer funding arrangements available through the Home Building Fund, alongside funding for affordable homes. (see 8.5.10)**
- **The Tees Valley should focus early on exploring the viability of Starter Homes and low cost home ownership. Government should help the Tees Valley access the funds they need to support their housing ambitions. (see 8.5.11)**

Chapter 9: Transport Infrastructure

- **Highways England are encouraged to seriously investigate consider adding the scheme to provide a new strategic road Tees Crossing to the existing scope of the A19 Norton-Wynyard widening scheme already planned by Highways England. This will maximise efficiency and ensure that the benefits of the committed investment are enhanced, thereby encouraging additional growth, as a result of improved access to Enterprise Zone sites. (see 9.2.7)**
- **Highways England and Transport for the North are encouraged to take account of the emerging improvements to east-west connectivity on the A66 east of the A1(M) being developed by the Tees Valley Combined Authority, as part of the wider North Trans-Pennine Routes study. Also, to seriously investigate the preferred option(s) from the east-west connectivity work within the recommended programme for trans-Pennine improvements to provide a holistic solution for the A66 through to Teesport. (see 9.2.11)**

- The Department for Transport are encouraged to seriously investigate the inclusion of the Northallerton to Teesport Electrification rail scheme as an extension of the Transpennine electrification scheme already committed, driven by the benefits of simultaneously delivering W12 gauge clearance, to ensure that the economic benefits of PD Ports' planned investment in 2018/19 can be maximised. (see 9.3.8)
- Network Rail and Transport for the North are encouraged to recognise the importance of Darlington Station as the key rail gateway for the Tees Valley - at the heart of a commercial regeneration scheme - and to investigate the need for the station redevelopment to be included in the Network Rail and Transport for the North programmes for the period 2019 – 2024, which Tees Valley propose will allow train services in HS2 and Northern Powerhouse Rail to operate, maximising the growth opportunity afforded by the transformational rail packages. (see 9.3.16)

That the Tees Valley Combined Authority work with the owners and operators of the airport to agree a sustainable future for the wider airport site, including the station, and build this into their wider proposals for their economic development. (see 9.5.5)

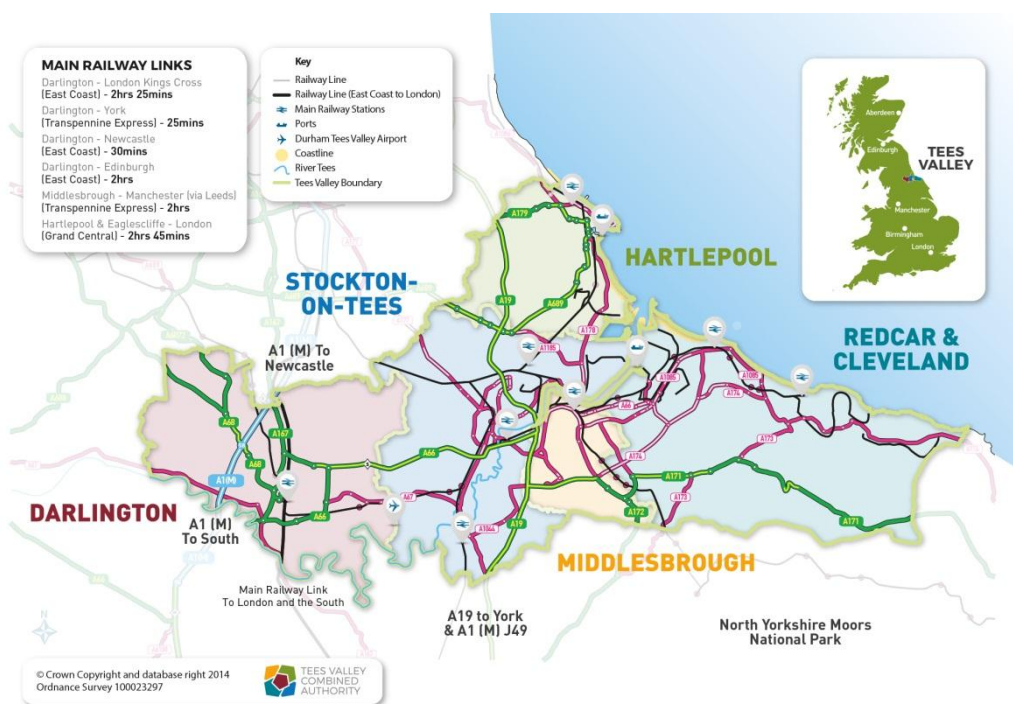
Chapter 10: Leisure, Environment and Tourism

- The Combined Authority should demonstrate leadership in the culture and tourism agenda and draw on existing local strengths. (see 10.2.4)
- The Combined Authority should address the current weakness in destination marketing and promotion capacity, working with the local media to change the local identity and brand, moving away from over reliance on historic industrial imagery. One way to achieve this would be the proposal in the Tees Valley Culture Task and Finish Group report to scope out a local Destination Management Organisation (DMO). (see 10.2.7)
- Building on the Devolution Deal commitment, find a framework within which Arts Council England and the Combined Authority can jointly invest in strengthening the cultural infrastructure of the Tees Valley. (see 10.2.11)
- Encourage local interest in the competition for the Tees Valley to become UK Capital of Culture in 2025, recognising that applying for such competitions presents an excellent opportunity to bring local partners together and unleash local enthusiasm. (see 10.2.15)
- The Combined Authority should take the lead on the natural environment agenda, recognising the significance of the river corridor and enabling increased access through strategic footpaths, pedestrian and cycle river crossings, and further development of moorings or marinas, and completing the “missing link” in the new England Coast Path. (see 10.3.2)
- The Combined Authority should set a local commitment that within 25 years all capital investment (machinery, industrial equipment, etc.) that contributes to pollution, or loss of river habitat and bio-diversity, will have been replaced, sustaining the continued improvement in Tees water quality. (see 10.3.8)

CHAPTER 1: Overview of Tees Valley

1.1 Background

- 1.1.1 For very understandable reasons the first conversations relating to economic growth in the Tees Valley area reflected public anxiety following the closure of the SSI Redcar steel plant. The rise and decline of steel, and other heavy industries such as coal and shipbuilding, are central to the history of the industrial North and this history is a defining factor in local culture and geography.
- 1.1.2 The challenge when considering the present and future economic conditions in the Tees Valley is to look to the future, while building on the past and present. The UK as a whole has a major challenge to move from yesterday's industry into tomorrow's world, and the Tees Valley has made significant progress on that journey.
- 1.1.3 It is clear that the economic picture in the Tees Valley is altogether more positive than perceptions drawn from the media. The industrial base is more diverse than generally reported and there is a higher level of opportunities both for individuals and for businesses from across industry sectors. This mismatched perception may well be in part a reflection on the economic development of the North East, in particular the development of Newcastle as the epicentre of the region, which in the past, in terms of infrastructure and economic activity left the Tees Valley on a limb.
- 1.1.4 There is a need to refocus the debate without losing sight of the reason for the focus on the economy of the Tees Valley. There is now a significant opportunity to refocus with the agreement of a Tees Valley Devolution Deal and a new Combined Authority to take the lead in delivering. The Tees Valley Devolution Deal was agreed with Government in October 2015, allowing fiscal control of skills, transport and infrastructure, innovation and business support and includes a 30 year gain share worth £15m per year. The five Tees Valley Local Authorities - Darlington, Hartlepool, Middlesbrough, Redcar and Cleveland and Stockton-on-Tees – became a Combined Authority in April 2016, and will have its own directly elected Mayor in May 2017.



[Source: Tees Valley Unlimited]

- 1.1.5 The Tees Valley contributes £12.3bn to the national economy each year and has England's largest exporting port, an airport with European links and direct road and rail routes to key locations across the North. There is a wealth of resource to sustain what is great from the history of the Tees Valley and to build on new opportunities. Chief among these resources are the people who live and work in the area. To draw together the many social and economic benefits, and the communities, build on their strengths and project an image of so much that is successful in the Tees Valley presents an exciting challenge for the new Mayor and Combined Authority.

1.2 Local Geography

- 1.2.1 The Tees Valley Local Authorities combine into a diverse region of rolling hills, market towns, urban centres and coastal communities, each with a unique identity but sharing a proud tradition of industry and innovation. The River Tees has been at the centre of the cultural, economic and geopolitical history of the North East over the past two hundred years. One of the three great estuarial rivers of the North East (alongside the Tyne and Wear), the Tees was straightened to cut the route between Stockton-on-Tees and Middlesbrough allowing the transportation of coal and steel out to the North Sea, facilitating the local development associated with the industrial revolution at the beginning of the 19th century.
- 1.2.2 While the ports of Teesport and Hartlepool have been in operation since 1920s, there is evidence of ports in the region going back to the 12th century. The site of the main port has moved along the river from its origins in Yarm through Stockton to Middlesbrough and now Teesport, responding to the on-going need to adapt to the changing built environment and increasing commercial demands. The ability to adapt continues to be demonstrated today as cargoes have changed from coal and iron ore to current high volumes of bulk cargo, cars and servicing the petrochemical industry.
- 1.2.3 In more recent times, the river has carried cargos from the local area's growing chemical industries and provides a gateway for oil and gas. Despite its ongoing association with industry, the Tees River is much more than a route for commerce. It is a key natural asset which makes a significant contribution to quality of life and the local economy, offering a wide range of recreational activities and providing a high-quality setting for businesses and new development.
- 1.2.4 Looking out to the North Sea, the Tees Estuary is one of the biggest on the North Eastern coast and is dominated on either side by the large areas of reclaimed industrial land. The two hundred and twenty mile long Ekofisk oil pipeline has its terminus at Seal Sands, an area of land recovered from the sea. Oil and gas liquids are piped ashore from the Ekofisk oilfield for processing at one of the largest plants of its kind in the world. As with the river, the estuary has a dual personality; industry and environmental haven, offering a clean, safe breeding and resting ground for seals, sea birds and other wildlife. A Tees Estuary Partnership has recently been established with a vision to create an estuary that is an exemplar for nature conservation and which drives sustainable growth and business investment in the area. One of the key deliverables will be the preparation of a Tees Estuary Masterplan which will both identify potential land available for development as well as projects for conserving and enhancing wildlife.

- 1.2.5 The landscape and wildlife value of the river corridor has been significantly enhanced through the creation of new nature reserves at locations such as Preston Farm and Bowesfield, and the on-going regeneration at sites such as Northshore (Stockton) continues to enhance the quality of the river environment. The landscape heritage of the river corridor is being further enhanced and celebrated through River Tees Rediscovered, a 5-year programme funded by the National Lottery via the Heritage Lottery Fund which commenced in June 2014. The programme engages local people in a range of heritage and cultural activities and projects, is also helping to deliver improvements to the Teesdale Way; a major recreational path which gives access to the river's main natural and built heritage sites. The Teesdale Way will in turn connect to the new England Coast Path, with a new section of route currently being planned in the vicinity of the Tees Estuary connecting three of the area's key attractions: Teesmouth National Nature Reserve, RSPB Saltholme and the Transporter Bridge.

1.3 Local Political Geography

- 1.3.1 Local people are often best placed to take decisions about how residents and the local economy will benefit through the use of public money and assets. Support for business, infrastructure investment, and planning all require the depth and breadth of knowledge and interest that local engagement provides. Government policy is to enhance the ability of local people to lead decision making.
- 1.3.2 The Tees Valley Local Authorities have taken various forms over the decades, each with some localised powers and funding to promote economic growth. When Cleveland County Council was abolished in 1996, the five unitary authorities agreed to coordinate strategic planning, economic growth and strategic plans for inward investment creating the area known collectively as Tees Valley.
- 1.3.3 The Tees Valley has chosen to be an early recipient in the current historic shift of power back to the local level, creating the current Tees Valley Combined Authority. The Combined Authority will build on a long track record of public and private partnership working, developing further an area wide strategy and vision to address strategic economic challenges.
- 1.3.4 The five Local Authorities have pooled their strategic economic functions and jointly fund Local Enterprise Partnership (LEP), which has a permanent staff of 31 and an annual core revenue budget of £2.1 million. Cross-boundary prioritisation and decision making on spending has been facilitated through the Tees Valley City Region Investment Plan, Single Programme Delivery Plan, Housing Market Renewal Business Plan, Enterprise Zone development, the Growing Places Fund and the Local Growth Fund.
- 1.3.5 The LEP operates as a voluntary public/private partnership, with the new Tees Valley Combined Authority as the accountable body, supported by a Leadership Board. The Board comprises of eight business sector representatives and representation of the five Councils. This collective has worked successfully with central government leading to a £5m City Deal and a Growth Deal worth over £100m.
- 1.3.6 The Combined Authority has ambitious plans. These ambitions are to contribute to the UK's economic growth by creating 25,000 new jobs and over £1 billion of investment between 2012 and 2022 and to become a high value, low carbon, diverse and inclusive economy. The focus is to accelerate growth by forging better links between economies across the North – by road, rail and freight – to boost competitiveness, attract foreign direct investment and open the labour markets.

1.4 Economic Conditions

- 1.4.1 The economic conditions within the Tees Valley are diverse and consequently, there are significant differences between the various locations. There are some areas of deprivation and the LEP area is the 6th most deprived based upon an average of the deprivation ranks¹. Though this is based upon small, but significant, geographic areas, the number of most deprived areas has grown over time. In contrast, the Tees Valley also has areas that are ranked within the least deprived 20% in England.
- 1.4.2 With a predominantly White British population of approximately 666,000, the economy has a strong local focus; some 87% of residents work within Tees Valley with a relatively small proportion commuting to neighbouring areas.
- 1.4.3 The population is ageing which, combined with an ongoing net loss of younger people, who leave the area to study and work, contributes to a shortage of the skills required to meet current and future business needs. Although over the last 7 years, the population of the Tees Valley has increased, this is principally due to net inward migration from EU Accession and Southern Asian Countries who are based predominately in Middlesbrough. The Tees Valley needs to ensure that the high skilled jobs they are supporting help retain the young, aspiring work force and attract new skilled talent into the local area.
- 1.4.4 While the economy is steadily diversifying, there remains an over reliance on public sector jobs. A large rise in private sector employment is helping Tees Valley economy to rebalance and the loss of 7,500 public sector jobs since 2011 has been more than offset by an increase of 20,900 private sector jobs.
- 1.4.5 Amongst the myriad of facts and figures available, one stands out. The working age population of Teesside is approximately 417,000 compared to a total number of jobs of just 292,500. In comparison the North East has a working age population of 1,246,300 and 870,000 jobs. Reducing the job deficit will continue to be at the top of the Combined Authority's strategic economic agenda.
- 1.4.6 Unemployment has decreased significantly since 2011. The numbers of people claiming benefit is down by 45%, and youth unemployment has been more than halved in that time. In the year to September 2015, the employment rate in the Tees Valley was 68.8%, lower than the North East (69.4%), and also lower than the national level (73.5%).
- 1.4.7 During the same period, however, the unemployment rate in the Tees Valley was 8.4%, the second highest unemployment rate compared to all Local Enterprise Partnerships and relatively high compared to the North East (7.6%).
- 1.4.8 Though there has been progress, unemployment rates in the Tees Valley remain higher than the UK rates for all age groups. The unemployment rate for 18-24 year olds in Tees Valley is 5.1% which is significantly higher than the UK average of 1.8%. There are also significant problems in some areas of the Tees Valley with underperforming primary and secondary schools, and severe shortages of people with the right skills in certain sectors – particularly those which are new and innovative technologies. Breaking the cycle of unemployment and identifying solutions for the complex reasons behind this loss of economic activity is critical to the areas future success.

¹ <https://www.gov.uk/government/statistics/english-indices-of-deprivation-2015>

- 1.4.9 According to the 2015 Tees Valley Business Survey 75% of Tees Valley businesses rate the Tees Valley as a positive place to do business with 82% of businesses expecting turnover to grow over the next year (over 30% will be investing in exporting over the next 12 months). The biggest barrier to growth was named as lack of suitably skilled people with 45% of Tees Valley businesses reporting a skills shortage.
- 1.4.10 The Tees Valley is currently below the UK average for all skill levels. The proportion of residents qualified to NVQ level 4+ is 30.3% in the Tees Valley compared to 36.9% of the UK population. The percentage of residents with no qualifications is almost 1.5% higher than the national average. The skill levels gap between the Tees Valley and the UK average has, however, been decreasing over the past few years whilst skills in the area have improved. 64% of Tees Valley based graduates find employment in the area, with a further 11% gaining employment in the North East².
- 1.4.11 In the Tees Valley, the percentage of residents in highly skilled occupations is lower than the national average, whilst there are relatively high proportions of workers in lower skilled occupations. In the Tees Valley, for example, 8.3% of those in employment are managers, directors or senior officials compared to 10.3% for the UK. This follows a similar pattern to the qualification levels compared to the UK.
- 1.4.12 Tackling these embedded issues to provide the local economy with an appropriate skills base, that meets business demand, requires a co-ordinated assessment of education provision across the Tees Valley. This is discussed in more detail in Chapter 6.

² https://www.teesvalleyunlimited.gov.uk/media/313496/tees_valley_economic_assessment_2015_full.pdf

CHAPTER 2: Analysis of Decline and Growth

2.1 Introduction

2.1.1 The Tees Valley is a polycentric City Region, with major employment and economic centres in Darlington, Hartlepool, Middlesbrough, Redcar & Cleveland and Stockton-on-Tees. The area has long been home to ‘traditional’ heavy and energy-intensive industries – formerly, mining, steel-making, ship-building and, now, process/chemical industries, and increasingly high productivity advanced manufacturing drawing on the area’s established skills and industrial infrastructures.

- **Total Population:** 666,200
- **Males:** 325,500
- **Females:** 340,800
- **Total Working Age (16-64) Population:** 417,000 (62.6%)
- **Males (16-64):** 205,200 (63.0%)
- **Females (16-64):** 211,900 (62.2%)

Source: ONS mid-year population estimates 2015
Notes: % is a proportion of total population



2.1.2 Reflecting its business sector legacy, the Tees Valley has relied traditionally on a small number of large employers, which tended to damp-down individual levels of enterprise. Accordingly, the area was hit hard by long-term industrial restructuring, in terms of both employment and productivity during the last decades of the 20th century. The narrowness of the Tees Valley sector base is also a major risk, given growing global competition and the cost pressures on what are often energy intensive industries.

2.2 History³

2.2.1 The industrialisation of the Tees Valley started in the 1820s, and during the 19th century the area developed into a major centre for iron production and subsequently also steel production. In the wake of this, heavy engineering and shipbuilding also developed as important industries. From the 1920s onward, the chemical industry emerged to rapidly become one of the mainstays of the local economy.

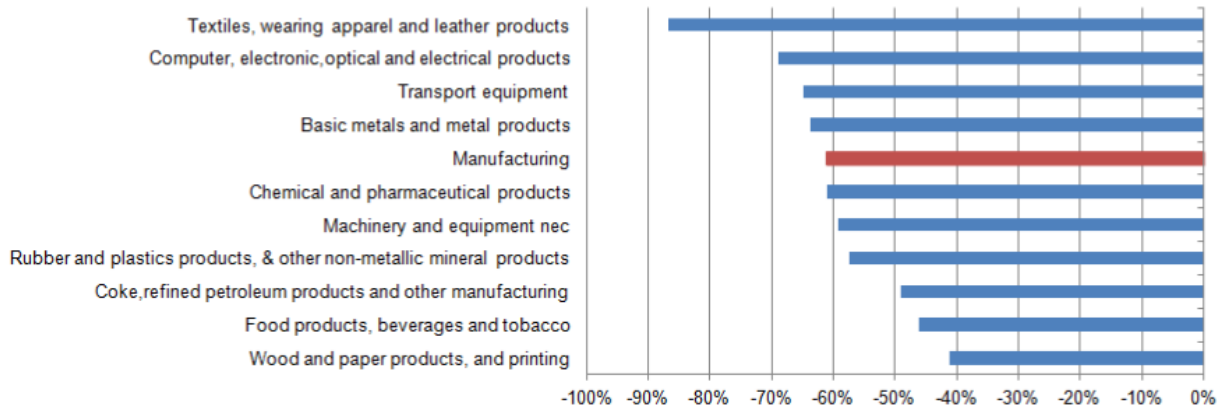
2.2.2 The start of the industrialisation of the Tees Valley area can be traced back to the Stockton and Darlington Railway, which opened in 1825. The Stockton and Darlington Railway brought coal from the south-west part of the Durham coalfield to Stockton, where it could be distributed further. The Tees Valley City of Culture proposal for 2025 coincides with the 200th anniversary of the line opening. The importance of building on past and present cultural and industrial heritage is discussed in Chapter 10.

³ Partly based on Emil Evenhuis (2016): The Political Economy of Adaptation and Resilience in Old Industrial Regions: A Comparative Study of South Saarland and Teesside. Centre for Urban and Regional Development Studies, Newcastle University, Newcastle

- 2.2.3 The export trade to London and other markets was so successful that it was decided to extend the railway to Middlesbrough further downstream, where the Tees was deeper. The owners of the railway – a group of Quaker men from Darlington – bought the piece of land that would serve as the new terminus of the line (the ‘Middlesbrough Estate’), and started to develop this into a new town.
- 2.2.4 In 1850 the area received an important new boost to economic development with the discovery of iron ore in the Cleveland Hills. After this, Middlesbrough, and the Tees Valley more generally, were transformed. With a great supply of iron stone and coal in the vicinity, together with good provisions for transport because of the river and developing railway network, the location was ideally suited for the development of the iron industry. From the 1850s onwards the Tees Valley developed into the most important area for iron production in the UK, and the world at this time.
- 2.2.5 The expansion of Middlesbrough and the wider Tees Valley were shaped by the interests of heavy industry. With rapid economic growth came a rapid increase of the population, mainly through in-migration from rural areas around Tees Valley but also from Ireland. However, over several decades the UK has undergone significant structural change as it has been buffeted by the winds of economic change. In particular globalisation, technological and transport developments have reduced the cost advantages that manufacturing in the UK was once able to offer.
- 2.2.6 By the late 1950s, 40,000 people were employed in iron and steel in the Tees Valley, while about 29,000 were employed in the chemical industry. Increased foreign competition from low-wage economies squeezed UK manufacturing and low cost services, forcing improved productivity to remain competitive. This has led to economic structural change, where manufacturing makes a much smaller contribution to the national economy than it once did. In 1911, mining and manufacturing accounted for around 43% of all jobs in England and Wales. Today it is less than 10%.
- 2.2.7 The structure of the Tees Valley economy has changed significantly over the past 40 years. In the 1960s several strategic parameters had shifted to the disadvantage of the area. Firstly, with the gradual dismantling of the industrial complex of the North-East (as a result of the decline of coal mining and ship building within the UK), the locational advantages of iron and steel in the Tees Valley had decreased. Economic activity and industry in the Tees Valley had become more mobile. Competitiveness in international markets became ever more important and the demand for iron and steel, heavy engineering and ships slowed. The chemicals industry experienced high growth however, and continued to rapidly expand within the Tees Valley.
- 2.2.8 In 1973 almost 43% or 122,000 of the 284,000 employee jobs in the Tees Valley were provided by the manufacturing sector. Construction accounted for 9.4% of jobs and around 46% of employees worked in the Service sector (132,000). In contrast, today the largest industries by employment in the Tees Valley are public administration, education and health which make up 33% of employment in the area. This is followed by 18% who work in the distribution, hotels and restaurants industries, 12% in manufacturing and 12% in banking, finance and insurance.

2.2.9 Losses in employment in the steel industry had already started in the late 1960s, but accelerated rapidly during the steel crisis. The steel crisis from 1975 until the mid-1980s hit the area hard, and also other manufacturing industries experienced problems from the early 1980s onward. From 1975 until 1984 almost two-thirds of employment in steel (more than 18,000 jobs) was lost.

Reduction in jobs between 1979 and 2013 (%)



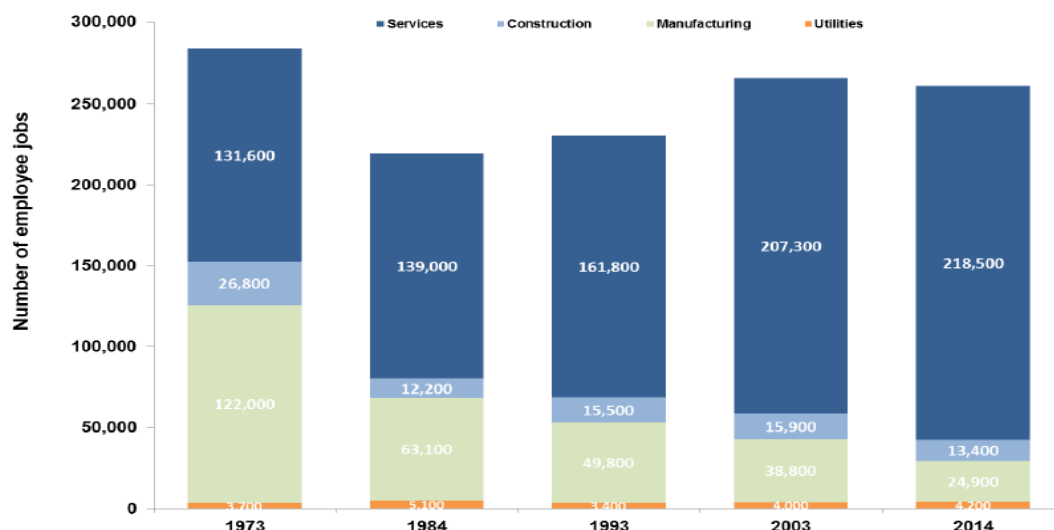
Source: Labour Productivity Statistics (ONS)

2.2.10 The relative decline of the UK manufacturing sector has continued since the 1980s. Globalisation has moved the UK towards specialising in more knowledge-intensive activities in which the production of the idea is where the most value is added, rather than in the production of a physical commodity.

2.2.11 As a result, over the past 30 years manufacturing output has grown more slowly than services, and the number of people employed in manufacturing has dropped steadily as productivity per employee has increased (UK manufacturing achieved a 50% increase in labour productivity from 1997-2007).

2.2.12 By 2014 employee numbers stood at 261,000 in the Tees Valley, combined with a further 31,500 self-employed to take the number of jobs to 292,500. Manufacturing employment had fallen to under 25,000 by 2014 with construction below 14,000. Jobs in utilities were broadly unchanged at 4,000 and services increased to 218,000.

Figure 1. Number of employees in Tees Valley by broad sector, 1973 - 2014⁴

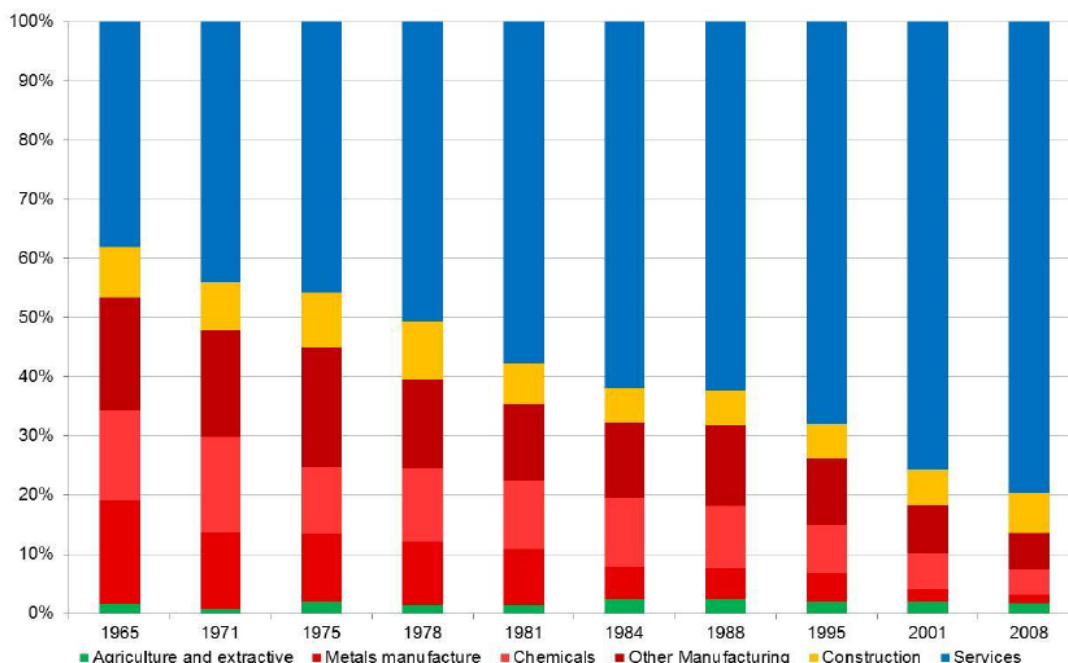


Source: ONS, NOMIS, BRES

2.3 Employment Changes (since 1965)

2.3.1 The employment profile for the Tees Valley has changed significantly in the last 50 years. The rapid loss of employment in iron and steel, chemicals, other manufacturing industries, and construction has been matched by a rise in the services sector. The percentage of employment in manufacturing went from nearly 50% (about 105,000 jobs) in the early 1970s, to slightly more than 10% (about 25,000 jobs) in 2008.

Structural Change in Teesside in terms of employment



Figures for 1971 refer to Teesside and Hartlepool County Boroughs; 1975, 1978, 1981, 1984 and 1988 refer to Cleveland County; and 1995, 2001 and 2008 are calculated from figures for Middlesbrough, Stockton-on-Tees, Hartlepool and Redcar and Cleveland.

Sources: Office of National Statistics (Census data 1971); Beynon et al. (1994); NOMIS (<http://www.nomisweb.co.uk>).

⁴ Analysis from The Tees Valley Economic Assessment 2015

https://www.teesvalleyunlimited.gov.uk/media/313496/tees_valley_economic_assessment_2015_full.pdf

- 2.3.2 The Tees Valley has relatively fewer people of working age and higher rates of economic inactivity and unemployment as compared to national rates. The Tees Valley is also expected to be significantly impacted by a decline in the working age population, which is predicted to fall by 5% by 2032; this is due to a combination of migration and ageing. The number of people of retirement age is predicted to increase by a substantial 41% by 2032; an extra 49,800 65+ year olds.
- 2.3.3 There were over 28,630 Tees Valley job vacancies advertised online in 2015. This was a 19% increase of over 4,490 vacancies compared to 2014 and compares to an 18% increase nationally.
- 2.3.4 In the year to September 2015, the employment rate in the Tees Valley (68.8%) was lower than the North East (69.4%) and the UK (73.5%). The employment rate in the Tees Valley increased slightly from 67.1% a year earlier and the employment levels increased by over 9,000 to 293,600.

Employment and Unemployment (Jan 2015-Dec 2015)

	Tees Valley (Numbers)	Tees Valley (%)	North East (%)	Great Britain (%)
All People				
Economically Active †	320,700	75.3	75.2	77.8
In Employment †	293,600	68.8	69.4	73.6
Employees †	258,600	61.0	61.4	63.1
Self Employed †	33,200	7.4	7.5	10.2
Unemployed §	27,000	8.4	7.6	5.2

Source: NOMIS

Notes: † - numbers are for those aged 16 and over, % are for those aged 16-64

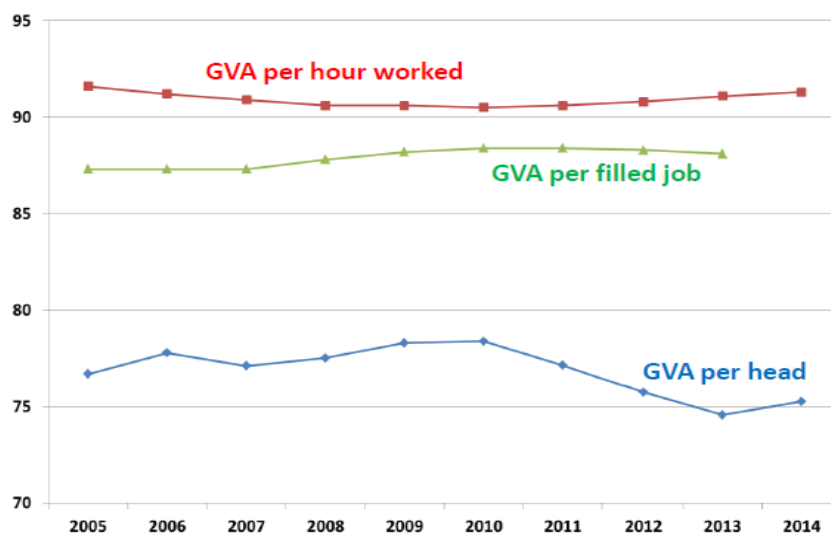
§ - numbers and % are for those aged 16 and over. % is a proportion of economically active

- 2.3.5 Median earnings for people working full-time in the Tees Valley are presently around 5% below that observed nationally. The average full-time Tees Valley employee earned around £504 per week before tax in 2015 compared to a UK rate of £528, while North East earnings stood at £489. Mirroring national and regional trends, however, Tees Valley earnings are now starting to grow again in real terms after a number of years of decline following the recession.

2.4 Productivity and Output Growth

- 2.4.1 The Tees Valley is a significant economy, with annual Gross Value Added (GVA) in 2014 of £12.3bn, 292,500 jobs, and over 16,500 businesses. Economic growth over the past decade has, however, been relatively modest, contributing to a significant productivity gap: GVA per job in the Tees Valley is £43k compared to £48.8k in the rest of England (excluding London).
- 2.4.2 The Tees Valley GVA accounted for over a quarter of total North East regional GVA (£47.7bn) in 2014. In turn, the North East accounted for around 3% of UK GVA (£1.62tn). The Tees Valley output gap – the amount of additional GVA required to match UK GVA per head – was £4.1bn in 2014. Since 2009, GVA has grown by 1.36bn.

Figure 2. Productivity Indices (UK=100), Tees Valley and North East, 2005-2014⁵



Source: ONS

2.4.3 Key causes of the productivity gap include:

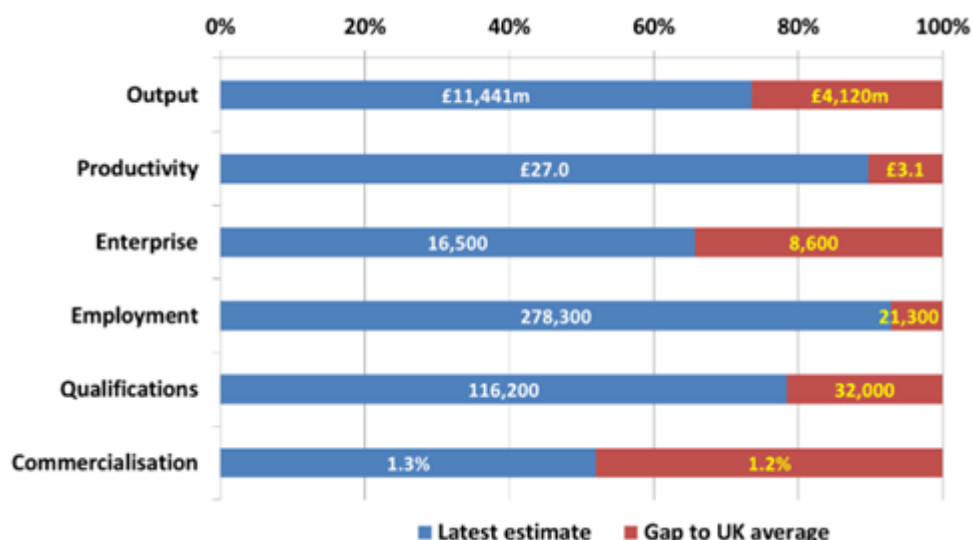
- **Low rates of enterprise** which combined with the traditional reliance on large employers/public sector employment has led to relatively lower levels of private sector employment.
- **Employment in the public sector** remains relatively high in the Tees Valley. This is in large part a reflection of the area's relatively small private sector. The Tees Valley, with 16,500 registered businesses in 2015, has around 34% fewer businesses than the national average. This approximates to a short fall of around 8,600 private sector businesses.
- **Skills deficits** notably in terms of higher level qualifications with 30.3% of the working age population with NVQ level 4+ against 31.5% in the North (UK rate is 36.9%). Progress is being made here with recent growth of NVQ4+ qualifications above the national average over the past three years. (Further analysis is provided in Chapter 5).
- **Levels of commercialisation** across the business base as a whole. The area has major innovation assets focused on specific industries/sectors, and recent evidence indicates that the Tees Valley is the best performing of the Northern local economic areas in terms of innovation, based on analysis of the UK Innovation Survey 2013⁶. However according to its strategic economic plan, rates of contract and collaborative research income into the Tees Valley are comparatively small, as are R&D tax credit take up and, crucially, rates of commercialisation, are amongst the lowest in the UK.

⁵ Analysis from The Tees Valley Economic Assessment 2015

https://www.teesvalleyunlimited.gov.uk/media/313496/tees_valley_economic_assessment_2015_full.pdf

⁶ <https://www.gov.uk/government/statistics/uk-innovation-survey-2013-statistical-annex>

Figure 3: Percentage of UK rate



Source: Tees Valley Unlimited

2.5 Recent Changes

- 2.5.1 The business birth rate in Tees Valley in 2014 was 15.3% which is higher than the national figure of 13.7% and continues a trend present since 2011 (the data does not include unregistered small businesses). This figure equates to 2,745 new enterprise births in 2014, slightly lower than the rate in 2013 (15.6%). For the period 2011 to 2014 business birth rates in Tees Valley exceeded the UK business birth rate by over 1%⁷.
- 2.5.2 The business death rate in Tees Valley in 2014 was 10.2% or 1,810 enterprises, slightly more than the rate in 2013 (10.5%). This is higher than the UK business death rate and continues a trend that is evident from 2010 onwards. However, since 2011 the difference in local and national rates has been under 1%.
- 2.5.3 The difference between the birth and death rates in 2013 and 2014 (5.1% in each year) reflect an up-turn in the Tees Valley labour market and economy. UK data for the same period is 4.4% in 2013 and 4.1% in 2014.
- 2.5.4 In the period 2010 - 2014 the number of active enterprises in the Tees Valley increased. In 2010 there were 15,685 active enterprises compared to 17,755 in 2014 - an increase of 2,070 or 13%. Just under 47% of this increase, or 970 active enterprises, took place in the period 2013-2014. The recent up-swing in business start-up and survival rates may be accounted for by two main factors:
- The changing nature of the labour market. Increasing self-employment and other forms of flexible ways of working act to feed entrepreneurship; and
 - The 'pick-up' in the economic climate generally leading to increased demand and opportunity for existing business growth or for new businesses to meet this need.

⁷ Tees Valley Unlimited (2015b) ONS Business Demography, 2014, Available from: https://www.teesvalleyunlimited.gov.uk/media/314471/tees_valley_enterprise_births_and_deaths_in_2014.pdf

- 2.5.5 The recent up-swing in business start-up and survival rates could be sustained and built upon by targeting intervention at medium sized enterprises who exhibit 'absorptive incapacity'. That is, medium sized enterprises that have not previously engaged in innovation or export activity. The inclusion of these enterprises could address the low levels of high growth firms in the Tees Valley. If successful, high growth firms produce high levels of job creation and enhanced GVA.
- 2.5.6 The Tees Valley economy contributed £12.3bn to national GVA in 2014. Between 2013 and 2014 both Tees Valley GVA and employment grew strongly – above UK rate increases. In 2014 the local economy grew by 4.8% (UK 4.6%) whilst in per capita terms the increase in Tees Valley GVA per head was 4.6% (UK just 3.4%). The number of jobs (employees and self-employed) located in the Tees Valley stood at 292,500 in 2014. This was up by 8,500 jobs compared to the 2013 estimate.
- 2.5.7 The number of working age Tees Valley residents with jobs, however, stood at 278,300 in 2014 representing a Tees Valley employment rate of 67.1% compared with the UK rate of 72.2%. The most recent Tees Valley employment rate for 2015 is estimated at 68.8%, still significantly below the UK rate of 73.5%. The average annual wage in the Tees Valley is currently £23,800, compared to £27,600 nationally.
- 2.5.8 An assessment of the key strengths, weaknesses, opportunities and strengths of the Tees Valley are presented as Annex A to this report.

CHAPTER 3: Policy Context

3.1 Tees Valley Governance

- 3.1.1 The Tees Valley represents one of the most significant integrated industrial economies in the UK, with England's second largest port, and producing some 30% of the UK's process output. With a positive balance of trade and GVA worth £11.4 billion to the UK economy, the area is a key ingredient in rebalancing the UK economy. The five constituent Local Authorities are already signed up with private sector partners in the Local Enterprise Partnership (LEP) to create 25,000 new jobs by 2022. The new Combined Authority that came into place in April 2016 will accelerate this growth and this will be further enhanced by adding a directly elected Tees Valley Mayor from May 2017.
- 3.1.2 Voluntary collaboration has worked very well to date, but the Tees Valley Local Authorities and the LEP have much greater ambition and chose to undertake a review of governance arrangements in order to help identify improvements that would bring about accelerated economic growth. They have concluded that a Tees Valley Combined Authority would do this by:
- providing greater certainty for businesses to attract more inward investment;
 - speeding up decision-making;
 - improving transport infrastructure and skills;
 - a stronger role in marketing and promoting the Tees Valley as a place to do business;
 - greater transparency and accountability; and
 - preparing for devolution.
- 3.1.3 The Combined Authority offers more effective, speedy and transparent decision-making; the ability to receive devolved powers and resources, including transport powers of an Integrated Transport Authority (ITA), and the longer-term commitment (as it is set up by Act of Parliament) that will give business further confidence to invest in the area's economic future whilst remaining within democratic control.
- 3.1.4 It is important that future governance arrangements preserve the excellent relationships, delivery and working arrangements that exist currently within the LEP. Both the five Local Authorities and the business community have worked hard to build an effective team ethos underpinned by common goals, hard work and mutual respect.
- 3.1.5 This governance review that is currently underway is about building on that existing strength, preserving what works well and making it even more effective. To this end it is intended that the LEP and the new Combined Authority work seamlessly together with a common vision, joint agenda, joint meetings and a shared team. The current LEP board has membership from the chemicals and process sector, logistics, small businesses, housing and the service sector. It is important that this review takes into account the real shape of the Tees Valley employment and growth sectors. The Combined Authority must deepen their current engagement by ensuring that they have clear links to the widest possibility of new jobs in the private sector, and augment their advisory board with leaders in the construction, health, digital and retail sector.
- 3.1.6 These sectors represent a significant proportion of the Tees Valley economy. They are characterised by an aging skills workforce that will need to be replaced, making the existing skills shortage more acute. Private sector leadership of these sectors, supported by a deepening public sector understanding of their needs and growth opportunities, will support an even more effective public/private sector partnership for the Tees Valley.

- 3.1.7 The Local Authorities already pool their resources to fund their shared team which supports the LEP. This costs over £2m per year and will continue to support the LEP and the Combined Authority in a seamless way.

3.2 Tees Valley and the Northern Powerhouse

- 3.2.1 The Tees Valley is a fully integrated part of the northern economy, with strong economic, cultural and transport links to all of the main conurbations. Alongside the rest of the North, however, it has underperformed compared to the UK average over a long period of time. There is now a significant opportunity to enable the North to reach its potential, by working with local areas to improve local economic decision making through devolution, but also by ensuring that the various parts of the northern economy increase the benefits of economic agglomeration through better linkages.
- 3.2.2 The Government's long-term economic plan seeks to rebalance growth across the regions and nations of the UK, and to build a Northern Powerhouse. If the North of England grew at the same rate as is forecast for the rest of the UK the prize is huge – it would add £37 billion to the economy by the end of the next decade. The Northern Powerhouse is about everything from investing in science and technology, transport, digital and innovation, culture and tourism across the North, to devolving powers to local people through ground breaking Devolution Deals. The Tees Valley has significant strengths in key sectors associated with the Northern Powerhouse, such as advanced manufacturing, health innovation, digital and process industries.
- 3.2.3 The Tees Valley is already playing a full part in this investment, particularly in ground breaking investments in the biological pharmaceutical sector through the National Biologics Centre in Darlington, the focus of high value manufacturing at the Centre for Process Innovation, or adding productive growth to primary materials at the Materials Processing Institute.
- 3.2.4 There are significant structural challenges in the Northern economy – average skills levels of individuals living and working in the northern regions is lower than the average for Great Britain, e.g. the unemployment rate in the Tees Valley (8.4%) is over twice the rate of the South East (4.1%). This partly reflects the higher than average proportion of young people not in education, employment and training but also outward migration of younger people from the north to London/the South East.

3.3 Tees Valley Devolution

- 3.3.1 The Tees Valley Combined Authority Leadership Board and the Government have agreed a radical devolution of funding powers and responsibilities, and a directly elected Mayor for the Tees Valley will be established from May 2017. The Mayor will work as part of the Combined Authority subject to local democratic scrutiny, and in partnership with business, through the LEP.
- 3.3.2 The deal provides for the transfer of significant powers for employment and skills, transport, planning and investment from central government to the Tees Valley. It paves the way for further devolution over time and for the reform of public services to be led by Tees Valley. It enables the Combined Authority to create an Investment Fund, through a 30 year initial allocation of funding for investment purposes of at least £15 million a year. The Tees Valley will in addition have access to the Local Growth Fund and will benefit from new Enterprise Zones,

3.3.3 In summary, a new, directly elected Mayor of Tees Valley will act as Chair to the Tees Valley Combined Authority and will exercise the following functions devolved to that Authority:

- Responsibility devolved from Government for a consolidated transport budget, with a multi-year settlement to be agreed at the Spending Review; and
- Creation of new Mayoral Development Corporations and leadership of a land commission to examine what publicly owned land and other key strategic sites should be vested in the development corporation.

3.3.4 The Tees Valley Combined Authority, working with the Mayor, will exercise the following devolved powers:

- To create a Tees Valley Investment Fund, bringing together funding for devolved powers and used to deliver a 30 year programme of transformational investment in the region;
- Control of a new £15 million a year funding allocation over 30 years, to be included in the Tees Valley Investment Fund and invested to boost growth; and
- Leadership of the comprehensive review and redesign of the education, skills and employment support system in Tees Valley.

3.4 Central Government Relationship with Tees Valley

3.4.1 There are a variety of complex interactions between central Government and Tees Valley. A number of central Government departments have key locations in Darlington, such as the Department for Education (DfE) and the Student Loans Company. These are national organisations that support local investment through their spending and wages, but do not have any particular geographic remit.

3.4.2 Her Majesty's Revenue and Customs (HMRC) does have a significant employment presence in the Tees Valley, but has announced plans to consolidate these jobs outside the Tees Valley, in the nearby Newcastle regional centre. At a local service delivery level, the Department for Work and Pensions (DWP) have a number of local offices providing support and advice to employers and those seeking work.

3.4.3 The negotiation of the Tees Valley Devolution Deal was led for Government by the Cities and Local Growth Unit – a cross- Whitehall unit that is part of the Department of Communities and Local Government (DCLG) as well as the Department for Business, Innovation and Skills (BIS). The lead negotiator for that deal is based in Gateshead (less than 30 miles from the Tees Valley), mobilising a cross-Government team including policy leads from Her Majesty's Treasury (HMT), DWP, the Department for Energy and Climate Change (DECC), the Department for Transport (DfT), DfE, DCLG, BIS, UK Trade and Investment (UKTI), Homes and Communities Agency (HCA) and Innovate UK. Ministerial oversight for this work is led by James Wharton MP and Rt Hon Greg Clark MP, working closely with the Prime Minister, Chancellor and the Commercial Secretary (Lord O'Neill).

3.4.4 Implementation of the Deal is now being supported by that same team, part of the potentially eleven strong team that supports all of the Local Enterprise Partnerships and devolution discussions in Yorkshire, Humber and the North East. Feedback on this local ownership and management of devolution has been very positive in both Whitehall and the Tees Valley.

3.4.5 This approach was seen as bringing the effective use of central policy development skills as well as local, informed knowledge of both geography and key local stakeholders developed over many years of joint working in the Tees Valley over joint initiatives.

- 3.4.6 While this approach is welcome, there is a strong case for Government to increase its direct support to growing the Tees Valley economy by establishing a permanent base in the area with senior leadership – and ensuring that those involved have real decision making capability, accountable to both the new Mayor and Ministers, rather than operating as branch offices of Whitehall departments.
- 3.4.7 Government has agreed that the Tees Valley should test a new relationship with places that brings the best out of close contact with Ministers, as well as the in-depth knowledge that comes with having a local base, working alongside the new Combined Authority. This new relationship will ensure that there is collective action at both a national and local level to deliver sustained economic growth for the Tees Valley, and that there is a strong sense of partnership working in making devolution work more effectively for the Tees Valley.
- 3.4.8 The first part of this new way of working will be to designate a programme for all of the interactions with the Cities and Local Growth Unit for Tees Valley. These include Growth Deals, Enterprise Zones, supporting the SSI Task Force, the Devolution Deal and the preparations for the South Tees Development Corporation (see 6.6), particularly with regard to the development and management of the SSI site. Other related central Government interactions that are supporting economic recovery and growth; increasing inward investment, delivering improved employment, skills education activity in the Tees Valley and improving housing growth will be considered for inclusion during phase 2 of this work. This will be led by a small team of cross-Government civil servants with a base in the Tees Valley (ideally co-located with the Combined Authority) which help drive central government support to the Tees Valley, helping them realise their vision.
- 3.4.9 This programme is ready to start, building on local best practice and strong relationships. It will need to exist until at least April 2019 to ensure that the following benefits can be realised:
- Improved overall programme management, ensuring that individual projects are supported effectively, resources are utilised and that pace of delivery is increased;
 - Moving decision-making capability away from Whitehall;
 - Develop a clearer place based approach and policy, tailored to fit the exact needs of the Tees Valley;
 - Clear lines of accountability to both Ministers and key local stakeholders;
 - Coherent focus on securing value for money across all Government funding streams;
 - Duplication of activity is avoided;
 - Improved and coherent local relationships with Tees Valley key stakeholders across Government;
 - Clear focus on the future management of the SSI site; and,
 - Ensuring that the implementation of the Devolution Deal, the focus of any new devolution areas is managed effectively.

CHAPTER 4: Industrial Regeneration

Key Recommendations

- **BIS should work closely with both DWP and HMRC to create a plan setting out how information relating to those affected by closures can be made available quickly, and how it can be used to inform the response to an economic shock. This plan should then form part of the standard process for managing future economic shocks. (see 4.3.9)**
- **That the South Tees Development Corporation is established as quickly as possible and that Government and local partners put the relevant resource in place in order to realise this goal. Also that Government begins engagement with the Combined Authority on how and when ownership and management of the SSI site can be moved to the South Tees Development Corporation, including with relevant Her Majesty's Treasury funding agreements, and the agreement of the Combined Authority. (see 4.6.10)**
- **That the Shadow Board creates an ambitious strategy for the area within a year of the publication of this report. (see 4.7.6)**

4.1 Introduction

- 4.1.1 When the scale of traditional industry decline is considered, the Tees Valley has made remarkable progress in adjusting to meet the challenges of a changing global market, and the resilience of the economy is impressive. It is all the more remarkable that the loss of approximately 2,000 jobs on the SSI site still leaves unemployment in the Tees Valley lower after the closure than it was before⁸. The economy has diversified with growth in the process and chemical industries and also digital and creative industries, low carbon technology, logistics, and advanced manufacturing and engineering. The performance of the Local Enterprise Partnership is in the top five nationally in terms of Gross Value Added (GVA) with annual growth output from 2013 to 2014 of 4.6%.⁹
- 4.1.2 The Tees Valley's engineering heritage means that the area is at the forefront of process industry investment and innovation. For the last two centuries Teesside has been the industrial heartland of the Tees Valley, as well as a globally significant world-scale industrial base. It has constantly adapted, developing the first friction match, the first public passenger railway, synthetic ammonia, paint, tube alloys and Perspex, amongst others.
- 4.1.3 The journey to a successfully diversifying economy has been long and difficult. Between the wars, the economy of Teesside was dominated by the iron and steel plants on which the economy of Teesside had been built. These were already beginning to lose their competitive edge as were other industries, most notably ship building in Hartlepool and along the River Tees.

⁸ ONS, February 2016. Unemployment in the Tees Valley between January-December 2015 was 27,000 - the same as in the period before the closure of SSI (July 2014-June 2015), and a fall of 4,400 from the unemployment recorded a year previously (January-December 2014 - 31,400).

⁹ ONS, February 2016

4.2 Steel

- 4.2.1 Since the fast-paced industrialisation of the second half of the 19th century, steel has been the core employer in the Tees Valley through the generations, shaping the local economy, landscape and culture. In its history, Teesside steel has triumphed with design and engineering commissions such as the Sydney Harbour Bridge, the Hong Kong Convention Centre, Wembley Stadium and the London Shard. The story of steel in the latter half of the twentieth century to date has, however, been one of ever diminishing size and influence.
- 4.2.2 The subsequent de-industrialisation has impacted the area significantly, with the steel crisis of the 1970s a defining point in the restructuring of the industry. The nationalisation of steel in 1967 had drawn local companies into the formation of the British Steel Corporation, heralding a long period of rationalisation and restructuring alongside a development plan to increase production of British steel and iron. This expansion fell short of the planned development and after a difficult decade, workforce reduction led to the steel strike of 1980. Despite a degree of Government support following the strike, the workforce suffered further significant reductions.
- 4.2.3 In 1988, the British Steel Corporation was returned to private ownership and re-branded British Steel. Around a decade later, British Steel merged with Dutch steel firm Hoogovens to create Corus, leading to another period of restructuring, narrowing further the range of products produced in the Tees area. As national demand for semi-finished steel diminished, Corus renamed the south Teesside works Teesside Cast Products and agreed a 10 year contract with a global consortium to export around three quarters of the site's semi-finished steel production. The contract failed, and once more steel production in the Tees area was in difficulty. The Teesside Cast Products steel and iron works were sold to Tata and incorporated into Tata Steel in 2007.
- 4.2.4 Tata Steel made the decision to decommission Teesside Cast Products in 2010, retaining milling operations at other sites in the Tees Valley (Skinningrove, Lackenby and Hartlepool, – the first of these are now the subject of a proposed sale agreement between Tata and Greybull Capital, while Hartlepool is part of a separate sale process). The site was sold to the Thai firm Sahaviriya Steel Industries (SSI) in 2011. Production at Redcar recommenced in 2012 with SSI producing only steel slab, which was mainly exported to Thailand.
- 4.2.5 By 2015 the price of steel slab had almost halved and there was 30% overproduction of steel in the global steel market. With losses of more than £600 million in three years, and in the face of hostile global economic conditions, SSI closed production at the site leading to approximately 2,000 redundancies from SSI and a further estimated 850 potential job losses in the local supply chain.

4.3 Redcar Taskforce

- 4.3.1 By October 2015, Redcar and Cleveland Local Authority had created a taskforce to support those affected by the closure of SSI Redcar. The Task Force brings together key partners, local agencies, businesses, trade unions, MPs, council leaders and other stakeholders. Members of the group have a wide range of experience to enable a rapid and co-ordinated approach to provide tailored support to the SSI workers, local businesses and the wider community with a support package worth up to £80m, £30m of which was ring-fenced for redundancy payments. Immediate funds were made available for:

- £1.7m to ensure the 50 former SSI apprentices could continue their apprenticeships with alternative employers. All of these are now continuing their training and are being paid.
- A £16.5m Jobs and Skills Fund to help local firms employ former SSI workers or their spouses in full-time or part-time jobs for a minimum of 2 years.
- A Flexible Support Fund worth £2.6m for further training, including longer-term courses.
- £16m support for firms in the SSI supply chain and wider Tees Valley impacted by the Redcar steelworks closure, to safeguard jobs, provide the stimulus to create new posts and provide expert assistance to help them expand their business.
- £750k to fund advice and grants to start up a new business.
- Up to £3m for retraining through Redcar and Cleveland, Middlesbrough, Stockton Riverside and Hartlepool colleges.

4.3.2 The Task Force, combining the expertise and experience of the local private sector, as well as public sector leaders and elected members, was able to rapidly develop proposals to address immediate and longer-term economic challenges in the area. The support of this work from Community Union officials, while in a personally difficult situation, was exemplary. Task Force actions included organising jobs fairs between October 2015 and April 2016. These have had considerable success with around 166 ex-SSI workers finding new work at the October job fair. The November event, held at the Riverside Stadium of Middlesbrough Football Club, presented over 700 new jobs and was attended by 900 people.

4.3.3 Successful outcomes include:

- Achieving some unprecedented flexibilities to the rules to allow affected workers and businesses to gain fast access to training and support and funding for apprentices;
- Additional flexibilities were also identified within the Adult Skills Budget to enable funding for LGV training;
- The Department for Work and Pensions (DWP) identified a way to legitimately extend the 16 hour rule on training; and,
- Funds were used to support affected individuals and businesses by removing barriers to employment such as training needs or travelling costs, plus incentivising businesses to create new jobs and employ the SSI and supply chain workers.

4.3.4 As a result of the focussed work of the Task Force, companies in the direct supply chain were able to safeguard 280 jobs, as well as support to explore new areas of work, with the potential of creating additional 54 jobs. SSI Task Force funding has also supported the creation of 174 jobs within growing companies within Tees Valley – with a further 91 jobs created to provide opportunities for ex-SSI workers to quickly re-enter employment. 302 individuals have been offered 1:1 advice and support to set up their own business and from these, 95 small businesses have actually been set up. All of the ex-SSI apprentices have had the opportunity to continue in their employment. While the Task Force acknowledges that there is still work to do, the targeted support, with financial support from the Government, delivered locally through the Task Force, has made a significant impact in getting affected individuals back into employment. This local leadership and focus in delivering activity, supported by national Government, has been very effective, and those who are part of the Task Force will continue to take this approach to support the longer term development of the Tees Valley economy.

- 4.3.5 The scale and immediacy of the liquidation, however, presented a range of challenges to the Taskforce including how to identify the individuals affected, and then gaining access to information about those individuals. Data protection and departmental system issues have impacted timescales and progress in commencing a longitudinal study, the aim of which would be to gain a richer understanding of the labour market outcomes for the affected employees through the early and ongoing analysis of central DWP and HMRC administrative systems. Understanding the earnings, employment, sector and occupation of these individuals could inform the focus and scale of local re-employment activity over time to ensure adjustments are made to meet the specific needs of the target group. Additionally, the data can be used to inform future economic shocks, sharing lessons learnt and improving the impact of local – and central Government – responses.
- 4.3.6 There have been considerable constraints to realising this aim within the first six months of the SSI Redcar insolvency. A number of technical issues slowed progress including data mismatches that occur due to different data release timings and duplication of records. Combining a range of data helps identify the most accurate source of information however, this requires significant resource in a landscape of competing Government priorities. DWP and HMRC investigated these technical issues but insufficient progress was made to enable the full range of statistics to be produced, which made the provision of accurate updates on employment activity difficult.
- 4.3.7 HMRC and DWP are required by law to ensure that all transfer and use of data is secure, necessary and proportionate, and meeting these requirements takes time. HMRC's duty of confidentiality attaches to all information it holds, alongside a criminal sanction protecting against wrongful disclosure of identifying information, whether this is an individual, employer or company. HMRC needs, therefore, to ensure that a legal gateway exists that permits the disclosure of information. Separately, HMRC plans to take forward a data sharing proposal which will provide a legal means to share anonymised and aggregated information for wider public benefit, and enable greater opportunity to contribute to cross Government initiatives and narratives.
- 4.3.8 Within these technical and legal constraints, DWP and HMRC have achieved several data shares towards measuring the number of people no longer claiming Job Seekers Allowance but have not yet progressed to more detailed analysis. Any Government intervention relating to an economic shock must also provide value for money for the taxpayer. A major lesson learnt from the local SSI Redcar taskforce is that it is possible to utilise imaginative and creative ways to identify and support individuals affected by an economic shock, and that information about these individual's journey in the labour market can be gathered so that support is targeted most effectively.
- 4.3.9 **Recommendation: BIS should work closely with both DWP and HMRC to create a plan setting out how information relating to those affected by closures can be made available quickly, and how it can be used to inform the response to an economic shock. This plan should then form part of the standard process for managing future economic shocks.**

4.4 SSI Redcar Site

- 4.4.1 The SSI Redcar site sits on the south bank of the River Tees adjacent to PD Ports. The area is strategically placed, with road and rail access, and sits alongside the deepest port on the east coast of the UK. Given the various ownerships of the site over several decades, and its evolution, the site is not one unified site, rather it is

split over a larger industrial site, with the Redcar Coke Oven and power station to the east of the site; the South Bank Coke Ovens to the west; and the steel making facilities to the south. Intermingled with these are other large industrial firms such as Tata's Long Beam Division, Northumbria Water and BOC Gas. As a result of this geography the site has complex shared services (drainage and electrical supply), public roads, a National Rail railway and public footpaths.

- 4.4.2 Since the closure of SSI in October 2015, the site has been in compulsory liquidation and is under the control of the Official Receiver as liquidator, who, as well as carrying out the liquidation, is securing a managed shut down of the site.

4.5 Intermediate Body

- 4.5.1 Given the size, complexity and health and safety risks associated with the site, ensuring its on-going safety and security is the immediate priority. As a result, Government is establishing an intermediate body that will be responsible for the day-to-day running, safety and security of the site, taking on this responsibility from the Official Receiver. This intermediate body will hold, run and manage the site over the coming year whilst a longer-term Mayoral Development Corporation (MDC) is put in place for the South Tees as a whole (see 4.6).
- 4.5.2 There has been much discussion over the cost of decommissioning the site; however, given the scale and complexity of the site, the costs are unknown. Government has committed to fund site assessments to understand the scale of the challenge.
- 4.5.3 **Recommendation. The safety and security of the site is everyone's number one priority. To build on the current momentum and looking to the future, the Intermediate Body must be a temporary body. Government must ensure that its functions and role are transferred to the future South Tees Development Corporation as soon as possible. (see 4.6)**
- 4.5.4 **Recommendation. That site assessments are expedited. If further site assessments are needed beyond this year, funding should be provided by Her Majesty's Treasury.**

4.6 South Tees Development Corporation

- 4.6.1 There are past examples of successful interventions in the Tees Valley to mitigate the decline of traditional industries. Teesside Development Corporation (TDC), established in 1987, was the largest of the 12 development corporations established in England. In common with other Urban Development Corporations (UDCs), TDC had extensive powers to achieve regeneration objectives and enjoyed a high degree of autonomy to deliver results against a broad remit.
- 4.6.2 This included activities to boost the physical, environmental and economic regeneration of designated urban areas experiencing long term industrial and economic decline. These powers included, among other things, planning and the ability to acquire and dispose of land and property, carry out construction projects and award grants.
- 4.6.3 The Corporation spanned an area of about 12,000 acres between Cleveland and Hartlepool. During the Corporation's 11-year lifetime 4.6m sq ft of non-housing development and 1,306 housing units were built with development largely undertaken on wasteland. Over its lifetime, the corporation spent in the region of £475 million and employed 40 staff.

- 4.6.4 During the period of its operation, significant successes were recorded. The Corporation was instrumental in attracting private investment to the tune of £1.1 billion. Prior to its inception, only 15,000 people were in employment in the area. Subsequently, over 12,000 new jobs were created and 1,300 acres of derelict land were remediated and brought back into use. The former abandoned site of Head Wrightson engineering works was transformed into Teesdale Business Park which now includes law firms and stockbrokers amongst its businesses. Flagship developments included the Tees Barrage, which stabilised the water level at a previously tidal part of the river. It now provides a range of leisure activities for residents and tourists including watersport facilities with a watersports centre nearby, and Hartlepool Marina, one of the most modern marina facilities in Europe.
- 4.6.5 The Corporation has not been the only successful UDC. Across the UK development corporations have been a vehicle for driving forward change and regeneration. The transformation of the Docklands in the East End of London was through a UDC. No-one could have imagined in the 1990's the run-down Docklands area would become the centre of the global finance industry, as it is today.
- 4.6.6 **Recommendation. The same vision and scale of ambition should be applied to regeneration in the Tees Valley, with a strategy that delivers economic growth across the South Tees area.**
- 4.6.7 On Friday 19 February 2016, with this ambitious vision in mind and building on Tees Valley's Devolution Deal, local leaders, myself and James Wharton, Minister for Northern Powerhouse and MP for Stockton South, announced that we would establish a Mayoral Development Corporation (MDC). This will be known as the South Tees Development Corporation and will cover the approximately 5,000 acres of industrial area to the South of the Tees. This will set the future strategy for the area and ensure that sites are not looked at in isolation. This will be the first MDC outside London and, with local leadership at its core, will bring together public and private expertise to ensure the area realises its full economic potential.
- 4.6.8 The Tees Valley Devolution Deal is an important part of the long-term strategy to improve economic conditions, putting the whole of the Tees Valley on a stronger economic footing for the future, and helping to bring jobs and investment to the area. The Devolution Deal gives the elected Mayor the powers to establish Mayoral Development Corporations, with such development corporations controlled principally by the Mayor rather than from Whitehall. MDCs have a core objective: to secure regeneration of a specific area (Mayoral Development Area), and will have wide ranging powers to appropriately achieve this objective, including general powers to do business; to provide infrastructure; to acquire and develop land; and to make planning decisions.
- 4.6.9 The announcement on 19 February set in motion plans to create the South Tees Development Corporation on a faster timeline than originally anticipated in the Devolution Deal, ensuring that this ambitious agenda is delivered as quickly as possible.
- 4.6.10 **Recommendation. That the South Tees Development Corporation is established as quickly as possible and that Government and local partners put the relevant resource in place in order to realise this goal. Also, that Government begins engagement with the Combined Authority on how and when ownership and management of the SSI site can be moved to the South Tees Development Corporation, including with relevant Her Majesty's Treasury funding agreements, and the agreement of the Combined Authority.**

4.7 Leadership and a Shadow Board for the South Tees Development Corporation

4.7.1 Despite the establishment of the MDC being expedited, the legislative process required to formally establish the MDC will take us into 2017. To ensure that momentum is not lost, an additional announcement was made on 19 February establishing a Shadow Board for the South Tees Development Corporation (STDC).

4.7.2 The Shadow Board will set the strategic vision for the South Tees Development area, with a strong focus on economic growth and inward investment, and help to establish the MDC.

4.7.3 Through discussions with local leaders and DCLG Ministers, the following Shadow Board has been appointed:

An elected Mayor and elected Council Leader from each of the five Tees Valley Local Authorities; Darlington, Hartlepool, Middlesbrough, Redcar and Cleveland, and Stockton-on-Tees (current incumbents listed).

Cllr Christopher Akers-Belcher	Hartlepool Council Leader
Cllr Bob Cook	Stockton Council Leader
Mayor Dave Budd	Mayor of Middlesbrough
Cllr Bill Dixon MBE	Darlington Council Leader
Cllr Sue Jeffrey	Redcar & Cleveland Council Leader
Paul Booth OBE	Chair of Tees Valley Local Enterprise Partnership
Steve Gibson	Chairman of Middlesbrough Football Club
Graham Robb	Senior Partner, Recognition Marketing and PR
Philip Leech	Property Director, Urban&Civic plc
Michael Poole	Senior Partner, Michael Pool Property Consultants
John Baker	Patron of Middlesbrough Football Club Foundation
David Smith	Chief Executive, Energy Networks Association
Bob Cuffe	Regional Managing Director, Trinity Mirror North East
Sir Alan Cockshaw	Former Chairman, AMEC Group
Professor Jane Turner	Pro Vice Chancellor Teesside University
Amanda Skelton	Chair of SSI Task Force

4.7.4 The appointments combine public and private sector experience, including a wealth of knowledge of regeneration, housing and development, and investment, whilst at the same time ensuring strong local ownership and drive. The aim is that this Shadow Board will become the Board for the STDC, once it is fully established, subject to local appointment.

4.7.5 The creation of the Shadow Board is an important step in creating the STDC. Setting the longer-term vision and managing the site through the Intermediate Body also requires strong executive leadership for both the Shadow Board and the Intermediate Body. A world-class Chief Executive will be able to bring these two remits together.

4.7.6 **Recommendation. That the Shadow Board creates an ambitious strategy for the area within a year of the publication of this report.**

4.7.7 **Recommendation. Government and local leaders should recruit a Chief Executive for the Intermediate Body and the Shadow Board, and who will then become the Chief Executive of the STDC, once established. This consistency of leadership would allow for a single vision, philosophy and strategy, whilst at the same time bringing down unnecessary costs on the SSI site.**

CHAPTER 5: Growth Opportunities and Wider Regeneration

Key Recommendations

- **Universities work with local employers, and Lord Baker, to consider whether technical based education provision in the form of either a University Technical College or Institute of Technology may help to address skill gaps and contribute to meeting future needs of business (see 5.2.7)**
- **The Chambers of Commerce should agree with the Local Enterprise Partnership a visit to one of the leading German cities in order to learn at first hand the scale and quality of the services on offer to German companies with which Tees Valley companies have to compete (see 5.5.6)**
- **The Tees Valley Combined Authority to work with the Chamber of Commerce and the Local Enterprise Partnership to bring together all business support organisations, enhancing the Business Compass model to ensure all businesses have access to the right sort of advice and support (see 5.5.7)**
- **The five Local Authorities, community groups, and developers should actively explore the opportunity presented by the Prime Minister's ambitious new Estates Regeneration programme. (see 5.7.5)**

5.1 Growth Sectors

- 5.1.1 The fortunes of the chemical industry¹⁰ have been positive. An area rich in manufacturing history, the chemical sector in the Tees Valley has grown steadily as traditional industries have declined, adapting to meet the demands and competition of a global market. The history of chemical production in the Tees Valley extends back to Roman times and has been a dominant feature throughout the period of industrialisation, changing continuously to reflect the post industrial economy and remaining an important source of economic growth. Today a wide range of chemical sector companies exist including refining, petrochemicals, speciality and fine chemicals, plastics biotechnology and pharmaceuticals, providing a strong contribution to the regional and national economy.
- 5.1.2 Historically, many companies have produced chemicals to service the steel industry, for example to recycle production process bi-products, or clean finished steel. As steel and iron production around the Tees declined after the 1920s, companies found innovative routes to identify new markets and respond to demand. Just as the chemical industry used to service the steel and iron industries, a burgeoning range of service industries surrounds the Tees chemical production, including transport, storage and engineering.
- 5.1.3 Twentieth century chemical production on the Tees is inextricably linked to household names such as ICI and BP. In the 1920s, ammonia was produced for the first time at the Billingham plant by Bruner Mond, one of ICI's founding companies. Ammonia for fertilizer production continues today. In the 1930s, the company developed 'Perspex', initially used for the fighter pilot cockpits in World War II, heralding the dawning of a new era of plastics production.

¹⁰ Source: 'A brief history of the Chemical Industry On Teesside' by Julian Phillips (1999)

- 5.1.4 As chemical production outgrew Billingham, the Wilton site was developed in the 1940's, followed in the 1960's by the development of Seal Sands into the industrial site of today, with ICI and Phillips Petroleum of Texas creating the Phillips Imperial Petroleum refinery.
- 5.1.5 Today, the Tees Valley is home to a rapidly growing chemical sector that accounts for exports of almost £4bn each year. The chemical production sector as a whole contributed £2.5bn or one fifth of total Tees Valley GVA in 2014, acting as a key drive of the industry nationally.
- 5.1.6 The area holds a unique position in the UK as home to the country's largest integrated chemical complex which has the second largest manufacturing capacity in Western Europe. With sites such as Wilton International, Hartlepool and Seal Sands and Billingham, the Tees Valley has 120 major process, chemicals and energy companies with an extended network of supply chain companies and associated supporting industries. These support almost 8,000 jobs with average earnings for Chemical Process/Energy roles of £39,390 compared to the national average of £36,010. Major employers include Chemoxy, Johnson Matthey, Huntsman, Ineos Bio, Lotte Chemical, Lucite International, Sabic Petrochemicals and Traceco amongst many others.
- 5.1.7 **Seal Sands and Billingham** employs over 1,700 people and the area provides shore access to North Sea gas fields and Conoco Phillips' Norsesea crude oil terminal via BP's Central Areas Transmission System Terminal. Offshore industries produce 70% of the oil platforms and heavy engineering for the North Sea.
- 5.1.8 Sited next to Teesport, the UK's second largest port, **Wilton International** was established more than 60 years ago and at almost 2,000 acres it is one of the biggest industrial locations in the UK with more than 300 acres of land designated for industrial development. The site continues to provide a haven of opportunity for new business with around 100 acres of development land for heavy industrial use, site-wide infrastructure, including tunnels, roads, rail, pipe bridges, culverts, drains and effluent management.
- 5.1.9 **Hartlepool** has a range of businesses sited around the nuclear power station and river, some with direct riverside access to the Tees estuary. Businesses include specialist chemical and engineering firms, offshore wind, heavy engineering and manufacturing firms, dry dock and decommissioning facilities.
- 5.1.10 The energy economy in the Tees Valley has constantly adapted and innovated. Employment in the energy sector remains important. Energy generation related industries employ 3,600 people; there are another 5,400 employed in energy intensive industries and a further 500 employed in the energy supply chain.¹¹
- 5.1.11 Home to one of the original fleet of nuclear power stations, there is now the opportunity for a new nuclear station at Hartlepool. The former Teesside Combined Cycle Gas Turbine power station was the largest of its kind worldwide, able to generate over 3% of the UK's electricity when it opened in 1993 and this site retains the potential for a new electricity generating station. Now, a number of renewable power stations are located in the Tees Valley, including the High Volts and Seamer onshore wind farms, the Sembcorp Wilton International biomass plant (Wilton 10), and the SITA Teesside energy from waste plant at Haverton Hill.

¹¹ Source: ONS, NOMIS, BRES, average number of employees in Tees Valley, 2012 – 2014

- 5.1.12 SITA/Sembcorp UK are also currently constructing an energy from waste plant at the Wilton International site (Wilton 11) and further renewable energy sites are Tees Bay Windfarm off Redcar, a solar farm outside Guisborough (under construction) and wind turbines near Sedgefield (Co Durham). Anaerobic Digestion units also exist at Northumbrian Water Bran Sands complex, and in Middlesbrough, generating electricity and/or biomethane. In August 2015, the Dogger Bank Teesside A and B offshore wind farm in the North Sea received planning consent, and the onshore part of this development will be located in Redcar and Cleveland.
- 5.1.13 With strong links with the region's universities, the Centre for Process Innovation (CPI) was created to stimulate and drive innovation, and is part of the UK's Advanced Manufacturing Technology Innovation Centre (also known as catapult centres). CPI is the home of the £6.5m National Industrial Biotechnology Facility and has recently welcomed US company Calysta Inc. to its Wilton site. The biotech firm is set to open its first R&D and Market Introduction Facility in the UK on Teesside and develop the production process for FeedKind™ protein, a natural, safe, non-GMO sustainable fish feed ingredient that is approved for sale in the European Union. The company will safeguard current specialist jobs in CPI, with a further 29 jobs created; along with indirect jobs benefits in construction and the supply chain. In addition, the National Skills Academy Process Industries (NSAPI), an employer-led centre of excellence, is based in Darlington and provides world-class opportunities for both new entrants and existing workers in the sector to learn new skills.
- 5.1.14 The Tees Valley is also the home to the National Biologics Manufacturing Centre, which is leading the way for the UK for this part of the UK health innovation ecosystem, as well as supporting local businesses to grow their offering.

5.2 Universities and Colleges

- 5.2.1 There is greater potential for the local universities and colleges to come together and work more closely to improve the skills offering that will ensure that young people in the Tees Valley are equipped with the right skills to address the skills shortages in growing areas such as ICT and digital sectors.
- 5.2.2 There are some good, stand-alone examples of this. Teesside University, for example, participates in the Creative Fuse project which is jointly funded by the Arts and Humanities Research Council and involves the other four universities in the North East of England. Creative Fuse brings the universities together with the 12 Local Authorities in the North East as well as businesses, artists and cultural organisations to look at how the creative, digital and IT sector can ensure it has enough of a skilled workforce for the future.
- 5.2.3 The National Horizon Centre Partnership in Darlington is an example of innovative thinking and collaboration to develop skills in key growth sectors. The Centre is a partnership between Teesside University, the Centre of Process Innovation, Darlington College, Darlington Borough Council and the Centre for Subsea Technology Awareness, Training and Education (C-STATE). The Centre aims to help develop the industries which will transform the local economy – biologics, digital and engineering. Its geographical placement near to the transport links of Darlington train station is ideal for student access. Going forward, more needs to be done to replicate this Centre across the Tees Valley.

- 5.2.4 Teesside University also plays a key role in a number of local initiatives which aim to improve employability and links with the five main Further Education colleges. The University runs the Higher Education Business Partnership, which is a collaboration between the University and these five Further Education colleges. The University and the colleges have been working together for over 20 years in a strategic partnership which is aimed at meeting the needs of the Tees Valley economy and the aspirations of local communities and individuals.
- 5.2.5 One of the best ways that the local universities could play a role in improving skills and technical education in the Tees Valley is by working with employers to create a University Technical College (UTC).
- 5.2.6 UTCs provide technical education, typically for 14-19 year olds, to meet the needs of modern business. Working in partnership with universities and employers, UTCs will provide a new generation of school leavers with the technical knowledge and skills that industry demands. Each UTC has one or two specialisms ranging from engineering and manufacturing to bi-medicine, health sciences and cyber security. The Government is committed to expanding the UTC programme so that more young people can take advantage of this novel education.
- 5.2.7 **Recommendation: Universities work with local employers, and Lord Baker, to consider whether technical based education provision in the form of either a University Technical College or Institute of Technology may help to address skill gaps and contribute to meeting the future needs of business.**

5.3 Digital Sector

- 5.3.1 The Tees Valley accommodates a wide range of companies that specialise in the IT and digital/creative sector, including companies that focus on areas such as media and games development, mobile application and web development, IT support, IT consultancy and business application development.
- 5.3.2 Teesside University is one of the leading universities in animation and computer gaming. It was one of the very first universities to enter this field over twenty years ago and hosts the annual international Animex conference and produces over 400 graduates annually from its School of Computing.
- 5.3.3 The Tees Valley is also part of the Digital Catapult Centre network which helps innovators bring digital services and products to market. The Digital Catapult Centre North East & Tees Valley focuses specifically on projects around the controlled delivery and security of data. It helps businesses from a wide range of sectors to understand and exploit the value of data to increase information sharing among businesses and organisations, opening up new business models and revenue streams.
- 5.3.4 The Digital Catapult Centre North East & Tees Valley launches challenges and events to create opportunities for private businesses, the public sector, academia and the region's indigenous software community to collaborate and unlock new value around these areas.

5.4 Automotive Sector

- 5.4.1 As part of the wider advanced manufacturing cluster, the automotive sector in the Tees Valley, and across the wider North East, continues to grow significantly. This success has been based on attracting, retaining and growing foreign direct investment, making the most of the location advantages that the Tees Valley offers, with easy access to international export markets, as well as proximity to major UK based manufacturers.
- 5.4.2 The sector in the Tees Valley is characterised by the dynamism of a young, fast growing sector that is open to new ways of working, ensuring that the production facilities at growing international companies, such as Nifco, are among the most efficient in the world. This investment in plant and machinery, coupled with a highly skilled and flexible workforce has seen employment in the automotive sector double in size to around 1,000¹² in recent years, with several new investments likely to further grow this sector.

5.5 Business Representation

- 5.5.1 There are a number of different organisations working across the Tees Valley to represent the private sector. It is striking, however, that there is no 'one stop shop' for businesses to go to in Tees Valley and the number of different organisations means that for individual businesses, and particularly small businesses, the landscape is complex. Not one of the organisations represent the majority of businesses in the Tees Valley and they are not coming together in partnership to work collaboratively so that they are greater than the sum of all parts.
- 5.5.2 Most notably, the LEP is doing a good job of creating a strategic vision for businesses across the Tees Valley. The Business Compass – the growth hub for the Tees Valley – is based on a strong and permanent Mayoral Combined Authority, and it is hoped that it can provide the beginning of a more sustainable, permanent approach, which can expand to provide the growth and business advice services that the Tees Valley needs to accelerate its economic diversity and support growing businesses. The area also has forums like the Tees Valley Business Club and the North East England Process Industry Cluster (NEPIC) which is specifically for process industry businesses.
- 5.5.3 The Chamber of Commerce represents over 4,000 businesses – around 1,000 in the Tees Valley. These members collectively employ one-third of the region's workforce. However by the nature of the organisation; their work is limited to their members and the total business stock in the Tees Valley alone is 16,500. The Chamber acknowledges that adopting a model of universal business support would represent a fundamental shift in their approach but one that they would consider if support existed.
- 5.5.4 Comparisons can be drawn between the UK and other countries to assess how we approach business support. Germany has offered consistency in the way it has approached business support for many decades. The UK central Government on the other hand has regularly changed and altered its funding arrangements meaning that local delivery partners such as the Chamber of Commerce are wary of being full partners to offer publically funded business support.

¹² 2016 figure based on recent investment forecasts

- 5.5.5 Over the last ten years, the North East has seen the closure of the Regional Development Agency and their responsibility for economic strategy moved to the LEPs. It has witnessed the creation and closure of the regional Business Link service which was heavily supported by the North East Chamber of Commerce. It has also seen the closure of the Learning and Skills Council which was chaired by the Chamber's Chief Executive. The Chamber argues that while the work was generally split between the Skills Funding Agency and the Young People's Learning Agency, the strategic work at a local level was never replaced.
- 5.5.6 **Recommendations: The Chambers of Commerce should agree with the Local Enterprise Partnership a visit to one of the leading German cities in order to learn at first hand the scale and quality of the services on offer to German companies with which Tees Valley companies have to compete.**
- 5.5.7 **Recommendation: The Tees Valley Combined Authority to work with the Chamber of Commerce and the Local Enterprise Partnership to bring together all business support organisations, enhancing the Business Compass model to ensure all businesses have access to the right sort of advice and support.**
- 5.5.8 This will mean that businesses in the Tees Valley are able to access a 'one stop shop' for advice, support and representation and:
- Access new markets within the UK and internationally;
 - Support the innovation of new products and services (working with Catapults, Universities and other innovation leaders in Tees Valley, the UK and globally);
 - Improve the skills and experience of the current workforce (leading to increased productivity), as well as accessing a strong pool of new recruits;
 - Access to the right sort of capital for business growth, through loans, equity investment or grants; and,
 - Ensure that they have access to a wide mix of business locations to support growth plans and expansion.

5.6 Estate Regeneration

- 5.6.1 The Prime Minister's ambition is to develop a national Estate Regeneration strategy, supporting the redevelopment of over 100 estates across the country. This ambition is about more than generating new housing. It represents a huge opportunity to regenerate run-down, low density public sector estates to improve the life chances of thousands of people, and also to offer a strong package of rights and protections for existing tenants and homeowners.
- 5.6.2 The emphasis is firmly upon locally-led innovation and transformation. Supported by an Advisory Panel comprising experts from across the private and public sectors, estate regeneration schemes will have access to loan funding of £140m to support the redevelopment and regeneration process. The Advisory Panel is currently examining financing options including leveraging private investment to support delivery, the elements of a positive package for tenants, and routes to overcoming obstacles to estate regeneration.
- 5.6.3 The Tees Valley has 35 wards in the top 10% of deprived wards in the country; 10 are in Middlesbrough, 7 each in Stockton and Redcar, 6 in Hartlepool and 5 in Darlington. The social problems experienced in these areas are not necessarily reflected entirely in the quality of place either in terms of housing stock or quality of the physical environment, yet have a highly negative impact on aspirations, self-esteem, self-belief, and employability.

- 5.6.4 The five Local Authorities have stated the need to link these wider social aspects with focussed initiatives attached to physical “place” improvements to enable the scheme to address the many forms of social deprivation within the poorest estates.
- 5.6.5 The Advisory Panel will be particularly interested in how Estate Regeneration can be taken forward in areas such as the Tees Valley. The Government advice team can engage with those who provide expressions of interest to explore what support may be of value for each particular community. The Tees Valley Local Authorities should take advantage of the Government advice and assistance that is available through this programme.
- 5.6.6 **Recommendation: The five Local Authorities, community groups, and developers should actively explore the opportunity presented by the Prime Minister’s ambitious new Estates Regeneration programme.**

5.7 Town Centre Regeneration

- 5.7.1 The way in which communities use their local town centres has changed dramatically over time, particularly over the last decade. The rise of the internet mean retailers often need fewer outlets and a more flexible physical presence, while consumers are increasingly looking for more diverse ‘experiential’ offers from their town centres that focus on leisure and services.
- 5.7.2 The town centres in the Tees Valley are a vital economic engine, hosting a significant number of the total jobs in the area and providing the civic, leisure, commercial and retail needs. They will need to play a vital role in the future growth of the Tees Valley and will need to be able to adapt to accommodate significant future jobs growth, often in sectors other than retail.
- 5.7.3 Government’s drive for town centre regeneration offers a range of exciting opportunities to improve the way local communities experience their town centres, creating areas of mixed-use that deliver new jobs, foster business and entrepreneurs as well as provides housing for new communities. Encouraging economically dynamic town centres also offers significant opportunities for local growth and more efficient use of empty commercial properties and brownfield land.
- 5.7.4 It is clear that the Tees Valley has significant potential for further redevelopment and economic growth. Bringing together town centre strategic plans with clear proposals, a strong and credible governance structure for delivering change and the right planning environment will be key to delivering local regeneration ambitions. Middlesbrough has already started this dialogue and it is encouraging that leaders have recognised the importance of regenerating their town centre to drive local growth and provide the shared civic spaces that their communities need.
- 5.7.5 **Recommendation: The five Local Authorities should consider whether this opportunity to support the regeneration of town centres can contribute to current and future plans for local economic growth.**

5.8 Coastal Regeneration

- 5.8.1 Government has developed several initiatives around the English coast to encourage locally –led coastal regeneration. In March 2015, Redcar and Coatham were one of the first 12 coastal areas to establish a Coastal Community Team (CCT).and in July 2015, the Coastal Minister, Mark Francois, announced over 100 more CCTs. There are now 118 CCTs established around the English coastline.

- 5.8.2 As part of becoming a Coastal Community Team (CCT) and receiving a small amount of starter funding (£10,000), each Team was commissioned to produce an Economic Plan to set out both the short and long term regeneration priorities that would support local economic growth. CCTs have, for the first time, brought disparate local interest groups, with a clear passion and drive for change, together with the council under a single structure. In developing an Economic Plan they have had to agree what the priorities in their coastal town should be.
- 5.8.3 Hartlepool has two CCTs – Headland and Harbour, and Seaton Carew – who have collaborated to produce a suite of marketing products to promote Hartlepool key coastal assets, including drone filming, website development, and the development of the visitor experience and social media.
- 5.8.4 Redcar and Cleveland Council were also awarded a £907,000 Coastal Communities Fund (CCF) grant in 2015 to support their Kirkleatham Catering Academy and Walled Garden project. The project, located in the Pavilion and Grade II listed Walled Garden at Kirkleatham, will create a first class Catering Academy to provide training places and apprenticeships, improving the employment prospects of local residents of all ages and, in particular, young people and those from disadvantaged groups in the area. The Walled Garden is being restored to develop training opportunities for jobs in horticulture. Since their original bid the Council have undertaken an 'Inquiry by Design' exercise with local residents and businesses. Total project costs will increase by £655,000 but the revised project will deliver 96 rather than 55 new jobs. A further CCF grant of £200,000 towards the cost of the revised project was awarded in March 2016.
- 5.8.5 Following the Chancellor's announcement at Summer Budget that the Coastal Communities Fund will be extended for 4 more years from 2017-18 to 2020-21 with at least £90 million of new funding available, there will be further opportunities for areas like Tees Valley to apply to the Fund. Details of the next CCF bidding round (Round 4) are currently being developed and we expect the programme in England to open for new applications in late May 2016.
- 5.8.6 **Recommendation: As well as a further opportunity for Redcar and Cleveland to build upon current coastal regeneration progress, Middlesbrough should consider applying to the Fund as bids are welcome from estuarial locations.**

CHAPTER 6: Education, Employment and Skills

Key Recommendations

- **The Department for Education build on their initial role in the Tees Valley Devolution Deal and make a commitment that they will play a collaborative and active role in the Education, Employment and Skills Board. (see 6.2.10)**
- **The Regional Schools Commissioner to play an active, collaborative, and advisory role on the Tees Valley Education, Employment and Skills Board, which will ensure better joining up and collaborative working between Local Authority controlled schools and academies. (see 6.2.11)**
- **The Tees Valley Combined Authority must provide ambitious, visible and determined leadership of the strategy to transform education and skills across the Tees Valley. (see 6.3.8)**
- **Local Authorities to continue to send out letters to leaders of underperforming primary and secondary schools, and the Combined Authority to play a role in agreeing all school intervention plans with governing bodies, through the Education, Employment and Skills Board. (see 6.4.5)**
- **The Tees Valley area is prioritised for national roll out of the National Teaching Service, which seeks to incentivise talented teachers and middle leaders to work in areas that are struggling to recruit and retain high quality teachers. (6.4.9)**
- **After completion of the Further Education Area Review, the Tees Valley should consider whether it would be appropriate to create a University Technical College or Institute of Technology. (6.5.4)**
- **The Tees Valley LEP and Combined Authority to work with employers and schools to promote and increase the number of apprenticeships in the area and maximise the opportunities presented by the Government's apprenticeship reforms, including the levy. (see 6.6.5)**
- **All national and local careers advice initiatives should be coordinated through the Tees Valley Combined Authority Education, Employment and Skills Board. (see 6.9.2)**

6.1 Overview

- 6.1.1 The economy in the Tees Valley is growing. 20,900 private sector jobs have been created since 2011, the unemployment claimant count is down 45% since 2011, youth unemployment more than halved and the number of residents qualified to Level 4 has increased to 116,200. The current workforce is getting older however, and this ageing workforce will bring skills shortages. The Tees Valley estimate that an additional 127,000 jobs will need to be filled by 2022.
- 6.1.2 The Tees Valley labour market is no longer built on heavy manufacturing sectors. It is fast becoming a high quality and exciting area for new digital and creative technologies, engineering and chemical manufacturing. Crucially, accelerating growth in the area will be dependent upon high skills in premium STEM subjects, and the importance of ensuring that the workforce has a high level of employability. In 2014, lower numbers entered into STEM related subjects in the Tees Valley compared to national averages and significantly, of those who were entered into the examinations, only 26% achieved higher grades compared to 35% nationally.
- 6.1.3 Skills shortages in the ICT, digital and creative and process/chemical sectors are highlighted in the Tees Valley Local Enterprise Partnership (LEP) Economic Assessment for 2015/16, while the ability to find suitably skilled people was cited by businesses in Tees Valley as the largest obstacle to growth. The LEP assessment also found that 80% of employers in Tees Valley have a skills shortage or struggle to recruit in the ICT sector, while 65% of digital and creative sector employers also struggle to find suitably skilled people.
- 6.1.4 This makes it increasingly important to retain skilled people in the Tees Valley, up-skill and re-train residents and ensure young people are training for the right job opportunities. The Tees Valley needs to come together and proactively manage this growing skills and employability gap within the local population.
- 6.1.5 Like many areas in the North of England, the Tees Valley is also facing a number of significant challenges within its education system and most significantly it suffers at the hands of underperformance across its secondary and post-16 education areas. Sir Michael Wilshaw, Ofsted's Chief Inspector recently commented that the Northern Powerhouse "*will splutter and die*" if Northern cities fail to produce skilled individuals to sustain it.
- 6.1.6 While primary schools perform well, in 2015 nearly half of Tees Valley's 16 year olds (47%) did not achieve 5 A* - C including in English and Maths. 22 (48%) of the area's secondary and academy schools are judged as less than good and of these failing schools, 60% are academies. It will require a concerted effort across employers, Local Authorities, schools, colleges and Universities to ensure that the potential workforce is prepared for the actual skills needs in the economy.
- 6.1.7 Having held discussions with a range of local leaders in the Tees Valley, it is clear that problems with education and skills are really the thorn in Tees Valley's side. Underperforming secondary schools, low aspiration and skills shortages must be addressed as a matter of urgency by the new Combined Authority in order to establish an education and skills system which help transform the region's prospects.

6.2 Skills and the Tees Valley Devolution Deal

- 6.2.1 The Tees Valley Combined Authority has begun the journey to tackle the education and skills problems and it is impressive that they made sure their recent Devolution Deal had a specific Education, Skills and Employability theme; something which is a first in the Northern Powerhouse. The Tees Valley Devolution Deal is an excellent opportunity for the area to come together in order to create a high performing education and skills system.
- 6.2.2 The Tees Valley Combined Authority will take a lead role in employment and skills policy initiatives; engage and influence the Department for Work and Pensions' (DWP) Work Programme and Further Education provision; develop the Tees Valley employment, learning and skills framework and encourage implementation; and work with employers to join up the employer offer across the Tees Valley. Control over the adult skills budget will be transferred over 3 years.
- 6.2.3 As part of the Tees Valley Devolution Deal, and based on the readiness conditions for full devolution being met, the Government will enable local commissioning of outcomes to be achieved from the 19+ adult skills budget starting in academic year 2016/17; and will fully devolve budgets to Tees Valley Combined Authority from academic year 2018/19 (subject to readiness conditions). These arrangements do not cover the devolution of Government's new apprenticeship levy. Government has taken the decision that apprenticeships should be in the hands of employers.
- 6.2.4 Devolution will proceed in three stages, across the next three academic years. With immediate effect, the Tees Valley Combined Authority will begin to prepare for local commissioning. It will develop a series of outcome agreements with providers about what should be delivered in return for allocations in the 2016/17 academic year.
- 6.2.5 This will replace the current system of funding by qualifications as providers will receive their total 19+ skills funding as a single block allocation. This new arrangement will allow the Tees Valley Combined Authority to agree with providers the mix and balance of provision that will be delivered in return for the block funding, and to define how success will be assessed.
- 6.2.6 For the 2017/18 academic year, and following the area review, Government will work with the Tees Valley Combined Authority to vary the block grant allocations made to providers, within an agreed framework. Finally, from 2018/19, there will be full devolution of funding. The Tees Valley Combined Authority will be responsible for allocations to providers and the outcomes to be achieved, consistent with statutory entitlements.
- 6.2.7 Government will not seek to second guess these decisions, but it will set proportionate requirements about outcome information to be collected in order to allow students to make informed choices. A funding formula for calculating the size of the grant to local / combined authorities will need to take into account a range of demographic, educational and labour market factors.
- 6.2.8 The formation of an Education, Employment and Skills Board underpins delivery of skills devolution in Tees Valley, which will bring together the Combined Authority with central Government departments such as DWP, the Department for Business, Innovation and Skills (BIS) and the Department for Education (DfE). The Board will be launched in 2016 and will 'hold the ring' on transforming the standards of education and skills across the Tees Valley through the strategic delivery of regional and national responsibilities and priorities.

- 6.2.9 The Education, Employment and Skills Board is fundamentally important to how the Tees Valley brings together a regional strategy for tackling some of the serious problems in the education sector. It will provide the opportunity to bring together, scale up and roll out some of the excellent examples of great work already being undertaken in certain Local Authority areas of Tees Valley. Its success will depend upon the extent to which all Government Departments meaningfully engage with the Board and currently there is some indication of reluctance on the part of the DfE to participate actively and collaboratively.
- 6.2.10 **Recommendation: The Department for Education build on their initial role in the Tees Valley Devolution Deal and make a commitment that they will play a collaborative and active role in the Education, Employment and Skills Board.** All Government Departments listed in the Devolution Deal should approach this Board in the innovative way in which it was created.
- 6.2.11 **Recommendation: The Regional Schools Commissioner to play an active, collaborative, and advisory role on the Tees Valley Education, Employment and Skills Board which will ensure better joining up and collaborative working between Local Authority controlled schools and academies.** The Education, Employment and Skills Board is a key feature of the Devolution Deal and will be an excellent vehicle for change, bringing all interested parties to the table. To transform the education and skills landscape in Tees, all parties who have an interest must come together to work collaboratively and provide strategic direction on education across the area. This should certainly involve the Regional Schools Commissioner who has responsibility for the success of Tees Valley's academy schools. Notwithstanding Government's stated ambition to move to a system of fully-academised schools from 2020, Local Authorities will continue to play an important role in the local education system. A number of residual responsibilities will remain with Local Authorities around place planning, provision of Pupil Referral places and commissioning specialist High Needs places, and it will be important that these are discharged in a coherent and joined-up manner alongside the responsibilities of the Regional Schools Commissioner.

6.3 Moving Forward: A Strategy for Transforming Education and Skills

- 6.3.1 In preparation for the Education, Employment and Skills Board's official launch in 2016, it is encouraging to see that the area has already made a good start in putting in place a strategic plan for improvements to the education and skills system in Tees Valley. There are two key pieces of work which are setting the strategy for reform.
- 6.3.2 The first is the Further Education Area Based Review which is being co-chaired by the education and skills lead from the Combined Authority and is explained in more detail at a later point.
- 6.3.3 The second is a rather significant programme of work called 'Transforming Tees'. Transforming Tees is a jointly funded programme by four Local Authorities in the Tees Valley and the LEP who have pooled £1m to focus on transforming education, employability and skills outcomes through a partnership across schools, employers and further education providers. The programme was launched in 2015 and focuses on:
- **Getting every school to good or outstanding:** This builds on good practice from some of Tees Valley's Local Authorities and aims to develop a Tees Valley performance assessment of every school and academy and agree Transforming Tees intervention plans with each of the schools maintained by Local Authorities. Some Local Authorities, particularly Hartlepool and

Middlesbrough, already have a strong track record of taking action to strengthen leadership and governance in underperforming schools. This best practice should be scaled up and be co-ordinated at a Tees Valley level.

- **Tackling educational disadvantage:** Through a research and development programme across clusters of schools, this piece of the programme is aimed at sharing best practice locally and nationally through a programme of targeted master classes. A major programme aimed at improving literacy at KS2 and KS3 will be launched in Tees Valley in Summer 2016.
- **Improving careers and guidance:** Working closely with the LEP, who have been leading on improving the co-ordination of careers and guidance resources and activities across Tees Valley under their 'Tees Valley Skills' initiatives. This includes the delivery of a new Careers and Enterprise company initiative which includes Careers Education, Information, Advice and Guidance (**CEIAG**) activities with all secondary schools (see 4.9).
- **Attracting and developing the best teachers and school leaders:** a programme of masterclasses is being targeted at improving teaching in English, maths and science; and a partner is being sought to co-ordinate a Tees Valley School Leaders development programme.

6.3.4 **Recommendation: The Education, Employment and Skills Board should also take action to address the low numbers of young people in the Tees Valley that are being entered for STEM related subjects.** Comparatively, the Tees Valley has lower numbers of students entered for STEM related subjects than national levels. Of those entered only 26% achieve higher grades (A*-C). The Tees Valley Combined Authority should work with the Government to think creatively about technical pathways, and in particular where technical education can provide an alternative to mainstream curriculum learning. The Tees Valley Combined Authority has some interesting and innovative ideas about how the technical and vocational curriculum could be better aligned to the needs of local employers in growth sectors - a theme falling out from the Area Review.

6.3.5 *Middlesbrough College.* Following some consideration about whether creating a University Technical College (UTC) would be right for the area, and following Professor Alison Wolf's review, which concluded that colleges should be able to recruit 14+ students, full time and directly, Middlesbrough College now provides a 14 – 16 offer. Predominantly, it is focused on re-engaging those students for whom mainstream school curriculum has not worked (including resulting in exclusion). The offer at the College is currently small with only 35 students a year but the results have exceeded expectation. Progress has been made in almost all subjects and is above the expected level.

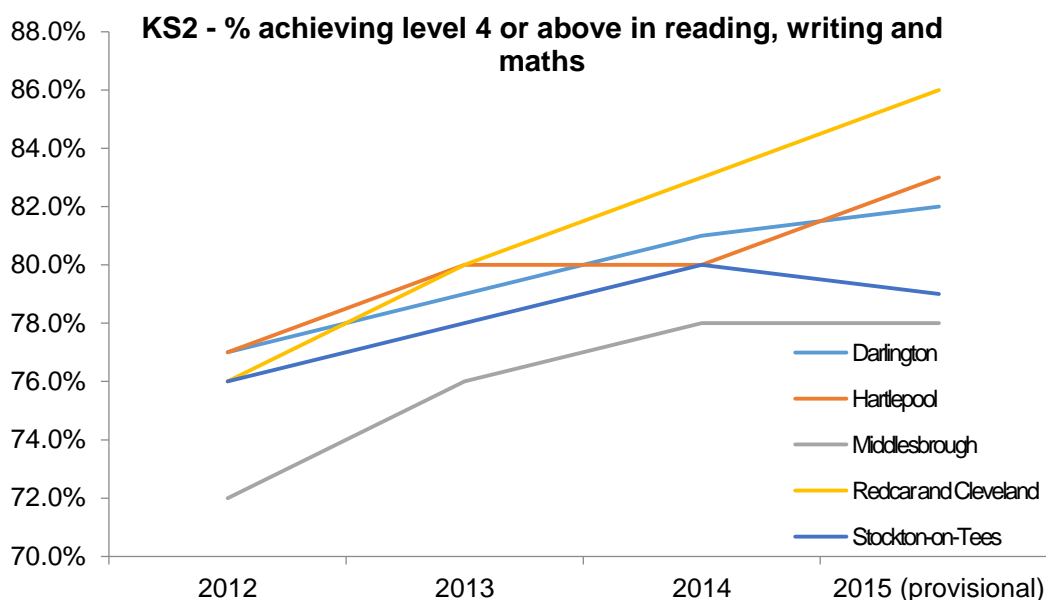
6.3.6 Last year all but one learner from this previously excluded group of 35 students progressed to post 16 provision and this year, all of the students went on to post 16 education. The results have shown that an alternative pathway, a more vocational education option at 14 -16, does meet the needs of certain learners, particularly those with less academic/more vocational interests.

6.3.7 New provision, particularly University Technical Colleges [or Institutes of Technology] could make a real difference in closing the gap between employers and education providers. Universities and local businesses should rise to this challenge and implement the recommendations which will emerge from the further education area review.

6.3.8 **Recommendation: The Tees Valley Combined Authority must provide ambitious, visible and determined leadership of the strategy to transform education and skills across the Tees Valley.** This includes the scaling up of current good practice across the Tees Valley to ensure a consistent approach is taken across the area.

6.4 Primary and Secondary Education

- 6.4.1 There are over 200 primary schools in the Tees Valley. Of these 83% are rated as 'Good' or 'Outstanding' by Ofsted with only 13% rated as 'requiring improvement'. 80% of Tees Valley primary school pupils achieve a Level 4 or above in reading, writing and maths at Key Stage 2, compared to 79% regionally and nationally. While there are particular schools that require additional support, primary education within the Tees Valley is good.



[Source: DfE, 2015]

- 6.4.2 The above average performance is however taking into account the average for the Tees Valley as a whole. Performance of primary schools varies considerably between the five individual Local Authorities as the graph above shows. Redcar and Cleveland primary authority schools perform far better than area and national averages while Middlesbrough and Stockton primary schools are in fact 3% and 2% below national average respectively. Ofsted reports include tables showing that the following primary schools in the Tees Valley are considered to be either requiring improvement or inadequate:

Tees Valley Primary Schools: Requires Improvement or Inadequate¹³

Local Authority	School name	Rating
Hartlepool	Hart Primary School	Requires Improvement
	Lynnfield Primary School	Requires Improvement
	St Aidan's Church of England Memorial Primary School	Requires Improvement
	St Cuthbert's RC Primary School	Requires Improvement
Middlesbrough	Ayresome Primary School	Requires Improvement
	Chandlers Ridge Academy	Requires Improvement
	Hemlington Hall Academy	Requires Improvement
	Thorntree Primary School	Requires Improvement
	St Gerard's RC Primary School	Requires Improvement

¹³ Source: www.GOV.UK, 2016

Tees Valley Primary Schools: Requires Improvement or Inadequate¹⁴ (cont..)

Local Authority	School name	Rating
Darlington	Holy Family RC Primary School	Requires Improvement
	Springfield Academy	Requires Improvement
	The Rydal Academy	Requires Improvement
	Corporation Road Community Primary School	Inadequate
Stockton-on—Tees	Harrow Gate Academy	Requires Improvement
	Norton Primary Academy	Requires Improvement
	St Gregory's Catholic Primary School	Requires Improvement
	The Oak Tree Academy	Requires Improvement
Redcar and Cleveland	Errington Primary School	Requires Improvement
	Grangetown Primary School	Requires Improvement
	Highcliffe Primary School	Requires Improvement
	New Marske Primary School	Requires Improvement
	Saint Joseph's Primary School Voluntary Academy	Requires Improvement
	St Benedict's Primary Catholic Voluntary Academy	Requires Improvement

6.4.3 The percentage of pupils in Tees Valley gaining 5+ A*-C GCSE or equivalent grades including English and Maths GCSE is 52% (2014/15). Worryingly, only 43% of secondary schools in Tees Valley have been rated as 'Good' or 'Outstanding' by Ofsted whereas 25% have been rated as 'Requiring Improvement'. The following secondary schools in Tees Valley are considered to be either requiring improvement or inadequate by Ofsted:

Tees Valley Secondary Schools: Requires Improvement or Inadequate¹²

Local Authority	School name	School type
Hartlepool	High Tunstall College of Science	Requires Improvement
	St Hild's Church of England Voluntary Aided School	Requires Improvement
	Manor Community Academy	Inadequate
Middlesbrough	Trinity Catholic College	Requires Improvement
	Outwood Academy Ormesby	Inadequate
Darlington	Darlington School of Maths and Science	Requires Improvement
	Haughton Academy	Requires Improvement
	St Aidan's Church of England Academy	Requires Improvement
Stockton-On-Tees	Bishopsgarth School	Requires Improvement
	Ian Ramsey Church of England Academy	Inadequate
	North Shore Academy	Requires Improvement
	Northfield School and Sports College	Requires Improvement
	St Michael's Catholic Academy	Requires Improvement
	Thornaby Academy	Requires Improvement
	Our Lady and St Bede RC School	Requires Improvement
The Grangefield Academy	Inadequate	
Redcar & Cleveland	Redcar Academy	Requires Improvement
	Rye Hills School	Requires Improvement
	Hillsview Academy	Inadequate
	Outwood Academy Bydales	Inadequate
	Redcar and Cleveland College	Requires Improvement

¹⁴ Source: www.GOV.UK, 2016

- 6.4.4 It is understood that there are strong local feelings that these figures are misleading, however these figures indicate the underperformance of schools in Tees Valley and this is not acceptable. There is an urgent need to address the problems indicated by these figures and there should be public awareness of this problem. Any discrepancy between the views of the national inspectorate and local education authority must be resolved and appropriate steps should be taken to engage head teachers and governors in a clear programme of improvement.
- 6.4.5 **Recommendation: Local Authorities to continue to send out letters to leaders of underperforming primary and secondary schools, and the Combined Authority to play a role in agreeing all school intervention plans with governing bodies, through the Education, Employment and Skills Board.** This should also apply to academies; there are no head teachers, teachers, governors or parents who want schools to fail. The Combined Authority has already begun to take steps to deal strategically with underperforming schools – a Tees Valley model for assessing the performance of all schools and academies has been proposed. The Combined Authority also wishes to agree all school intervention plans with governing bodies.
- 6.4.6 **Recommendation: Plans should be agreed jointly to establish a joined up approach to resourcing interventions across the Combined Authority, Regional Schools Commissioner for the North of England and Ofsted.** Tackling underperformance will require a coherent and resourced Education and Skills Strategy in order to achieve rapid reform and improvement. It will require visible, high profile, imaginative and bloody minded leadership and it will require joined up working between national and local leaders who share the same goals.
- 6.4.7 There has to be focussed effort from educationalists, employers and the public sector to improve achievement in schools that are judged to ‘require improvement’. Those in charge of schools should be brought together to create a cross-Tees schools strategy and this should include efforts to attract high quality teachers to the area and the development of cross-Tees leadership training and sharing of successful practices.
- 6.4.8 **Recommendation: In line with the Government’s Northern Powerhouse Schools Strategy and work to implement ‘Achieving Excellence Areas’, Government should work closely with the Tees Valley Education, Employment and Skills Board, and the existing Transforming Tees programme, to ensure there are sufficient high quality teachers and leaders in the school system to deliver rapid and sustainable improvement.**
- 6.4.9 **Recommendation: That the Tees Valley area is prioritised for national roll out of the National Teaching Service, which seeks to incentivise talented teachers and middle leaders to work in areas that are struggling to recruit and retain high quality teachers.** The success of any intervention in underperforming schools will be dependent upon the extent to which the best teachers and leaders are attracted to work within the Tees Valley education and skills system.
- 6.4.10 In parallel, the Combined Authority is also proposing to launch a recruitment campaign and development programme to incentivise people to lead and teach within the Tees Valley. These plans should be joined up with the Department for Education (DfE) and link into national programmes that can be adjusted to fit the local perspective, for example, aligning the national rollout of the National Teaching Service to the Tees Valley.

6.5 Further Education

- 6.5.1 The Tees Valley has six Further Education colleges (Darlington, Hartlepool, Middlesbrough, Redcar & Cleveland, Stockton Riverside and Cleveland College of Art & Design) and four sixth form colleges along with a number of schools that contain a sixth form college. The six main Tees Valley Further Education colleges offer a range of education and training courses, including apprenticeships and full-time and part-time provision. Over £225 million has been invested in Further Education colleges in the Tees Valley over the past decade, with new facilities in place at all of the major colleges¹⁵. There are also a broad range of independent training providers, supporting in particular industrial sectors such as engineering and advanced manufacturing. Adult Education and Community Learning facilities are provided by each of the five Local Authorities and supported by a host of third sector training providers and by a strong learning provider network (part of Association of Employment and Learning Providers, AELP).
- 6.5.2 The development and funding for Further Education provision is part of the new Devolution Deal for the Tees Valley, and the first step of this - the Area Review - is coming to a close. The Area Review was due to report at the end of February 2016, however this has been delayed until Spring 2016 due to a change in chair arrangements for the review group. The group is now co-chaired by the Combined Authority and the Further Education Commissioner until the end of the process.
- 6.5.3 The Tees Valley is in the process of completing its area based review of post-16 education, the mechanism by which Government, colleges and local stakeholders will consider the best structures to meet and deliver the needs of Tees Valley learners and employers. With the Further Education sector coming under resource and financial pressure, the Tees Valley faces some critical challenges in terms of ensuring financial viability of the network of colleges, learner outcomes and the delivery of a specialised higher level curriculum that is aligned to local economic demand. Once the area review is complete, the Tees Valley will have a stronger educational offer which will include strengthened capacity to deliver apprenticeships and the space to consider options for delivering technical education in the area. The Combined Authority will continue to chair an implementation group following the review to ensure the emerging options provide a robust basis for improving post 16 and post 19 outcomes and that these outcomes are strategically coordinated across Tees Valley.
- 6.5.4 **Recommendation: After completion of the Further Education Area Review, the Tees Valley should consider whether it would be appropriate to create a University Technical College or Institute of Technology.** A University Technical College could make a real difference in closing the gap between employers and education providers, and Universities and local businesses should rise to this challenge and implement the recommendations which will emerge from the Further Education Area Review. The Tees Valley should engage in early dialogue with the Department for Business, Innovation and Skills who are in the process of shaping the future of technical provision, so that they can use their wealth of experience to influence policy design.
- 6.5.5 **Recommendation: Schools and colleges in the Tees Valley to come together and think about an education strategy that offers learners a variety of educational pathways, especially for those learners for whom a traditional curriculum offer is not engaging or motivating.** Middlesbrough College is leading the way in offering pupils excluded from Tees Valley schools an alternative technical pathway to the traditional school curriculum, mitigating the risk of excluded pupils falling out of the education/training system and workforce.

¹⁵ Analysis from The Tees Valley Economic Assessment 2015
https://www.teesvalleyunlimited.gov.uk/media/313496/tees_valley_economic_assessment_2015_full.pdf

6.5.6 It is positive that Middlesbrough College are keen to scale up beyond the 35 pupils a year currently offered their 14 – 16 curriculum. All of those pupils who have been offered 14 – 16 education at Middlesbrough College have progressed and stayed in education and their attendance, which was previously extremely poor, is now at 80%.

6.6 Apprenticeships

6.6.1 There has been a steady increase at all levels in the number of apprenticeships in Tees Valley, however there are still significantly higher numbers of apprentices starting at Intermediate Level (L2) compared to Advance Level (L3). A total of 8,850 Tees Valley residents started an apprenticeship in 2014/15. This was an extra 850 apprenticeships started (9% increase) compared to the previous year. According to a recent survey, 21% of Tees Valley employers offer an apprenticeship scheme, which is the joint highest in the country.

Apprenticeship Starts – 2011/12-2014/16¹⁶

	2011/12	2012/13		2013/14		2014/15		2011/12- 2014/15
	Numbers	Numbers	% +/-	Numbers	% +/-	Numbers	% +/-	% +/-
Tees Valley	9,880	9,530	-3.54%	8,000	-16.05%	8,890	11.13%	-10.02%
England	515,000	504,200	-2.10%	494,600	-15.79%	494,200	16.39%	-4.04%

6.6.2 Numbers are highest in the Business and Professional Services sector (this includes Administration which cuts across all industrial sectors), with 2,550 apprenticeships or 32% of all apprenticeships, followed by Health Care at 25% (1,990 apprenticeships). There has been an increase in the number of people starting an apprenticeship in Advanced Manufacturing with an extra 160 apprenticeships.

6.6.3 Despite this strong progress, in 2014 only 0.9% of 16-24 year olds moved into Higher Level apprenticeships (1.3% nationally) and only 8.4% of 19 year olds progressed to premium university places (11% nationally). Unsurprisingly the majority of Higher Level apprentices are aged 25+. This is still a relatively new initiative but interest so far is encouraging, particularly in priority areas such as health, advanced manufacturing and chemical process sectors. The Tees Valley LEP are supporting Higher Level apprenticeship take up with a number of promotional events and as a focus in their ongoing Apprenticeship Growth Plan.

6.6.4 Some progress has been made, however, unless there is a co-ordinated effort to increase the number of apprenticeships offered across all sectors in Tees Valley, there will not be enough to even meet the replacement demand in the local economy.

¹⁶ Based on Local Enterprise Partnership analysis, 2016

- 6.6.5 **Recommendation: The Tees Valley LEP and Combined Authority to work with employers and schools to promote and increase the number of apprenticeships in the area and maximise the opportunities presented by the Government's apprenticeship reforms, including the levy.** Currently less than a quarter of employers offer an apprenticeship scheme and although this is considered to be good performance compared to national levels, it is a very small percentage of the total number who *could* offer apprenticeship opportunities. The agreement that the Tees Valley will be working with central Government to secure more apprenticeship places with employers, especially among SMEs, is welcome. This initial agreement should assist in increasing apprenticeship numbers.
- 6.6.6 **Recommendation: Government should support the Tees Valley Combined Authority in exploring how, within the national framework where individual employers have control of their levy contributions, public sector and local businesses partners in the area could collaborate to take full advantage of the Government's apprenticeship programme.** This could include the potential for increased use of the Apprenticeship Training Agency model within the area, particularly for smaller businesses or those with headcount issues.
- 6.6.7 **Recommendation: Government should devolve responsibility for the Apprenticeship Grant for Employers (AGE).** The AGE funding should be used alongside mainstream apprenticeship participation funding to incentivise employers to offer apprenticeships. The Tees Valley Combined Authority would be free to vary the criteria associated with the grant (e.g. size and sector of business) to meet local needs.

6.7 Higher Education

- 6.7.1 Higher Education provision is focused upon Teesside University and Durham University (Queen's Campus), with Further Education colleges also offering Higher Education courses. The establishment of the Queen's Campus was a key priority for the previous Teesside Development Corporation, which provided financial support to ensure that the development was successful, and it is hoped that this centre will continue and expand its Higher Education provision for many years to come. The five general Further Education college sites offer Higher Education courses as part of their Higher Education institute arrangements with Teesside University. In addition, Cleveland College of Art and Design independently offers a full range of BA (Hons) Degree level programmes within their specialist field, operating as a separate Higher Education Institution.
- 6.7.2 Teesside University has a strong reputation. It was ranked the best in Britain for student retention in the Times and Sunday Times Good University Guide 2015. The University is also one of the UK's leading Higher Education institutions for working with business. Last year it received the Queen's Anniversary Prize for world-class level work in the field of enterprise and business engagement.
- 6.7.3 The majority of Tees Valley based graduates (64%) find employment within Tees Valley, with an additional 11% finding employment in the wider North East. 80% of Tees Valley students who have obtained an undergraduate or postgraduate qualification over the last year found employment within 6 months after graduating, with 56% finding full time employment.
- 6.7.4 The work of the Higher Education Business Partnership is impressive and should be expanded. Universities should be working proactively to attract higher numbers of under graduates, from beyond the wider North East, to participate in courses offered by the two Universities. This will support the growth and development aspirations of Teesside University.

6.8 Youth Unemployment

- 6.8.1 **Recommendation: A future Devolution Deal should include a commitment on youth unemployment and careers advice.** Unlike other Devolution Deals, Tees Valley's did not include a specific recommendation on youth unemployment and careers advice. As part of a future Devolution Deal for Tees Valley, the Government should make an explicit commitment to work with the Tees Valley Combined Authority to ensure that local priorities are fed into the provision of local careers advice.
- 6.8.2 Driven by the LEP there has been a focus across the Tees Valley on reducing youth unemployment and reducing the skills gap through employer, school and Further Education partnerships. Examples include Foundation for Jobs in Darlington and Redcar and Cleveland, and the Youth Employment Programme in Hartlepool along with a significant Apprenticeship programme in Stockton. In addition, the wider Tees Valley Jobs and Skills Investment Fund created over 700 new jobs with the majority being apprenticeship and graduate positions. Alongside the impact of 'Raising the Participation Age' these programmes have collectively had a significant impact on rates of youth unemployment over the last three years, although these rates remain significantly above the national average.
- 6.8.3 The introduction of a new EU funded programme under the Youth Employment Initiative (YEI) for young people aged 15-29 who are NEET, with £21m of EU funding plus £8m local match funding, will now resource a significant two-year Tees Valley Youth Employment Initiative (YEI) programme. This will provide support for around 10,000 young people (over the life of the programme) to move back into education employment or training with a view to securing longer term sustainable careers.
- 6.8.4 **Recommendation: In delivering the Youth Obligation from April 2017, Government should take account of the existing local programmes and the Combined Authority role in skills commissioning, seeking to integrate delivery of the Youth Obligation with local provision in order to maximise its impact.**

6.9 Careers Education Information Advice and Guidance

- 6.9.1 The LEP has championed the need for independent and accurate careers education information advice and guidance (CEIAG) to assist individuals in Tees Valley to find successful and sustainable careers. Since 2011, the LEP have organised a series of activities and high profile events including the annual 'Tees Valley Skills' event, offering interactive CEIAG experiences for over 2,000 young people each year and the 'Big Bang Tees Valley' experience which focusses on showcasing STEM related careers to young people. The LEP and Combine Authority Skills Portal provides access to valuable resources and accurate labour market information to support careers advisers, parents and young people in schools and colleges across the area. These resources have been well received and will continue to be led by the Combined Authority, working closely with the Transforming Tees initiative to develop a 'Tees Valley CEIAG Entitlement (and accredited Standard)' for all young people.
- 6.9.2 **Recommendation: All national and local careers advice initiatives should be coordinated through the Tees Valley Combined Authority Education, Employment and Skills Board.** There needs to be better strategic co-ordination of careers advice in schools across the Tees Valley, building on good practice and the work done so far to bring this together.

- 6.9.3 As part of their wider 'Tees Valley Skills' hub initiatives, the LEP was also successful in securing funding from the Careers and Enterprise Company to create two new Careers and Enterprise Co-ordinator positions (initially until Aug 2017) to establish a network of 40-50 Enterprise Advisers. Drawn from local business volunteers, Enterprise Advisers will work directly with secondary schools to bring in work related experiences and support the wider CEIAG agenda across Tees Valley.
- 6.9.4 The Careers and Enterprise Company has also recently awarded funding to nine additional initiatives which are currently unconnected with the work of the LEP and Combined Authority. This large number of separate schemes all aiming to work with Tees Valley schools and employers, could prove to be detrimental to the co-ordination of such activities across the area.
- 6.9.5 **Recommendation: The Board should work closely with the Careers and Enterprise Company and the LEP as the Enterprise Adviser programme is rolled out, in order to improve the link between school leaders and the private sector and to improve the careers advice and guidance offer from schools to their students.** All external organisations who either commission or deliver CEIAG related initiatives should work with the Combined Authority before proceeding in order to minimise confusion, streamline relationships with both employers and local schools and align with other local programmes. Future funding for such initiatives should be devolved to the Combined Authority to align with other budgets and activities.
- 6.9.6 **Recommendation: the Combined Authority should work in partnership with the Skills Funding Agency to look at local delivery of careers advice.** As the Skills Funding Agency (SFA) models the future National Careers Service, Tees Valley should work in partnership with the Agency to look at a co-commissioned local pilot to ensure integration with existing local programmes and the work of the Education, Employment and Skills Board.
- 6.9.7 Employability skills are also essential to student and Teesside University is already doing some fantastic work to look at employability, working with local employers to offer learners work placements and experience opportunities. Likewise, for Further Education students Middlesbrough College has the Advantage Programme with four packages: Get that Job, Going to University, Business Start-Up and Life Essentials. Each package offers a range of different and engaging skills development sessions. The Combined Authority should work closely with the University and other providers to compare examples and consider whether any should be scaled up and rolled out to wider audiences across Tees Valley.
- 6.9.8 DWP Jobcentre Plus (JCP) is currently piloting a new programme called "Jobcentre Plus - *Support for Schools*" - a Government commitment intended to assist schools in England provide high quality, independent and impartial careers advice to pupils aged from 12- 18 (school years 8 to13). JCP support for schools will facilitate a smooth transition from school to work, training or further study adding value in three broad areas:
- Providing advice on routes into traineeships and apprenticeships;
 - Sourcing and advising on work experience opportunities, using JCP's extensive network of employers; and
 - Providing advice on the local labour market (including the 'soft skills' that employers value, such as team working and commitment).

- 6.9.9 JCP support will be demand-led by schools; responsive and flexible. It will be directed particularly at those young people schools identify as being at risk of becoming NEET (not in employment, education or training), or who may otherwise be disadvantaged in the labour market – for example, those with a health or disability issue, or from a minority ethnic background. The pathfinders are continuing until Autumn 2016 when a phased national rollout will begin. In Tees Valley, the DWP Jobcentre Plus pilot is targeting two schools in Middlesbrough and DWP staff are working with the Combined Authority to ensure that this complements and is supported by other local CEIAG initiatives’.
- 6.9.10 **Recommendation: The Tees Valley area is prioritised for national rollout of JCP Support for Schools and that the LEP and the Combined Authority play a role in coordinating and promoting its delivery in schools.** This initiative will allow JCP resource to be allocated to local Tees Valley schools from the end of 2016. As the support will be demand-led, the LEP and the Combined Authority are encouraged to promote this initiative to those schools in the Tees Valley that are really struggling with youth aspiration and motivation. **It is likely that if this resource is not used sufficiently, it will soon be taken away.**

6.10 Greater Local Flexibilities and Devolution of Funding

- 6.10.1 Experience gained through several recent initiatives have given a good indication of how greater flexibility in the use of Education Employment and Skills funding can result in improved results in securing successful employment and training opportunities for individuals and also provide the skills needed by employers.
- 6.10.2 Section 4.3 details the results and learning so far from the Redcar Taskforce initiative to respond to the needs of ex-steel workers and their supply chain. Learning to inform this work had already been taken on board from a successful RGF4 initiative (The Tees Valley Jobs and Skills Investment Scheme), which created over 700 new jobs. This was used as the template for the employment and training programmes under the Taskforce Initiative resulting in even greater flexibilities and local decision making.
- 6.10.3 Future flexibilities created through the devolution of Adult Education Budgets from SFA (with effect from 2018-19) will enable the Tees Valley Combined Authority to make key decisions on the nature of learning and skills provision available and how this can best meet the needs of individuals and employers. It will also give an opportunity for the Combined Authority to decide on the choice of delivery partners, and to monitor ongoing performance.
- 6.10.4 The current Devolution Deal with Government also includes the ‘co-design’ of future Department of Work and Pensions programmes, in particular the new Work and Health Programme (which will replace the current DWP Work Programme).
- 6.10.5 **Recommendation: Tees Valley Combined Authority should continue to work with DWP to explore how the lessons learnt from the SSI Task Force, as well as the opportunities arising from devolution of the Adult Skills Budget, can help deliver and align multiple funding streams to gain improved co-ordination of services and improved results for individuals and employers.**

6.11 Conclusion: Tackling Problems within the Education and Skills Sectors

- 6.11.1 There is no single cause to these results, but it is clear that all interested people in Tees Valley need to come together urgently to address the issues faced in the area in respect of education, employment and skills. The new Education, Employment and Skills Board, set up by the Combined Authority is the vehicle to build upon some positive work that is already underway to tackle those schools whose performance is in urgent need of improvement. The opportunity for transforming education and skills has arrived, and the Combined Authority should grasp it with both hands.

CHAPTER 7: Energy Economy

Key Recommendations

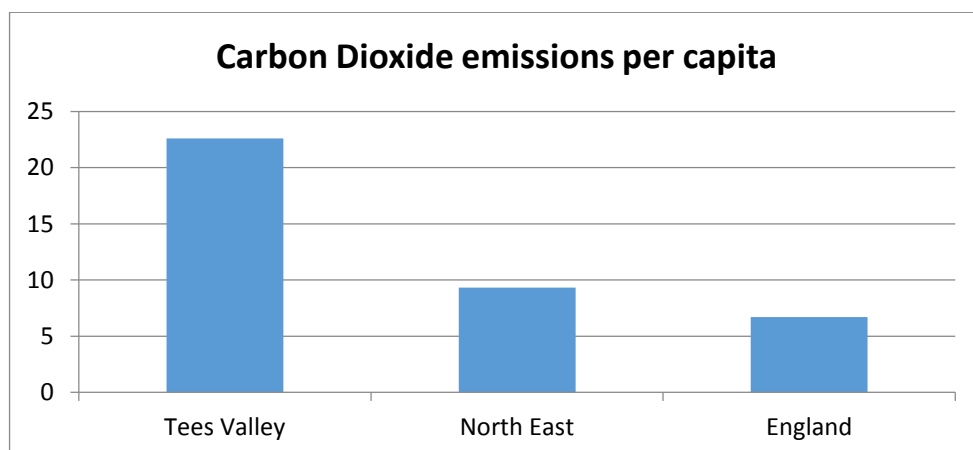
- **The Tees Valley to continue to work with DECC and BIS on the Decarbonisation and Energy Efficiency Roadmaps to ensure that Tees Valley experience and expertise influences this work. (see 7.2.10)**
- **The Teesside Collective should develop a new business case that reflects changed circumstances (i.e. the end of the Carbon Capture Storage Commercialisation Competition and closure of SSI) and clearly sets out the rationale for Industrial Carbon Capture Storage in the area. (see 7.3.8)**
- **Should any further feasibility funding be available this Parliament, the Government should continue to support the Teesside Collective subject to the Teesside Collective proposals demonstrating a strong rationale for Industrial Carbon Capture Storage in the area and value for money. (see 7.3.9)**
- **The Government to set out its new approach to Carbon Capture Storage (CCS) taking into account the findings of Lord Oxburgh's CCS Advisory Group report. (see 7.3.10)**
- **The Teesside Collective should work with existing petroleum and carbon dioxide storage licence holders, and harness the Storage Site Appraisal work to explore and identify the best potential offshore pipeline network and potential storage site for Teesside's Industrial Carbon Capture Storage emissions. (see 7.3.16)**
- **The Tees Valley should continue to make progress on its potential energy (including heat) network schemes and encourage as many of the industrial companies located on the north and south sides of the Tees as feasible to join the schemes. (see 7.3.25)**
- **The Local Enterprise Partnership and the Tees Valley Local Authorities should continue to work in full, close co-operation with DECC's Heat Networks Delivery Unit in the development and delivery of heat network opportunities in the Tees Valley. (see 7.3.26)**
- **Hartlepool Borough Council should undertake work to consider whether the proposed new nuclear site at Hartlepool would be suitable to host a Small Modular Reactor. (see 7.5.5)**

7.1 Introduction

- 7.1.1 The energy sector plays a vital role in the Tees Valley – from powering the country (through electricity generation, oil and gas processing and biofuels production) to contributing to our national wealth (through manufacturing, especially in energy intensive industries).
- 7.1.2 The energy generation related industries employ 3,600 people; there are another 5,400 employed in energy intensive industries and a further 500 employed in the energy supply chain¹⁷.
- 7.1.3 The Tees Valley has long had a unique opportunity for its energy related industries such as chemicals, not least because of the way the three separate sites at Billingham, Seal Sands and Wilton are connected by pipeline corridors, allowing different parts of the industrial economy to provide products, such as energy, to each other. This has in turn served the area well in terms of investment and employment opportunities for local people.
- 7.1.4 The existing investment, skills base and infrastructure make this area an ideal location for the development of the UK's first industrial decarbonisation network, and for development of new technologies including carbon utilisation. The opportunities that the Tees Valley has to offer are consistently impressive.

7.2 Energy Intensive Industries

- 7.2.1 One of the core challenges for the Tees Valley is that Energy Intensive Industries (EII) face growing global competition and industries in this region emit around 20 Mt CO₂ p.a. (equivalent to 22% of total emissions from manufacturing industries in the UK). Electricity prices paid by EIIs in the UK are amongst the highest in the EU but it is also the case that UK gas prices are amongst the lowest in the EU for all users. According to the latest Quarterly Energy Prices¹⁸ report, average UK gas prices including taxes for large industrial consumers in 2015 were the third lowest in the EU15 while average UK electricity prices including taxes for extra-large industrial consumers in 2015 were second highest in the EU15.



Total carbon emissions per capita 2013¹⁹

Source: DECC, CO₂ emissions estimates (per capita – all emissions), 2005-2013 (2015)

¹⁷ Source for all data on employment: ONS, NOMIS, BRES, average number of employees in Tees Valley, 2012 – 2014

¹⁸ <https://www.gov.uk/government/statistics/quarterly-energy-prices-march-2016>

¹⁹ DECC analysis

- 7.2.2 Along with other global market issues, the UK's relatively high electricity costs can be a competitiveness issue for the most energy intensive industries. The EILs located in the Tees Valley are, therefore, particularly vulnerable to electricity and carbon price differentials.
- 7.2.3 The Government is currently ensuring that energy intensive users at risk of competitiveness impacts from electricity price differentials with competitors outside the UK are adequately protected. The introduction of cost control measures in the short-term and investment in new electricity generation infrastructure, including nuclear and greater interconnection with French, Belgian and Norwegian networks is welcome, as this could help to reduce costs for UK EILs in the longer-term.
- 7.2.4 In addition, a package of support for eligible EILs is in place and includes relief for costs of energy and climate policies passed on by suppliers through electricity bills for which nearly £200 million has been paid in compensation between 2013 and April 2016²⁰.
- 7.2.5 The recent commitments by the Prime Minister²¹ and by the Chancellor²² in this important area of work are welcome. Following state aid clearance, procedures were put in place for eligible companies to apply for compensation for the indirect costs of renewable electricity policies²³. The Government estimates that the package of support available will reduce the impact of energy and climate change policies on the energy bills of eligible EILs by up to around 80% in 2020.
- 7.2.6 DECC analysis shows that the carbon price is projected to stay at relatively low levels (currently around €5 per tonne) until the mid-2020s due to prevailing surplus allowances in the system. After this the carbon price is projected to rise due to the declining EU Emissions Trading System cap and the introduction of the Market Stability Reserve (operating from 2019) which will limit supply of allowances to the market. To assure that carbon emissions savings are achieved in a cost-effective way and the industries that are exposed to carbon leakage risk are protected, DECC and industry in the Tees Valley need to work together to ensure that existing and new investment remains in the area rather than being lost to other locations outside Europe and not subject to the same carbon price.
- 7.2.7 It is welcome that this work is already taking place. The Government has been working with energy intensive industry since 2013 to develop long-term decarbonisation and energy efficiency roadmaps, and Tees Valley has actively contributed to this work. The decarbonisation plans include proposals for clustering: the integration between industrial sites to deliver energy savings, as well as heat recovery, industrial carbon capture and storage (CCS) and energy efficiency, all of which are highly relevant to Tees Valley.

²⁰ Data from Department of Business Innovation and Skills

²¹ Prime Ministers Questions, 28 October 2015, Q11. [901832]

<http://www.publications.parliament.uk/pa/cm201516/cmhansrd/cm151028/debtext/151028-0001.htm#15102833000010>

²² Announcement in Spending Review and Autumn Statement 2015 , paragraph 1.203

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/479749/52229_Blue_Book_PU1865_Web_Accessible.pdf

²³ Guidance and the application procedure were published in January 2016 and are available at:

<https://www.gov.uk/government/publications/renewables-obligation-and-small-scale-feed-in-tariffs-apply-for-compensation>

- 7.2.8 Tees Valley is already an industrial cluster with some heat recovery and steam networks, as well as electricity generating stations, associated infrastructure (such as pipelines, transmission lines and substations) and with the technical expertise and skills. The three interconnected sites and the legacy of this industrial infrastructure now provides the opportunity to ensure that the Tees Valley can continue to be at the forefront of decarbonisation, including some potential for connecting the industrial cluster to nearby heat demand; projects which DECC is also supporting via its Heat Network Delivery Unit (HNDU).
- 7.2.9 Tees Valley should use all this activity as a springboard to attract new development and investment, including the commercialisation of carbon capture storage and utilisation and so contribute to the UK's decarbonisation. Tees Valley should grasp these opportunities and move into the future with confidence.
- 7.2.10 **Recommendation: The Tees Valley to continue to work with DECC and BIS on the Decarbonisation and Energy Efficiency Roadmaps to ensure that Tees Valley experience and expertise influences this work.**

7.3 Industrial Carbon Capture and Storage, Hydrogen & Circular Economies and District Heating

- 7.3.1 *Industrial Carbon Capture and Storage.* The Tees Valley Devolution Agreement states that Tees Valley and Government will work together to explore how the area can continue to develop its industrial carbon capture and storage proposals towards deployment of this infrastructure for its industrial sites in the 2020s. This is a welcome ongoing commitment and collaboration between Tees Valley, industry and Government.
- 7.3.2 CCS is a group of technologies that captures the CO₂ emissions from industrial processes and / or power generation with the captured CO₂ either utilised (e.g. to make fertiliser or building products) or stored in offshore CO₂ storage sites (e.g. in depleted oil and gas fields). CCS has a potentially important role in the long-term decarbonisation of the UK's industrial and power sectors as it:
- is the only currently available technology to decarbonise high emitting industrial sectors (e.g. chemical and steel sectors);
 - offers a way to retain the flexible load-balancing properties of fossil fuels in power generation;
 - offers the prospect of negative emissions (if used with, for example, biomass); and
 - could contribute to enabling hydrogen to play a role in decarbonising heat or transport.
- 7.3.3 The Teesside Collective,²⁴ a group of the existing industrial companies in the area, has a vision for the Tees Valley to be a leading zone of low carbon hub of clean industrial production, not only in the UK but also in Europe, which will retain existing production and attract new investment and employment opportunities.
- 7.3.4 This is a rare instance when existing industries can harness a new technology and ensure that Britain becomes a European and world leader. Without this work continuing this opportunity could be lost to other industrial areas overseas. The opportunity that industrial CCS and CCU could offer the region cannot be underestimated – in terms of both existing and future investment and employment.

²⁴ The Teesside Collective members include BOC Linde, Lotte Chemical UK, GrowHow UK, NEPIC, National Grid and the Local Enterprise Partnership, Tees Valley Unlimited. SSI Steel was also a member of the Collective before its closure in October 2015

- 7.3.5 The findings of Lord Oxburgh's CCS Advisory Group to Government will be of particular interest to Teesside. Government should carefully consider Lord Oxburgh's findings and should clarify its policy on CCS in light of its decision not to proceed with the CCS Commercialisation Competition. This work should also consider whether a mechanism to support Industrial Carbon Capture Storage (ICCS) should be developed.
- 7.3.6 The Teesside Collective should develop a new business model that sets out the potential of ICCS, drawing on the experience of the Government's CCS Commercialisation Programme, and building upon their ambitions to combine energy generation and energy intensive industries to create an innovative model for the economy. It is encouraging that the Teesside Collective has maintained its momentum and is now undertaking some bridging work, largely funded by DECC, on decarbonising the Northern Powerhouse that will look at (amongst other things) the potential opportunities for collaboration opportunities between regions on low carbon infrastructure, project development routes and how the offshore transport and storage infrastructure can be progressed.
- 7.3.7 Despite the work that Teesside Collective has undertaken already, there is still much to do and further funding may be required in the future. Any future CCS feasibility study funding made available by Government to support the development of industrial CCS in the UK should not discriminate against Tees Valley at the expense of other potential hub areas. Tees Valley should not be made to sail at the speed of the slowest ICCS ship in the convoy or lose out on other potential funding because its work may be more advanced than other areas.
- 7.3.8 **Recommendation: The Teesside Collective should develop a new business case that reflects changed circumstances (i.e. the end of the Carbon Capture Storage Commercialisation Competition and closure of SSI) and clearly sets out the rationale for Industrial Carbon Capture Storage in the area.**
- 7.3.9 **Recommendation: Should any further feasibility funding be available this Parliament, the Government should continue to support the Teesside Collective, subject to the Teesside Collective proposals demonstrating a strong rationale for Industrial Carbon Capture Storage in the area and value for money.**
- 7.3.10 **Recommendation: The Government to set out its new approach to Carbon Capture Storage (CCS) taking into account the findings of Lord Oxburgh's CCS Advisory Group report.**
- 7.3.11 Discussions on CCS in the Tees Valley also need to involve the Oil and Gas Authority (OGA). As the regulator for carbon storage the OGA is responsible for (amongst other things) issuing carbon dioxide storage site licences for appraisal work and approving carbon dioxide storage permit applications.
- 7.3.12 Any UK CO₂ storage sites will be offshore in the North and Irish Seas. The Maximising Economic Recovery (MER) UK strategy²⁵ states that before commencing the planning of decommissioning of any infrastructure in relevant UK waters, owners of such infrastructure must ensure that all viable options for their continued use have been suitably explored, including those which are not directly relevant to the recovery of petroleum such as the transport and storage of carbon dioxide.

²⁵ See paragraph 20 of the draft Maximising Economic Recovery Strategy for the UK which was published on 28 January 2016 and is available at: <https://www.gov.uk/government/publications/maximising-economic-recovery-of-uk-petroleum-the-draft-mer-uk-strategy>

- 7.3.13 The DECC funded storage appraisal project (delivered by the Energy Technologies Institute) to identify a portfolio of potential CO₂ storage sites in the North and Irish Seas was published in May 2016²⁶. This work includes potential storage sites that may be suitable for storing CO₂ captured from carbon in the Tees Valley and the Teesside Collective may find that the conclusions from this project can usefully inform its work.
- 7.3.14 It will be essential for all interested parties, including the Teesside Collective, DECC, the OGA and holders of existing petroleum licences and carbon dioxide storage licences to work together to ensure that viable opportunities to develop CCS in the UK continues to be developed.
- 7.3.15 However, the Teesside Collective cannot devolve this responsibility to third parties and needs to be actively involved in discussions with the OGA and offshore operators who have the relevant licences, expertise and assets (e.g. potential storage sites, offshore pipeline infrastructure) to help them build an offshore ICCS infrastructure network that will benefit the local and national economy.
- 7.3.16 **Recommendation: The Teesside Collective should work with existing petroleum and carbon dioxide storage licence holders, and harness the Storage Site Appraisal work to explore and identify the best potential offshore pipeline network and potential storage site for Teesside's ICCS emissions.**
- 7.3.17 *Hydrogen Economy.* The Teesside Collective has undertaken considerable work looking at the future of a potential hydrogen economy in the area, based on production from the existing BOC Steam Methane Reformation plant. This hydrogen could potentially be used in transport following the installation of additional purification equipment, offering a lower carbon fuel for fuel cell-equipped vehicles. However, genuinely low carbon hydrogen production from the BOC plant will require the installation of carbon capture equipment, a study on which was part-funded by DECC. This existing work has been built on by the Leeds H21 City Gateway project, undertaken by Northern Gas Networks, which is examining the potential for decarbonising heat in Leeds through the repurposing of the existing gas network to run on hydrogen instead of natural gas. Tees Valley could usefully build upon this work.
- 7.3.18 **Recommendation: Tees Valley should build on its previous work and also apply any applicable learning from the Leeds H21 City Gateway project to develop future opportunities for the Northern Powerhouse.**
- 7.3.19 *Circular Economy.* The scale and nature of the industrial complex in Tees Valley is impressive, particularly in the processing of materials into useful products. The integration of the chemical process industry in particular, based on strong shared infrastructure has led the Local Enterprise Partnership to propose Tees Valley as an ideal location to pilot and demonstrate the benefits and opportunities of the circular economy. With one of Europe's largest integrated industrial complex and national and internationally operating centres of excellence in processing, materials and biologics this approach is promising and, together with targeted investment could help maintain the future of existing industries and to develop new economic opportunities.
- 7.3.20 **Recommendation: Local partners across the Combined Authority and Local Enterprise Partnership should provide the leadership for this approach and Government, through its strategic partnership with the area, should engage across all relevant departments (Department for Business, Innovation and Skills, Department for Energy and Climate Change, Department for Environment, Food & Rural Affairs, Department of Health).**

²⁶ <http://www.eti.co.uk/project/strategic-uk-ccs-storage-appraisal/>

- 7.3.21 *District Heating.* The Government's Decarbonisation Roadmap also states that industrial heat, such as that produced at the Billingham, Seal Sands and Wilton sites, can be used in district heating schemes²⁷. The Local Authorities in the Tees Valley have been successful in securing funding in order to explore heat networks in their areas, and are working with DECC's Heat Network Delivery Unit. Government's view is correct that Local Authority involvement, particularly in the development stages, can help realise the benefits of heat networks and can retain benefits locally delivering jobs and growth.
- 7.3.22 Initial investigation of heat networks has identified significant potential in the North and South Tees areas both in terms of low carbon heat supply options, such as industrial waste heat and potential heat network customers, including Local Authorities, wider public sector, social housing, and private sector businesses.
- 7.3.23 The Tees Valley is particularly interested in utilising industrial waste heat within heat networks which could offer the potential to save millions of tonnes of CO₂ emissions over the lifetime of a district heating scheme. The North Tees, for example, has approximately ten potential industrial heat sources, stretching for four miles along the north bank of the Tees that could provide heat to people's homes, public buildings as well as industry supplying heat to other industries (which already occurs in some instances). There are at least two potential industrial heat sources in South Tees, including at the Wilton chemical site.
- 7.3.24 More detailed technical and commercial investigation of heat networks in Tees Valley is underway and there has been interest from Local Authorities, the wider public sector and industry in joining the district heat networks. Heat networks can provide long term cost saving benefits to customers as well as helping to meet carbon and energy efficiency targets. These benefits can also be enhanced in relation to co-generated heat and electricity, for example, from gas or biomass combined heat and power (CHP) based district heating schemes. Existing underused CHP generating assets in Tees Valley make this a particularly important opportunity to explore. Progress should continue to be made in this important work.
- 7.3.25 **Recommendation: The Tees Valley should continue to make progress on its potential energy (including heat) network schemes and encourage as many of the industrial companies located on the north and south sides of the Tees as feasible to join the schemes.**
- 7.3.26 **Recommendation: The Local Enterprise Partnership and the Tees Valley Local Authorities should continue to work in full, close co-operation with DECC's Heat Networks Delivery Unit in the development and delivery of heat network opportunities in the Tees Valley.**

7.4 Challenges Associated with Connecting to the Local Electricity Network

- 7.4.1 The Tees Valley Devolution Agreement states that Government will work with Tees Valley to understand the challenges associated with connecting to the local electricity network. Following discussions with relevant parties, it is clear that the first step on this work rests with Tees Valley. They should identify the challenges that they are facing so that they can then have discussions with DECC or Ofgem, as appropriate.

²⁷ A District Heat Scheme is a distribution system of insulated pipes that takes heat from a central source and delivers it to, for example, homes, shops and offices and public sector buildings. An important part of this low carbon heating will be provided by heat networks in our towns and cities

- 7.4.2 **Recommendation: Tees Valley to undertake the necessary work that identifies the challenges the local area has with connecting to the local electricity network.**

7.5 Hartlepool New Nuclear Power Station Site

- 7.5.1 The current nuclear power station at Hartlepool has played an important role in the local economy for almost fifty years: currently, EDF employs over 500 full time staff alongside over 200 full time contract partners. The power station generates 1180MW of electricity – capable of supplying electricity to over 2 million homes²⁸. The scheduled closure date for the power station has recently been extended by five years to 2024. This will provide further employment security for employees and contract partners.
- 7.5.2 The Government welcomes proposals for investment on all eight sites listed in the Nuclear National Policy Statement published in 2011, which includes the Hartlepool site. The Tees Valley recognises the importance of securing a new nuclear power station at Hartlepool. A previous 2009 report²⁹ identified that a new power station would employ 450 people over a seventy year period and several thousand jobs would be created in the shorter term during the construction process. The Tees Valley Devolution agreement sets out that “Government will continue to make clear that it welcomes new nuclear investment in Hartlepool as one of the potential sites listed in the Nuclear National Policy Statement”.
- 7.5.3 In November 2015, as part of the Spending Review and Autumn Statement, the Government announced investment of at least £250 million in an ambitious nuclear research and development programme that will revive the UK’s nuclear expertise and position the UK as a global leader in innovative nuclear technologies. The Government will run a competition to identify the best value small modular reactor design for the UK³⁰. Further details for the Competition were announced in Budget 2016 with the launch of a first phase process to identify which SMR designs could feasibly deliver in the UK.
- 7.5.4 The Spending Review specifically identified the Northern Powerhouse as one potential beneficiary of this investment, which was reiterated by the Budget. Hartlepool should seek to take advantage of this opportunity by exploring whether the potential new site at Hartlepool is suitable to host a small modular reactor.
- 7.5.5 **Recommendation: Hartlepool Borough Council should undertake work to consider whether the proposed new nuclear site at Hartlepool would be suitable to host a Small Modular Reactor.**

²⁸ <http://www.edfenergy.com/energy/power-stations/hartlepool>

²⁹ Local economic impact scenarios arising from decommissioning and potential new build of Hartlepool Nuclear Power Station (Enviros, 2009)

³⁰ See paragraph 1.202 of Spending Review and Autumn Statement 2015, available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/479749/52229_Blue_Book_PU1865_Web_Accessible.pdf

7.6 Underground Coal Gasification

- 7.6.1 The potential that Underground Coal Gasification (UCG) could have for the Tees Valley was discussed as part of the review. UCG has not yet been tested here on a commercial scale and is not currently in operation anywhere in the UK and there are considerations around carbon emissions and environmental risks associated with UCG that are being assessed. A forthcoming Government report will discuss this in further detail and DECC will make further announcements in due course.

7.7 Tackling Fuel Poverty, Supporting SMEs and Accessing EU Funding

- 7.7.1 Many local residents and Small to Medium sized Enterprises (SMEs) in the Tees Valley area will be concerned with issues such as fuel poverty, energy efficiency and reducing their energy bills. There are a number of Government schemes to tackle these issues and the European Union also provides funding streams for various sized energy projects and the new Combined Authority and Tees Valley Local Authorities should ensure that they are accessing these schemes and providing advice to local residents and SMEs.
- 7.7.2 *Tackling fuel poverty.* In England, a household is considered to be fuel poor if they have required fuel costs that are above average (the national median level) and if they were to spend that amount they would be left with a residual income below the official poverty line.
- 7.7.3 Improving energy use in the UK's homes is vital to reduce fuel poverty, meet the challenge of climate change and help to improve our energy security. It also brings a wealth of benefits including contributing to the economy by supporting jobs and local regeneration, and improving productivity by reducing energy bills and increasing people's disposable income. Even more vitally, it improves people's health and wellbeing by helping people to keep warmer in their homes – and lessening the burden on the health sector. Tees Valley Local Authorities should ensure that their residents benefit in this way.
- 7.7.4 Last year the Government announced £25 million in funding through the Central Heating Fund, designed specifically to help support non-gas fuel poor homes. The fund is expected to deliver up to 7,000 new central heating systems to low income households in England. It is positive news that Darlington, Hartlepool, Redcar and Cleveland were all successful partners in the North East consortium bid which was allocated £6.5m under the Central Heating Fund and residents in the Tees Valley will benefit from this scheme.
- 7.7.5 From April 2017, a reformed domestic supplier obligation will improve the energy efficiency of over 200,000 homes a year to tackle the root causes of fuel poverty and deliver on the Government's commitment to help one million more households. DECC is exploring the ways in which local actors can play a role in delivering the obligation and Tees Valley should ensure that they engage with the forthcoming consultation so that their residents can benefit to the greatest extent possible.

- 7.7.6 The Government acknowledges that it cannot tackle fuel poverty alone and wants to bring local knowledge and experience to provide local solutions. To support this, the Government also has several energy efficiency schemes that are delivering through Local Authorities and their partners, including for example, £1m of funding to nine local fuel poverty schemes with a health focus. These involve a number of approaches including working with local GP practices to generate referrals for at risk people, or working with a hospital to ensure patients can be discharged to warm homes. Showing the impact that these schemes have can help to unlock local level funding for example from Clinical Commissioning Groups. Tees Valley Local Authorities did not receive funding under this scheme but could usefully build upon the learning and experiences of those that did so that residents in the Tees Valley have better health outcomes.
- 7.7.7 Local organisations have an essential role in finding local solutions for local problems that bring benefits for all local people. This perspective fits well with the devolution agreement between Government and Tees Valley and Tees Valley should ensure that it accepts the increased responsibility that it now has.
- 7.7.8 **Recommendation: Tees Valley Local Authorities to liaise with Local Authorities who received funding under the local fuel poverty schemes with a health focus so that any appropriate learning can be harnessed and delivered for the benefit of local residents.**
- 7.7.9 **Recommendation: Tees Valley should ensure that its residents are aware of any schemes which may exist in their area.**
- 7.7.10 *Supporting SMEs.* SMEs face barriers in taking up energy efficiency measures and can encounter difficulties in accessing trusted information relevant to their specific business. DECC's SME Guide to Energy Efficiency targets those SMEs with limited or no experience of energy efficiency and lists low cost measures that offer return on investment within two years.
- 7.7.11 The new Combined Authority, Tees Valley Local Authorities and Local Enterprise Partnership (LEP) should explore ways that they can better address the needs of SMEs in Tees Valley, including applying for European Regional Development Funding to provide financial support. By improving energy efficiency, SMEs can save up to 25% on their energy bill, reduce their exposure to volatile energy prices and win new contracts, as more businesses choose to contract with suppliers who can demonstrate their sustainability credentials.
- 7.7.12 Under Enhanced Capital Allowances, businesses can get 100% tax relief for investments in certain energy efficient products (this is the same as a reduction of £360 or a cash flow boost of around £1,640 for every £10,000 spent in the year of purchase) and companies can also claim up to £200,000 through the annual investment allowance. Both of these allowances can be utilised by SMEs looking to improve their energy efficiency by investing in energy efficient products.
- 7.7.13 **Recommendation: The new Combined Authority, Tees Valley Local Authorities and the Local Enterprise Partnership should explore ways that they can better address the energy efficiency needs of Small and Medium sized Enterprises in Tees Valley.**
- 7.7.14 *EU funding opportunities.* There are a number of EU funding streams available to Tees Valley to support the area to achieve its energy ambitions, including those mentioned above for industrial carbon capture and storage; energy efficiency support for SMEs and energy intensive industries; and the development of district heating systems.

7.7.15 These potential EU funding opportunities include:

- European Structural and Investment Funds (ESIF), specifically the European Regional Development Fund (ERDF). England receives c£3bn from ERDF; of which approximately 20% must be spent on low carbon initiatives. ERDF supports investment across a range of themes, including renewable energy, SME support, and innovation in low carbon technologies including research underpinning carbon capture and storage.
- Horizon 2020 (H2020) is the EU's largest research and innovation programme with €80bn funding available. H2020's Energy Challenge is structured around seven themes including; reducing energy consumption and carbon footprint; low-cost, low-carbon electricity supply; and alternative fuels and mobile energy sources.
- Euratom Research and Training Programme is complementary to H2020 and has a range of objectives to support nuclear development including to: support the safety of nuclear systems; support the development and sustainability of nuclear expertise and excellence in the European Union; and promote innovation and industrial competitiveness.
- European Fund for Strategic Investments (EFSI) is managed by the European Investment Bank (EIB). EFSI invests public funding, including from the EU budget, to mobilise private investment and boost long-term economic growth and competitiveness. EFSI focuses on investment in a broad range of sectors, including infrastructure, energy, and research and innovation. The fund also supports SMEs.

7.7.16 DECC has been supporting Tees Valley, through its Local Partnerships Pilot, to facilitate low carbon investment through ERDF and future DECC support will focus on achieving local ambitions through energy devolution, investment and building capacity.

7.7.17 **Recommendation: Tees Valley should to continue to work with DECC and to explore whether it can access any EU grants to fund its domestic and large scale infrastructure energy ambitions.**

7.8 Biofuels

7.8.1 The Tees Valley is also home to Ensus, a biofuels company now owned by Cropenergies a subsidiary of SudZucker a German Food Industry major. The plant has the production capacity of 400 million litre of sustainable bioethanol. This capacity makes it potentially one of the largest UK biofuel suppliers. The plant is currently offline due to lower demand than initially expected and this has resulted in reductions in staff directly employed at the plant. Potentially the plant could support 2,000 jobs indirectly in the wider supply chain, including farmers, hauliers, engineering support and storage firms. Production could restart if the Renewable Transport Fuel Obligation is increased and ethanol (biofuel) content is increased.

7.8.2 The Department for Transport (DfT) has been working with industry on this issue and intends to consult on the legislative proposals, including a proposed trajectory for increasing the supply of renewable transport fuel to help meet the UK's renewable energy targets, this year. This consultation should take place as early possible to minimise the risk of losing UK biofuels production and its supply chain which could result in the UK needing to import biofuel to meet the UK Renewable Energy targets and additional animal feed which is co-produced with bioethanol.

7.8.3 **Recommendation: DfT should undertake their consultation on the proposals for biofuels supply targets as early as possible.**

7.9 United Kingdom Continental Shelf Oil and Gas Decommissioning

- 7.9.1 Tees Valley has undertaken impressive work to increase investment in oil rig decommissioning across the wider economic area. There is a substantial programme of oil rig decommissioning work planned over the next few decades, and there is currently a shortage of suitable on shore sites along the east coast of the UK. The Tees Estuary is well located and offers the right basic attributes to accommodate this activity, for which DECC predict a fourfold increase over the next 5 to 10 years.
- 7.9.2 This is one of the cases where a benefit to the Tees Valley economy will support the winning of greater investment into the UK as whole. It is estimated that there is £31.5bn to be invested over the next 40-50 years, which is likely to be split across a number of countries in the North Sea basin. Ensuring that the right type of on-shore land facilities are available will increase the UK's potential share of this market. Decommissioning activities will create significant local jobs both directly and also indirectly as a result of supply chain activities and the work contracted to be undertaken around the decommissioning of the large Brent platforms over the next few years will help demonstrate the capability of the local supply chain. Whilst the precise quantities of direct and indirect jobs in recycling businesses and manufacturers trading in the transfer of the metals are unknown, there is nonetheless significant potential in this regard.
- 7.9.3 The Tees Valley should continue its enabling work to secure long term investment in infrastructure to support the off shore sector – for example in supporting the development of the South Bank Wharf as a suitable new site, as well as working to maximise the potential of existing sites on the north bank of the Tees. As well as the required physical infrastructure required, this enabling work should also consider the skills and training requirement and the need for effective environmental management.

CHAPTER 8: Housing

Key Recommendations

- **The Tees Valley Local Authorities should work in partnership with the Homes and Communities Agency to identify suitable sites for Starter Home development, and actively drive forward their ambition to fast-track the development for young first time buyers. (see 8.2.4)**
- **The Government expects to see local engagement reflected in proposals to the £3 billion Home Building Fund and the Tees Valley Combined Authority should make the maximum use of the funding on offer and work proactively with developers to bring forward bids. (see 8.3.8)**
- **The Tees Valley should continue to work with Government to explore innovative models of investment that enable the delivery of long-term housing and regeneration plans to support their economic growth. (see 8.5.9)**
- **To increase its rate of delivery, the Tees Valley should focus its immediate efforts on supporting viable bids for funding under the new more flexible developer funding arrangements available through the Home Building Fund, alongside funding for affordable homes. (see 8.5.10)**
- **The Tees Valley should focus early on exploring the viability of Starter Homes and low cost home ownership. Government should help Tees Valley access the funds they need to support their housing ambitions. (see 8.5.11)**

8.1 Introduction

- 8.1.1 The Tees Valley Combined Authority considers housing a critical component in delivering sustainable regeneration. Housing in the Tees Valley is on many measures more affordable than in most parts of England. Across much of the Tees Valley in 2013, median house prices were less than 5.5 times a multiple of median local earnings. The area delivers around 2,000 houses per year, 20% delivered by housing associations.
- 8.1.2 Tees Valley analysis shows that beneath the overall picture the nature of the challenge is a more complex one, where low house prices are linked to low returns on investment in housing, empty homes, and issues around age, quality of housing and fuel poverty. Over 12.5% of households in Tees Valley are ‘fuel poor’ one of the highest levels in the country affecting over 35,000 households³¹. These are households whose fuel costs are above average (the national median level) where meeting these costs leaves a residual income below the official poverty line. Removing out dated housing stock - often with associated social problems - from the housing mix is a priority, and in Middlesbrough, for example, traditional terraced late Victorian streets are being demolished to allow much needed affordable quality homes to be built.

³¹ Tees Valley Economic Assessment 2015

https://www.teesvalleyunlimited.gov.uk/media/313496/tees_valley_economic_assessment_2015_full.pdf

8.1.3 Particular concerns are:

- The nature of the housing offer – especially an offer for younger aspirational families who become the future wealth generators, and in existing urban areas rather than on greenfield sites;
- Quality in the growing private rented sector and links with dependency and poor health outcomes;
- Long term empty residential and commercial properties and the potential of brownfield and urban core sites; and,
- The needs of older people in the community.

8.1.4 The type of housing available across the Combined Authority varies widely, from coastal cottages and prestigious detached houses, new developments of quality family homes, to areas of predominantly social housing and private rental. The Tees Valley has over 283,000 houses; 182,000 are homes in owner occupation, 55,000 in the social rented sector and 41,000 privately rented³².

8.1.5 Social housing occupation is higher than the national average and the private rental sector has grown quickly over the past decade and presents a number of quality problems. House prices are low, reflecting the low cost of land in the area, which is a major obstacle to attracting development investment. The low value of housing developments presents significant concerns. Some specific locations have additional problems such as low housing demand, low value housing stock, long term empty properties, reduced population and pockets of social deprivation.

8.1.6 Home ownership is just below the national average and this may be due in part to the lack of quality affordable housing for local residents. The Tees Valley are concerned that currently there is a lack of aspirational housing to attract consumers at the high end of the housing market, highlighting that large numbers in this demographic commute from across the Yorkshire and Durham borders.

8.1.7 The Combined Authority is developing a range of proposals in response to current housing challenges that reflects the economic ambitions of the Tees Valley to improve economic growth. This will include the re-development of brownfield and urban core sites, increasing the number of homes that attract and retain an aspirational population - those who will boost economic growth and provide the skills needed by local business. The development of appropriate accommodation for an aging population, improved private rental sector standards, and reducing the number of long term empty homes are also goals.

8.1.8 Attracting investment into areas where profits are significantly lower than the South East requires innovative proposals. These will allow the Combined Authority to address the challenges faced by the Tees Valley which differ from those in the south of England. As with much of England, housing growth in the Tees Valley will require significant land, much of which will be brownfield sites reclaimed for short, medium and long term housing development.

8.2 Increasing Home Ownership

8.2.1 The Tees Valley's strong aspiration to increase home ownership and the variety of housing on offer is in keeping with the Government's aspirations to increase home ownership, and the Combined Authority should build on this strong mutual aim.

³² Tees Valley Economic Assessment 2015

https://www.teesvalleyunlimited.gov.uk/media/313496/tees_valley_economic_assessment_2015_full.pdf

- 8.2.2 One opportunity is for the Homes and Communities Agency (HCA) to support Tees Valley Local Authorities to actively drive forward their ambition to fast-track the development of homes for young first time buyers, helping to deliver the Government's commitment to create 200,000 starter homes over the next 5 years. Starter Homes are new homes sold to first time buyers under the age of 40 at a 20% discount to market value. There is a £250,000 cap on the value of the property outside London, with the purchaser required to live in the home for five years.
- 8.2.3 Tees Valley Local Authorities are keen to identify opportunities for early delivery on brownfield sites. Work is underway to explore how the £1.2bn funding that Government is making available could be used to bring forward Starter Home development. These could address local affordability and home ownership challenges and help kick start regeneration opportunities, renovate disused or under-occupied sites and unlock new development opportunities for housing. This engagement is identifying early opportunities for development of Starter Homes in and around town centres and on brownfield and regeneration sites in a range of locations, including Middlesbrough, Redcar and Cleveland, Stockton-on-Tees and Darlington. Opportunities to promote live/work space and convert vacant office space to new housing, and bring forward significant new development opportunities with starter homes around stations, are also being identified.
- 8.2.4 **Recommendation: The Tees Valley Local Authorities should work in partnership with the HCA to identify suitable sites for Starter Home development, and actively drive forward their ambition to fast-track the development for young first time buyers.**

8.3 Bring Forward Sites for Development

- 8.3.1 The Devolution Deal with Tees Valley enables the Combined Authority to create an Investment Fund, through a 30 year initial allocation of funding for capital financing of at least £15 million a year. It will give the new Mayor:
- Responsibility devolved from Government for a consolidated transport budget, with a multi-year settlement to be agreed at the Spending Review; and,
 - Leadership of the new Mayoral Development Corporations and of a land commission to examine what publicly owned land other key strategic sites that should be vested in the development corporation.
- 8.3.2 These new powers will assist substantially with land assembly and investment to bring forward sites for development.
- 8.3.3 Tees Valley housing and planning teams are working closely with the HCA locally to identify and categorise potential growth sites within the Tees Valley. This work has established that there is a potential pipeline supply of sites providing capacity for approximately **36,000** homes across the Tees Valley region over the next 15 years without HCA assistance, and approximately **27,000** of these could potentially benefit from some degree of HCA intervention, investment or grant.

Table 1: Dataset Summary: Units that may be unlocked within the next 15 year period with HCA support

a) Sites which need serious intervention Long Term Funding	b) Sites which may be assisted with existing HCA programmes	SUB TOTAL for Sites that may benefit from HCA Support	c) Sites which will come forward with LA / planners working in partnership with the developer	d) Sites which may benefit from brokerage support	TOTAL including sites that do not require HCA support and those that require further strategic discussions (1,153)
21,954	5,096	27,050	7,885	449	36,537

[Source: HCA/Tees Valley Housing Growth Sites Database 2015/16]

8.3.4 Table 1 provides a clear breakdown of how the categories of support could unlock housing numbers and the delivery of housing units across the Tees Valley. It shows the categories that are considered to be the primary focus for initial discussions between the HCA and the Tees Valley Local Authorities.

8.3.5 Around 21,000 units (across 28 sites) could potentially be unlocked through serious intervention akin to recoverable large site infrastructure investment or one of the remaining opportunities to access grant (see Table 2). The HCA are encouraging partners to continue discussions regarding linking sites to infrastructure investment to make a wider case for investment, and to inform the early work of the Tees Valley Land Commission and Combined Authority. There are around 5,500 units that could potentially be unlocked with the use of HCA short term investment akin to Builders' Finance Fund.

Table 2: Breakdown of units by timeframe and by category of intervention

Local Authority	1 - 5 years	6 - 10 years	11 + years	15+ years	Unknown	Totals
Stockton	414	160	0	402	118	1,094
	2,550	0	1,115	36	6,528	10,229
Hartlepool	232	30	0	0	14	276
	1260	1580	0	0	307	3,147
Darlington	722	480	630	0	0	1,832
	0	310	2,400	0	0	2,710
Redcar	683	462	0	0	0	1,145
	1,250	0	0	0	0	1,250
Middlesbrough	1,039	130	29	0	0	1,198
	4,169	0	0	0	0	4,169
Totals	12,319	3152	4,174	438	6,967	27,050

[Source: HCA/Tees Valley Housing Growth Sites Database 2015/16]

8.3.6 There is strong alignment of local and national aims in delivering residential and commercial development on brownfield sites and collaboration between the HCA and Tees Valley Local Authorities should help identify the opportunities. Government and Tees Valley should continue to test the potential for financial transactions funding to be used to help meet shared brownfield aspirations, with public land value and local funds potentially being used to bridge the viability gap.

- 8.3.7 Funding sources may include the £3 billion Home Building Fund providing loans to developers and small builders. The HCA will work with the Combined Authority in order to promote the use of the funds to developers. Support will also be available for Starter Homes, shared ownership and specialist and older persons housing.
- 8.3.8 **Recommendation: The Government expects to see local engagement reflected in proposals to the £3 billion Home Building Fund and the Tees Valley Combined Authority should make the maximum use of the funding on offer and work proactively with developers to bring forward bids.** Full bidding guidance will be available when the fund is launched³³. The Tees Valley Combined Authority should make maximum use of the flexibilities provided by the revolving Starter Homes grant funding. Housing development of this kind should help the Tees Valley pursue its wider regeneration and town centre strategies.

8.4 Action on Empty Homes

- 8.4.1 The Tees Valley has put forward a number of options for reducing empty properties, including homesteading street properties by selling them at a discount to those with the skills to bring them back into use, with profit share on resale, and Local Authority mortgage lending to support purchase of properties. It has also suggested deferred payments where property is purchased for redevelopment.
- 8.4.2 Current Government funding is targeted at increasing house building, especially in areas of high demand where there are serious housing affordability problems. Currently, there is no new funding available for targeting empty homes. It is however open to the local area to try out innovative approaches which encourage local people to bring property back into use. Starter Homes and shared ownership funding also provides the potential to bring empty commercial property back into use or replace it with new homes. The Tees Valley should consider these options further locally.

8.5 Ambitions for Future Devolution of Housing Funds

- 8.5.1 There has been substantial devolution through the Tees Valley Growth Deal and subsequent Devolution Deal of the funding needed to support the infrastructure investment that can enable sites to be brought forward for development.
- 8.5.2 The Tees Valley Devolution Deal further commits to exploring the devolution of housing financial transaction funding with the Tees Valley Combined Authority, with Tees Valley guaranteeing the recovery rate. This is an issue which has been explored in many parts of the country over the past year, following the devolution of housing investment funding to Greater Manchester. Increasingly however, the Government is adopting a model of delivery led through the Homes and Communities Agency, offering a clearer simpler access route for developers to loan funding, with fewer constraints around the size of funding.
- 8.5.3 Bringing forward sites in the Tees Valley will be complex. Many sites will require a mix of grant and loan funding to bridge the viability gap, as well as technical expertise provided through the HCA's ATLAS team. The HCA local team, working with the five Tees Valley Local Authorities, has established that in total there are 12 sites that could be unlocked using the brokerage, master planning or viability analysis skills of the ATLAS team across the Tees Valley. This equates to the potential of approximately 15,000 units.

³³ By early summer 2016

- 8.5.4 Existing investment programmes for housing and regeneration will make a positive contribution and the Tees Valley fully support the ambition for increased levels of home ownership and accelerated housing supply. However, in a market characterised by higher risk and lower returns, the Tees Valley is concerned current funding models will not fully realise local housing and regeneration needs, and may constrain economic growth. Current work with Government on proposals for a housing investment fund would bring together local sources of finance with developer finance from both the private and social housing sectors. The aim is to combine this with flexibility in national funding programmes to create an investment platform to fully optimise the opportunities for housing, regeneration and development.
- 8.5.5 Such financial instruments are complex to develop but offer the possibility of accelerating the current housing delivery in the Tees Valley, attracting new bulk house builders and enhancing the viability of marginal developments. This level of ambition is right, and it is encouraging that Government is working constructively with the Tees Valley as they develop this work. Getting this right will take some time to ensure that the commercial design is robust, and should not hold up more immediate progress that can be made to secure additional funds.
- 8.5.6 The proposed equity investment fund aims to use existing national and new local funding in a more flexible way that is tailored to local circumstances and does not seek additional funding from central Government. A mechanism to lever-in significant private sector investment, the fund aims to inject long-term certainty, pace and confidence in the Tees Valley as a place to do business and invest.
- 8.5.7 The ambition for an innovative approach to funding and investment aims for significant outcomes including:
- Maximise the use of land across Tees Valley for economic development and housing;
 - Inject certainty, pace and confidence;
 - Create a recoverable equity investment fund through the flexible use of existing Government funding and local resources;
 - Delivery of 20,000 plus homes by 2026;
 - Housing offer that matches economic growth and prosperity and attracts the inward migration of skills;
 - Revitalisation of the urban core, town centres and brownfield sites;
 - Regeneration and renewal of areas of low demand, poor quality and deprivation;
 - More diverse market for house-building and development, including the growth of the SME sector;
 - Creation / growth of an off-site manufacture sector on Tees Valley;
 - Lever in private sector investment in excess of £3bn for housing and place in the next 10 years; and
 - Accelerate housing and development activity to secure and create jobs, estimated at 50,000 plus jobs over 10 years for 20,000 homes.
- 8.5.8 Work on the proposed investment model continues to progress with Tees Valley and Government, including the active engagement of key stakeholders including the private sector and registered housing providers.
- 8.5.9 **Recommendation: The Tees Valley should continue to work with Government to explore innovative models of investment that enable the delivery of long-term housing and regeneration plans to support their economic growth.**

- 8.5.10 **Recommendation: To increase its rate of delivery, the Tees Valley should focus its immediate efforts on supporting viable bids for funding under the new more flexible developer funding arrangements available through the Home Building Fund, alongside funding for affordable homes.**
- 8.5.11 **Recommendation: The Tees Valley should focus early on exploring the viability of Starter Homes and low cost home ownership. Government should help the Tees Valley access the funds they need to support their housing ambitions.**

8.6 Land Assembly

- 8.6.1 The Tees Valley Combined Authority have highlighted their concerns that housing delivery is hampered by the protracted process of acquiring land rather than a problem with land availability, and that increased powers that allow greater speed of both decision making and land acquisition are needed, unlocking land assets and improving the ability to redevelop brownfield sites.
- 8.6.2 The Tees Valley have argued that the March 2015 consultation³⁴ on proposals for technical process improvements and guidance to make the compulsory purchase process clearer, fairer and faster do not go far enough to deliver key housing and employment sites within the Tees Valley. The suggested statutory targets for the confirmation stage of the compulsory purchase process for 80% case by the written representation process is 23 weeks and in the case of the public inquiry method the issuing of a final decision by the Secretary of State is proposed to be 20 weeks after the close of the Inquiry for 80% of the decisions.
- 8.6.3 Government published a consultation paper³⁵ at Budget 2016 with further proposals to make the compulsory purchase system clearer, fairer and faster for all. The package contains a number of proposed reforms to the principles of assessing compensation and further technical process improvements. The most significant and radical part of the package will reform the context within which compensation is negotiated – often a very significant and complex part of finalising a compulsory purchase deal. The proposals will ‘wipe the slate clean’ of over 100 years of conflicting statute and case law and establish a clear, new statutory framework for agreeing compensation.
- 8.6.4 It will also be easier for large housing and regeneration schemes to be delivered by allowing Mayoral Development Corporations to assess compensation on the same basis as new town and urban development corporations, and by enabling certain transport and regeneration bodies to make combined orders. These measures will make a significant change to the way in which compulsory purchase orders are delivered and support Government housing supply and regeneration aims.

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https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/413866/Technical_consultation_on_improvements_to_compulsory_purchase_processes.pdf

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https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/472595/151027_Government_response_for_publication_FINAL.pdf

8.6.5 *Bringing forward sites in public ownership.* As part of the Devolution Deal, the Tees Valley Combined Authority have requested the transfer of land, property and budgets from all relevant government departments, including those associated with regeneration of brownfield sites, and that any and all associated liabilities are addressed prior to transfer. The aim is to increase levels of housing supply, and provide opportunities by unlocking land, removing barriers to development, and creating a streamlined decision making process.

8.6.6 The Tees Valley has large amounts of unused and surplus land under public sector ownership which, if unlocked, can drive growth and opportunities for development. The Combined Authority intends to set up a land commission and/or a joint assets board. Depending on the governance model the commission/board is likely to have responsibility for the following issues:

- Responsibility to secure land in public ownership from all Government bodies;
- Overseeing the management and use of surplus assets/land;
- Provide the mechanisms to deal with brownfield land;
- Aligning all public sector land/interests with a locally agreed Strategic Economic Plan; and,
- Decision making powers to approve redevelopment and sales

8.6.7 **Recommendation: Work should continue with Government to establish a suitable vehicle/body for unlocking land for development. This will be assisted by Tees Valley undertaking initial work to fully understand what type of vehicle would be most suitable and effective in terms of maximising delivery of housing and commercial development.** The aim should be to complete this initial scoping work by late summer 2016, and include, for example, Terms of Reference for the vehicle/body and a clear membership and governance structure. It's important that proposals are led by the Tees Valley and supported by Government to help scope out options, structure and membership design.

CHAPTER 9: Transport Infrastructure

Key Recommendations

- **Highways England are encouraged to seriously investigate consider adding the scheme to provide a new strategic road Tees Crossing to the existing scope of the A19 Norton-Wynyard widening scheme already planned by Highways England. This will maximise efficiency and ensure that the benefits of the committed investment are enhanced, thereby encouraging additional growth, as a result of improved access to Enterprise Zone sites. (see 9.2.7)**
- **Highways England and Transport for the North are encouraged to take account of the emerging improvements to east-west connectivity on the A66 east of the A1(M) being developed by the Tees Valley Combined Authority, as part of the wider North Trans-Pennine Routes study. Also, to seriously investigate the preferred option(s) from the east-west connectivity work within the recommended programme for trans-Pennine improvements to provide a holistic solution for the A66 through to Teesport. (see 9.2.11)**
- **The Department for Transport are encouraged to seriously investigate the inclusion of the Northallerton to Teesport Electrification rail scheme as an extension of the Transpennine electrification scheme already committed, driven by the benefits of simultaneously delivering W12 gauge clearance, to ensure that the economic benefits of PD Ports' planned investment in 2018/19 can be maximised. (see 9.3.8)**
- **Network Rail and Transport for the North are encouraged to recognise the importance of Darlington Station as the key rail gateway for the Tees Valley - at the heart of a commercial regeneration scheme - and to investigate the need for the station redevelopment to be included in the Network Rail and Transport for the North programmes for the period 2019 – 2024, which Tees Valley propose will allow train services in HS2 and Northern Powerhouse Rail to operate, maximising the growth opportunity afforded by the transformational rail packages. (see 9.3.16)**
- **That the Tees Valley Combined Authority work with the owners and operators of the airport to agree a sustainable future for the wider airport site, including the station, and build this into their wider proposals for their economic development. (see 9.5.5)**

9.1 Introduction

- 9.1.1 Transport infrastructure is the arterial system of a geographic area providing the life flow of an economy, both locally between primary, secondary and tertiary businesses and outwards to the wider economy of the North and the UK. Tees Valley Combined Authority are new members of Transport for the North (TfN), which was established to enable collective identification of strategic infrastructure priorities to support economic growth in a single, collective Northern economic area.

- 9.1.2 Currently, 87% of residents work within Tees Valley creating substantial inter-district flows at peak times (around 248,000 people live and work in Tees Valley, with only 38,000 residents working outside the area and 35,000 Tees Valley workers resident in other areas). The ease with which products and people can move between local, regional and wider locations contributes not only to productivity and economic growth but also influences how the Tees Valley perceives its role in the North and defines itself in a wider geographic context.
- 9.1.3 In terms of flows to Tees Valley's neighbouring areas, there is a small net out-flow of around 700 commuters to North Yorkshire (comprised of 9,700 out-flow and 8,900 in-flow) with a similarly small net out-flow to Tyne & Wear of 1,300 (5,800 out-flow and 4,600 in-flow). The largest commuter flows are with County Durham with a net in-flow of close to 6,900 (comprised of 10,600 out-flow and 17,500 in-flow).
- 9.1.4 The Tees Valley sits astride many of the North's main transport arteries – the A1 Great North Road, the A19 via the Tyne Tunnel, the A66 trans-Pennine route, the East Coast Main Line and the River Tees itself. It is an important axis of north-south and east-west trading routes that serve the local, regional, Northern and national economies. Teesport, the third largest port in the UK, and the largest exporting port in England, acts as a major international gateway, and Durham Tees Valley Airport connects the Tees Valley to its European trading partners.
- 9.1.5 Despite the lack of major investment in the strategic road and rail networks, more modest improvements have been made in recent years, targeted at areas of growth such as key strategic junctions, in rail station facilities, a new rail station at James Cook University Hospital, and in transformation to the local bus network. New rail franchises will also bring some service improvements and a replacement of Pacer trains. However, to unleash the full growth potential of the Tees Valley, a step change is needed in the level of investment aimed at overcoming the constraints on the national transport arteries.
- 9.1.6 The Northern Independent Economic Review (IER), commissioned by Transport for the North, suggests that a "transformed North" would see a 5% increase in employment, an 8% increase in population, and a 15% increase in GVA. For the Tees Valley, this means 25,000 new jobs, 23,000 new homes and a £1 billion increase in GVA. This is the level of growth which the future transport network needs to support.
- 9.1.7 The IER also identifies four prime and three enabling economic capabilities. The prime capabilities are Advanced Manufacturing, Energy, Digital and Health Innovation, and the enablers are Logistics, Financial and Professional Services and Further and Higher Education. All of these seven sectors are located across the Tees Valley. All transport arteries need to work efficiently and effectively so the area can make its full contribution to the Northern and national economies.
- 9.1.8 The Tees Valley Devolution Deal outlined four strategic transport infrastructure investment priorities, all of pan-Northern importance that will remove the current infrastructure pinch points. Over the last few months, the Tees Valley Combined Authority has worked with TfN to ensure these strategic transport priorities are embedded in the Strategic Investment Framework, forming part of the Northern Transport Strategy that will be published in 2017. All four priorities have been recognised by TfN as having pan-Northern benefits, and are linked to the sectors of the future Tees Valley economy where they would offer the greatest return.

9.2 Roads

- 9.2.1 The overriding sense of the current transport network is that in recent years investment has been targeted elsewhere. By early 2017, the A1 will have been upgraded to motorway standard all the way to Newcastle, and there is a consultation³⁶ to rename the route to the M1 from the north of Leeds. However, access to the A1(M) from the A66 south of Darlington is restricted for travellers to/from the north, requiring high levels of traffic, including heavy goods vehicles to gain access via unsuitable residential areas to the north of Darlington.
- 9.2.2 The A19 has been identified as a new high quality strategic route - an “expressway” – by Highways England, yet recent investment has concentrated on junction improvements in Tyne and Wear. At the point where it crosses the Tees, the A19 carries 96,000 vehicles per day - the parallel A1(M) only carries 43,000 vehicles at the same point, emphasising how important the route is to connect the Tees Valley to the North East and Leeds city regions.
- 9.2.3 The east-west A66 is the principal trans-Pennine route north of the M62, connecting Cumbria, the M6, the A1(M) and Teesport. This route can provide an alternative to the M62 corridor and provide access to markets in Lancashire, Cumbria and south west Scotland. A study is underway to look at the merits of converting the remaining sections of the central route to dual carriageway standard however, this work excludes the single carriageway route around Darlington, and fails to recognise that the A66 is only part of the Strategic Road Network (SRN) up to the A19. Onward access to Teesport is via a local road.
- 9.2.4 Eleven of the twelve Tees Valley Enterprise Zone sites lie within a 20 minute drive of the A19, and this north-south route serves areas of all four prime capabilities from the IER, including Belasis Business Park, Teesside Advanced Manufacturing Park, Queen’s Meadow Business Park and North Shore Innovation Centre. The congestion and unreliable journey times that result from the high level of demand mean that the Tees Crossing section is the only link on the A19 that does not meet Highways England’s and Transport for the North’s “mile per minute” objective for strategic highways.
- 9.2.5 Highways England has a committed scheme - the A19 Norton-Wynyard widening scheme - to relieve congestion on a section of the A19 just north of the Tees Crossing. The implementation of the widening scheme is welcomed but there are local concerns that this will exacerbate the existing problems at the Tees Crossing, and, allied to future increases in through traffic demand, will combine to stifle economic growth along the corridor.
- 9.2.6 A new strategic road crossing of the River Tees will provide additional capacity for up to 72,000 vehicles per day, addressing the current issue with journey times and network resilience, as well as allowing the local road network to be reconfigured to help deliver strategic housing sites and employment. This pan-Northern connectivity enhancement will significantly improve the business case for the committed widening scheme. It is therefore logical for the two schemes to be delivered as a single package to achieve the full A19 journey time objective.
- 9.2.7 **Recommendation: Highways England are encouraged to seriously investigate adding the scheme to provide a new strategic road Tees Crossing to the existing scope of the A19 Norton-Wynyard widening scheme already planned by Highways England. This will maximise efficiency and ensure that the benefits of the committed investment are enhanced, thereby encouraging additional growth, as a result of improved access to Enterprise Zone sites.**

³⁶ <http://www.northeastca.gov.uk/news/north-east-combined-authority-launches-campaign-rename-north-south-motorway-link>

- 9.2.8 Congestion at the current Tees Crossing also impacts on the operation of the A66 where the two intersect. The A66 itself is particularly critical for road access to Teesport and Durham Tees Valley Airport, providing international connectivity and opening up logistics, freight, container market and aviation-related opportunities for businesses in the Tees Valley and to attract global investment. Eight of the twelve Tees Valley Enterprise Zone sites lie within 20 minutes' drive of the A66, including Boho, Wilton and Kirkleatham Business Park.
- 9.2.9 Highways England and TfN are currently undertaking a North Trans-Pennine Routes study to determine how best to provide additional crossing capacity of the Pennines north of the M62. This work, due for completion in Autumn 2016, primarily considers the A66 and the A69, but the former only between the M6 and the A1(M). The current scope fails to grasp the major importance of the A66 all of the way to Teesport – as with rail gauge clearance and electrification, there will be a need to support PD Ports' investment plans for the Northern Gateway Terminal.
- 9.2.10 Improvements to the A66 east of the A1(M) to Teesport must be viewed holistically and as a fundamental part of any package of works that emerge from the current Highways England and TfN study. Consideration should also be given to extending the current SRN to the international gateway at Teesport so as to recognise the importance of the whole length of the route for the national economy, not simply part of it.
- 9.2.11 **Recommendation: Highways England and Transport for the North are encouraged to take account of the emerging improvements to east-west connectivity on the A66 east of the A1(M) being developed by the Tees Valley Combined Authority, as part of the wider North Trans-Pennine Routes study. Also, to seriously investigate the preferred option(s) from the east-west connectivity work within the recommended programme for trans-Pennine improvements to provide a holistic solution for the A66 through to Teesport.**

9.3 Rail

- 9.3.1 The current gauge clearance on the rail line between Northallerton and Middlesbrough/Teesport requires freight traffic from Teesport to/from the south to make a reversing manoeuvre at Darlington, which is time consuming and places a limit on train path availability. This situation exacerbates a problem with passenger services at Darlington station, which is the principal rail gateway for the Tees Valley.
- 9.3.2 Investment in East Coast Main Line stations has concentrated on locations such as Doncaster, York and Newcastle. Consequently, Darlington station facilities are limited for such a major gateway. Recent track capacity investment has been made on the East Coast Main Line to overcome capacity problems at Peterborough and Doncaster. A potential problem at Darlington in the early 2020s, however, could restrict planned services for HS2 and Northern Powerhouse Rail and negatively impact the growth of the local economy.
- 9.3.3 The Northallerton to Middlesbrough section of rail line is also excluded from the current plans to electrify the North Transpennine route, which stop at York and Selby, meaning that TransPennine Express services from Manchester Airport will not benefit from new fully electrified rolling stock in 2022, and may still require a change of trains in York.

- 9.3.4 In particular, supporting the ongoing development of Teesport as a truly international freight gateway for the North of England is vital for the Tees Valley and the Northern economy. PD Ports has worked over the last 20 years to re-engineer their business into one that covers all types of port activity and recent investment will take the capacity of the port up to 650,000 TEU. The implementation of the Northern Gateway Terminal, which is due to start construction in 2018, and which will increase the capacity of Teesport to around 1.1 million TEU, will be a multi-million pound investment by PD Ports and could create up to 4,000 direct and indirect jobs across the Tees Valley.
- 9.3.5 The Northern Gateway Terminal will also increase the demand for rail freight, but to maximise the economic and environmental benefits of PD Ports' investment, it is critical that the current problem with the rail network and the route for freight traffic to/from Teesport is addressed. Providing a W12 rail gauge cleared route to the south as well as the north is of paramount importance to complement PD Ports' plans for growth.
- 9.3.6 The section of the rail line between Northallerton and Middlesbrough was identified in the Electrification Task Force's Northern Sparks report in March 2015³⁷ as in the First Tier of schemes for a rolling programme of future electrification works. At the same time as providing W12 gauge clearance, this last 25 miles of line could be electrified with significant benefits to passengers of the new TransPennine Express franchise.
- 9.3.7 The provision of a W12 gauge cleared route to the south will also help alleviate some of the problems at Darlington station, and Network Rail's forecasts suggest that track and platform capacity will be a problem from the early part of the next decade. At the same time, usage of the station is set to increase by 50% by 2033, when HS2 services will also use the East Coast Main Line north of York for onward journeys to the North East and Scotland.
- 9.3.8 **Recommendation: The Department for Transport are encouraged to seriously investigate the inclusion of the Northallerton to Teesport Electrification rail scheme as an extension of the Transpennine electrification scheme already committed, driven by the benefits of simultaneously delivering W12 gauge clearance, to ensure that the economic benefits of PD Ports' planned investment in 2018/19 can be maximised.**
- 9.3.9 Darlington has a major role to play in the economic growth of the North as a "touch point" for the planned Northern Powerhouse Rail network. One of the 12 Tees Valley Enterprise Zone sites, Central Park, home to the National Biologics Centre, is adjacent to the station, and its location was influenced by the national connectivity afforded by the East Coast Main Line.
- 9.3.10 There are major commercial and regeneration opportunities at and around railway stations, developing these areas into growth hubs. In Middlesbrough, the Combined Authority has prioritised Middlesbrough station for an improvement programme to enable service enhancements and act as a catalyst for new development, including important new train links to London. In Darlington, a holistic redevelopment scheme is needed in the early part of the next decade to realise the opportunities afforded by the transformational rail packages of HS2 and Northern Powerhouse Rail.

³⁷ http://www.railnorth.org/wp-content/uploads/2015/03/EFT_Final_Report_FINAL_web.pdf

- 9.3.11 Our railway stations are far more than just transport hubs. When the Victorians built our largest stations, they saw them as statements of civic pride, and a point where people and trade intersect. This initial purpose has been neglected through much of the 20th century. Instead stations have been treated as mass movement spaces, with design starting from the needs of the rail track. It was only when St Pancras International opened, and subsequent improvements at London King's Cross and Birmingham New Street completed, that regeneration has shown us that our railways can, and should, become trade gateways again.
- 9.3.12 Darlington is a classic example of how we thought about our railway stations. It is the national and local rail gateway to and from the Tees Valley and has some fine architecture inside and out, and a sweeping roof. Yet it also has a concrete over-bridge exposed to the elements save for opaque plastic cladding, late 20th Century infill buildings that lower the roof height and an entrance portico fronting towards the town centre that is used as a short stay car park. This clearly does not reflect the vision for the future.
- 9.3.13 The station should be a statement about the town's future; its pivotal location on what will become our high speed rail network, its proximity to the Central Park Enterprise Zone, its ability to connect to the rest of the town centre and the wider Tees Valley and, above all, its ability to show all that Darlington can be as soon as anyone steps off a train. There is a vision for Darlington Station that proposes a set of interconnected development opportunities, a thriving place at the heart of town life, a connected urban hub of work and innovation that supports national, pan-regional and regional economic growth.
- 9.3.14 As we approach the 200th anniversary in 2025 of Stephenson's inaugural rail journey on the Darlington to Stockton railway, the goal should be to revitalise Darlington Station to advance local development, protect and strengthen the identity of the town's heritage assets and significantly improve the means of accessing the station for all users.
- 9.3.15 Local support will be central to the success of these plans. Over the last six months, Darlington Borough Council has been leading the preparation of a wide ranging, commercially-led masterplan for the area, centred on the station. One of the main outputs from the Darlington Station Masterplan is a Prospectus outlining the commercial growth hub concept for the area - this will be ready in May. The Prospectus will be used by the Council to liaise with principal stakeholders and achieve wide-ranging support for the vision of a revitalised gateway to the town over the following months. At the same time, more detailed design and development work will be undertaken on the rail track layout and station facilities themselves, to ensure that the whole scheme delivers on its potential and can be implemented as soon as practicable.
- 9.3.16 **Recommendation: Network Rail and Transport for the North are encouraged to recognise the importance of Darlington Station as the key rail gateway for the Tees Valley - at the heart of a commercial regeneration scheme - and to investigate the need for the station redevelopment to be included in the Network Rail and Transport for the North programmes for the period 2019 – 2024, which Tees Valley propose will allow train services in HS2 and Northern Powerhouse Rail to operate, maximising the growth opportunity afforded by the transformational rail packages.**

9.4 Teesport and Hartlepool Port

- 9.4.1 Raw materials and infrastructure have been critical to production throughout the history of the area. The Tees Valley has distribution links to Europe and connections to north/south/west for other ports and industry. Owned by PD Ports, Teesport is one of the United Kingdom's three largest and deepest ports, and one of the ten largest in Western Europe.
- 9.4.2 Located between Middlesbrough and the North Sea, the port is a major hub for logistics and intermodal distribution and has the opportunity to grow significantly, contributing to both the local and northern economy. The port acts as a gateway for gas and oil brought in from the North Sea fields making it one of the UK's busiest ports based on volume of cargo; over 50 million tonnes and 6,000 ships arrive into Teesport each year. The port was privatised in 1992 and is one of the largest employers in the whole North East, acting as a major contributor to regional as well as local growth.
- 9.4.3 As economic change brings new cargoes, the port continues to innovate. In 1999, a new ro-ro berth was built to attract and facilitate the growing ro-ro and car trade, and in 2003 a second container terminal was created, with subsequent upgrades in 2011 and 2012. Asda WalMart chose Teesport as the location for its northern distribution centre, recognising the economic and environmental benefit of the deep sea port which is strategically placed to link business to a range of east-west and northern routes. The world's first dockside regasification facility was installed in 2007 by ExceleRate Energy to handle natural gas from ships into the National Transmission System.
- 9.4.4 Aiming to promote further growth, PD Ports embarked upon a staged £35 million investment project in 2014 to enhance and expand handling facilities at Teesport, completing a two phase deep water quay reconstruction project that provides over 550 metres of deep water quay and one of the deepest water facilities in the UK.
- 9.4.5 During construction, the project employed approximately 100 people and will provide an additional 30 permanent jobs now complete. The current port is the fastest growing in the UK and is a vital part of the Tees Valley infrastructure and, in turn, an important driver and enabler of the Northern Powerhouse Strategy.
- 9.4.6 Hartlepool Port remains an active facility and has also developed a cluster of renewable and oil and gas businesses including JDR Cables, Heerema and TWI. The site is a designated Capital Enhancement Enterprise Zone and is well placed to be a major manufacturing hub for the offshore wind market and, in particular, Phase 1 of Dogger Bank which has recently been granted planning permission.

9.5 Durham Tees Valley Airport

- 9.5.1 As a national and European gateway, Durham Tees Valley Airport (DTVA) has the potential to support the connectivity of the Tees Valley to global markets. However, as a result of national trends for airlines to consolidate at major airports, DTVA is currently loss-making with limited business connectivity – although the Amsterdam connection serves as a useful destination to a major European hub. The airport is relatively well linked to centres of population and major economic sites but needs to secure additional income to make the most of the existing facility.

- 9.5.2 The airport has established a new aviation business development team working with both new and existing airlines to expand the airport's route network and explore opportunities for establishing other aviation services. These include air cargo, rescue and fire training, aircraft maintenance, repair and engineering services, and continued support for military aviation.
- 9.5.3 The airport is in very close proximity to the Tees Valley rail line, which connects all the main centres of population and also the major regeneration areas including the South Tees Development Corporation site. The line however lacks the identity of an up-to-date urban rapid transit system, and while infrastructure exists it is outdated and poorly used with limited train stops.
- 9.5.4 There are wider uses of the airport site that could enhance its long term viability, with improved service infrastructure, landscaping and raising the site profile as well as developing a new mixed use business/residential offer. These investment plans are set out in the Airport Master Plan³⁸ and would form a useful basis of discussion for supporting development across the wider Tees Valley, including a new link road from the A67 to the Southside Business Park.
- 9.5.5 **Recommendation: That the Tees Valley Combined Authority work with the owners and operators of the airport to agree a sustainable future for the wider airport site, including the station, and build this into their wider proposals for their economic development.**

³⁸ http://www.durhamteesvalleyairport.com/uploads/documents/DTVA_Masterplan.pdf

CHAPTER 10: Leisure, Environment and Tourism

Key Recommendations

- **The Combined Authority should demonstrate leadership in the culture and tourism agenda and draw on existing local strengths. (see 10.2.4)**
- **The Combined Authority should address the current weakness in destination marketing and promotion capacity, working with the local media to change the local identity and brand, moving away from the over reliance on historic industrial imagery. One way to achieve this would be the proposal in the Tees Valley Culture Task and Finish Group report to scope out a local Destination Management Organisation (DMO). (see 10.2.7)**
- **Building on the Devolution Deal commitment, find a framework within which Arts Council England and the Combined Authority can jointly invest in strengthening the cultural infrastructure of the Tees Valley. (see 10.2.11)**
- **Encourage local interest in the competition for the Tees Valley to become UK Capital of Culture in 2025, recognising that the bidding process for such competitions presents an excellent opportunity to bring local partners together and unleash local enthusiasm. (see 10.2.15)**
- **The Combined Authority should take the lead on the natural environment agenda, recognising the significance of the river corridor and enabling increased access through strategic footpaths, pedestrian and cycle river crossings, and further development of moorings or marinas, and completing the “missing link” in the new England Coast Path. (see 10.3.2)**
- **The Combined Authority should set a local commitment that within 25 years all capital investment (machinery, industrial equipment, etc.) that contributes to pollution, or loss of river habitat and bio-diversity, will have been replaced, sustaining the continued improvement in Tees water quality. (see 10.3.8)**

10.1 Portrait of the Tees Valley

- 10.1.1 The Tees Valley enjoys a high quality of life; with low cost housing, good transport connections and high performing educational institutions. Too little is made of these assets, and as such the Tees Valley remains a well-kept secret, rather than a place that draws visitors from the UK and abroad and a place which can attract inward migration and skills from other parts of the country and internationally.
- 10.1.2 The Tees Valley has a wealth of natural and cultural resources from which there is potential to grow a new ‘Brand Tees Valley.’ The Tees is one of the North Sea’s principal estuaries – the port and industries around it are known as vital for the national economy. Less well known is that the river is internationally important for its migrating bird populations and is significant for its wildlife habitats that juxtapose a salmon rich river with industrial sites and seals basking on sand banks. The estuary contains two Sites of Special Scientific Interest and the whole reserve is part of the Teesmouth and Cleveland Coast Special Protection Area.

- 10.1.3 The Tees Valley also has many important cultural events and assets; important because of their artistic importance and value, important because they express the history and identity of the area, and important because they enable the presentation of a view to the world that challenges outdated and stereotypical versions of the area.
- 10.1.4 In addition to their vital place-shaping role, the arts and creative industries also play a role in generating economic growth via tourism and supporting efforts to attract private sector investment. The cultural and creative business sector nationally is one of the fastest expanding sectors; growth was 10% in 2012 and constituted 5.2% of the UK economy³⁹. The sector is relatively weak in the Tees Valley and there are clear opportunities for growth. Over 10,000 people are employed in the digital and creative sector. Tees Valley has an ambition to create 25,000 net new jobs in Tees Valley over the next 10 years and 2,000 of them are forecast to be in the digital sector with a further 1,000 in tourism and leisure businesses.
- 10.1.5 Tees Valley hosts public art of national significance, such as Claes Oldenburg's 'Bottle of Notes', David Mach's 'Train' and 'Temenos' by Anish Kapoor in Middlesbrough, conceived as the first of five Tees Valley Giants. The aspiration to commission five large works by Kapoor in a single conurbation would be, if realised, of genuine global significance and uniqueness. Critically, this vision of a linked set of Giants has the potential to bind the separate communities together and is an example of the excellence, innovation, and engagement which is at the heart of Arts Council England's partnership with Teesside University's Meteor Programme. The programme involved hundreds of young people in design workshops to gain a greater understanding of Temenos and be inspired by art and engineering.
- 10.1.6 Public art adds to other important cultural institutions in the area, such as Middlesbrough Institute of Modern Art (MIMA). A bold gallery of modern and contemporary art, MIMA brings together the town's art collections and hosts temporary exhibitions of fine art and craft from 1900 to the present day. Hartlepool's Maritime Experience (HME) is an award winning major tourism attraction. The site houses the world renowned HMS Trincomalee, currently the world's oldest floating warship. The National Museum of the Royal Navy is establishing a major new northern operation at HME which will be of international interest with greatly expanded collections and exhibitions. This will be a major catalyst for the regeneration of Hartlepool's Waterfront. The area also boasts nationally distinctive theatre production and participation at Arc in Stockton.
- 10.1.7 The Hullaballoon, which will be the home of the company Theatre Hullabaloo, will open in Darlington in 2017 and is a partnership between Darlington Borough Council and Theatre Hullabaloo. This will be a National Centre for Excellence for work with children and young people and one of only three such centres in the UK.
- 10.1.8 Other visitor attractions include the natural landscape of the North York Moors National Park, which extends into Redcar and Cleveland, and the Heritage Coastline, internationally acclaimed festivals and events like Stockton-on-Tees International Riverside Festival and Tees Valley's Festival of Thrift. In 2016 Stockton-on-Tees hosts the British Cycling National Road Championships which will form part of the annual Stockton-on-Tees Cycling Festival, with Middlesbrough hosting a start point for the 2016 Tour de Yorkshire, the second biggest cycling event in Europe. Middlesbrough has also recently opened a velodrome and outdoor cycling track at its Sports Village.

³⁹ DCMS, January 2014

- 10.1.9 Despite this wealth of cultural activity, tourism currently accounts for only 1% of GVA in the Tees Valley. The visitor economy is currently under-exploited. Most visitors to the area are day trippers and spend only half of the national average per visitor spend. Though Tees Valley has gone a long way to reinventing itself as a place where people want to live, work and visit, more work remains to be done. In particular, there is a need to make more of the current cultural assets and to unite them into a distinctive and place-shaping offer across the five Local Authorities. Further more, an acute lack of hotel accommodation does not encourage visitors to stay longer and so increase visitor spend.
- 10.1.10 In recognition of the need to more fully exploit and develop Tees Valley's cultural assets, in 2014 the Local Enterprise Partnership Leadership Board set up a dedicated task and finish group⁴⁰, comprising key stakeholders, to consider how to progress the future cultural agenda. The group identified three main goals for action:
- To be a destination – a place people know about, like living in, want to move to or visit – because of its cultural assets, events, environment and lifestyle;
 - To be a place of choice for artists and creative businesses to set up and grow – because of the support, spaces, and opportunities to network with other creative people;
 - To be a place that understands and deploys arts and culture in sustaining inclusive and healthy communities, where arts interventions are actively used to support education, health and well-being, and skills for employment.

10.2 Culture and Tourism

- 10.2.1 The Tees Valley already takes improving its cultural offer very seriously and the area clearly is not starting from scratch. The Tees Valley has a wide range of nationally significant - and a couple of world class - cultural assets, for example the MIMA and the Historic Quay in Hartlepool and the Kirkleatham Estate in Redcar.
- 10.2.2 Any proposals on culture have to recognise the polycentric nature of the Tees Valley area. All areas of the Tees Valley have something to offer. The local enthusiasm for this agenda is impressive and the Combined Authority – and the elected Mayor - has the potential to give all each area a voice and galvanise cultural activity, acting as a unifying force that projects a positive image of the area. This would improve Tees Valley's national image and also boost confidence of local residents to fully embrace that the Tees Valley matters.
- 10.2.3 In order to successfully implement the recommendations set out below on culture and tourism, a locally-led umbrella organisation is needed with the remit to coordinate this work and enhance its profile. The Combined Authority is the obvious organisation to do this, drawing where appropriate on international comparisons.
- 10.2.4 **Recommendation: The Combined Authority should demonstrate leadership in the culture and tourism agenda and draw on existing local strengths.**

⁴⁰ The final Task and Finish Group report can be viewed at <http://www.onedarlington.org.uk/culture/>

10.2.5 The vision for enhancing culture in Tees Valley should be two-fold:

- **Place:** Aim to improve the quality of the built environment in the Tees Valley. Better quality of design and architecture would improve the Tees Valley identity and raise belief in the area. There are few tall “iconic” buildings which can provide a sense of place. This does not mean that answer is more tall buildings, but more inspiring local architecture.
- **People:** Aim to develop people with the right skills in culture and, crucially, offer them an incentive to stay in the region.

10.2.6 There are local sensitivities to being labelled as a place with an industrial heritage. The Tees Valley is keen to market itself as a place with an industrial future and, while embracing obvious iconic heritage assets such as the Stockton-Darlington railway, and the Head of Steam, is keen to look ahead. It is clear that any marketing of the region should reflect the Tees Valley as it is now, and as it is going to be in the future, not only as it was in the past.

10.2.7 **Recommendation: The Combined Authority should address the current weakness in destination marketing and promotion capacity, working with the local media to change the local identity and brand, moving away from the over reliance on historic industrial imagery. One way to achieve this would be the proposal in the Tees Valley Culture Task and Finish Group report to scope out a local Destination Management Organisation (DMO).**

10.2.8 The North East as a whole receives significant funding from bodies such as Arts Council England, a small proportion of which goes to the Tees Valley. Although Newcastle’s cultural role in the North East is fully recognised, this should ideally galvanise local enthusiasm in the Tees Valley given that there is already a local acceptance that a wide range of cultural assets already exists.

10.2.9 Expanding Tees Valley’s cultural offer, however, does not necessarily mean extra Government funding. Reflecting this, the Tees Valley Devolution Deal is one of the few Devolution Deals to have an explicit commitment to culture. That commitment is specific, namely that the Tees Valley will work more closely with Arts Council England and with the Department for Culture, Media and Sport (DCMS) to develop a strategic conversation. This reflects the Tees Valley’s determination to build on a successful track record of individual projects and programmes, with an aim to move towards a longer-term strategic approach to culture and environment. This includes securing support from Arts Council England in developing an appropriate infrastructure across Tees Valley to support such activities.

10.2.10 The DCMS Culture White Paper published in March⁴¹ should also provide a source of ideas for this conversation. The Culture White Paper was the first strategy for arts and culture in more than 50 years. Highlighting the 15-year strategy of the North East Culture Partnership, the White Paper acknowledges the importance of local and national partnerships in delivering the full benefits of culture for communities. It is promising that the Tees Valley is developing its own cultural partnership and strategy to deliver a place-based cultural offer.

10.2.11 **Recommendation: Building on the Devolution Deal commitment, find a framework within which Arts Council England and the Combined Authority can jointly invest in strengthening the cultural infrastructure of the Tees Valley.**

⁴¹https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/509942/DCMS_The_Culture_White_Paper_1.pdf

- 10.2.12 Although the region has cultural assets, utilising these to transform the area's economic future requires both protection of available financial support, and also matching these funds with increased success in accessing national grant regimes for the arts and museums. Part of the solution is addressing the low level of private sector sponsorship and support for local cultural activity.
- 10.2.13 There is a strong local track record on engaging local people in arts, culture and sports, for example the Stockton festival and the Stockton Cycling Festival which is the only cycling festival in the UK to combine the British Cycling elite A-series road race and town centre Criterium with both a mass ride on closed roads and a sportive.
- 10.2.14 The Tees Valley has announced its intention to bid for UK City of Culture status in 2025, recognising the importance of culture to economic growth, education, health and social inclusion. Putting the bid together will foster new collaborations and signal the intention to bring the cultural assets of Teesside up to city scale.
- 10.2.15 **Recommendation: Encourage local interest in the competition for the Tees Valley to become UK Capital of Culture in 2025, recognising that the bidding process for such competitions presents an excellent opportunity to bring local partners together and unleash local enthusiasm.**
- 10.2.16 All of these recommendations on culture and tourism cover a wide range of ideas which if taken on board would need prioritisation.
- 10.2.17 **Recommendation: One way to explore and then prioritise proposals on culture and tourism would be for the Combined Authority to host a conference bringing together key local partners to agree a way forward.**

10.3 Natural Environment

- 10.3.1 The River Tees is integral to the natural environment of the Tees Valley. The river has traditionally carried cargos from the local area's chemical industries and provided a gateway for oil and gas. Despite its ongoing association with local industry, the River Tees has always been much more than just a route for commerce. It is a key natural asset which makes a significant contribution to local quality of life, as well as the local economy. It also offers a wide range of recreational activities and provides a high quality setting for businesses and new development.
- 10.3.2 **Recommendation: The Combined Authority should take the lead on the natural environment agenda, recognising the significance of the river corridor and enabling increased access through strategic footpaths, pedestrian and cycle river crossings, and further development of moorings or marinas, and completing the "missing link" in the new England Coast Path.**
- 10.3.3 There are opportunities to involve Network Rail in freeing up the Tees Marshalling Yard in order to develop a 'Central Park' for the Tees Valley. This was previously described as the conurbation's *Blue Green Heart*, since it would link the local Tees Barrage white water and climbing facilities with a showground site large enough for major events, festivals and marquee trade shows. This could also be combined with a garden village housing development on part of the site.
- 10.3.4 **Recommendation: The Tees Valley Land Commission, agreed as part of the Devolution Deal, should recognise the scale and significance of the Tees marshalling yard site, and Network Rail should actively engage with this process.**

- 10.3.5 The river environment has been transformed over recent decades. Rich and varied riverside habitats, and the presence of species such as otter, challenge the perception that this is an area where industry and pollution have degraded the natural environment. An on-going series of operations to remove debris from the river, involving private, public and third sector partners, has demonstrated how the river can be improved for recreation and wildlife.
- 10.3.6 Water quality has already been dramatically improved, although further work is needed to help tackle urban and diffuse pollution in the river catchment as highlighted in the revised Northumbria River Basin Management Plan⁴² (Environment Agency, 2016). Controlling the spread of invasive species is another key priority. A range of partners will need to contribute to these objectives, operating under the 'Your Tees Catchment Partnership', adopting the kind of catchment-based approach to managing and rehabilitating rivers as advocated by the Department for Environment, Food & Rural Affairs.
- 10.3.7 These challenges present exciting opportunities for the Combined Authority to demonstrate genuine leadership that ensures the River Tees continues to be transformed into a major natural asset with a long term water strategy.
- 10.3.8 **Recommendation: The Combined Authority should set a local commitment that within 25 years all capital investment (machinery, industrial equipment, etc.) that contributes to pollution, or loss of river habitat and bio-diversity, will have been replaced, sustaining the continued improvement in Tees water quality.**

⁴²https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/500907/Northumbria_RBD_Part_1_river_basin_management_plan.pdf

ANNEX A: SWOT Analysis ⁴³

Strengths	Weaknesses
<ul style="list-style-type: none"> • The largest integrated chemical complex in the UK; • Large number of small companies in the area, with potential to grow and innovate; • Strong job creation and growing start-ups record; • High value manufacturing catapult (CPI) identified by HEFCE (2015) as having a high level of innovating companies; • Regional competences in high value adding sectors such as Advanced Manufacturing, Health Innovation and Process Industries; • Proactive, well established support from the LEP; • Established University with strong reputation with business (Queen’s Anniversary Prize); • Excellence in: advanced project planning, digital innovation in construction, engineering, forensics (digital and scientific), artificial intelligence and virtual environments, and DigitalCity; • Presence of Durham University with its strong research reputation; • The Port as key to positive export trade balance • Strong established partnership ethos; • Financial support available from a number of sources, including equity, mezzanine and loan finance; • Middlesbrough College STEM Centre Strong, growing and successful digital and creative hub, increasingly underpinning traditional sectors. 	<ul style="list-style-type: none"> • Dependence upon short-term funding and grant funding; • Failure to get across the messages of success; • Poor public transport infrastructure; • Demise of traditional industry e.g. SSI • Lack of ambition in many small companies; • Perception and image of the area; • Ageing skilled workforce in STEM ; • Poor private sector venture capital investment • Priority sectors are energy intensive and rely on imported materials and feedstock; • Low business density; • Branch plant economy with a reliance on a few large foreign owned conglomerates; • Too few high potential starts/scalable companies; • Low level of national/international recognition of the core competencies of Tees Valley, exacerbated by recent closures and consequently reduced number of foreign direct investment enquiries; • Market failure in parts of the commercial and residential property markets; • Variable external links, weak rail connectivity; • Very low overnight spend/visitor to the region.
Opportunities	Threats
<ul style="list-style-type: none"> • Darlington Central Park - national and international opportunities for significant growth in new sector; • Digital - potential to transform business operations across the piece – DigitalCity as a key driver; • Plenty of space with low business rates, etc.; • Established Enterprise Zones; • Supply chain opportunities for new investments such as Hitachi; • Oil prices – both in decommissioning North Sea infrastructure, but also as an alternative feedstock; • Combined Authority with elected Mayor – one voice, one direction, potential for strong influence nationally as an area that “works together”; • Promotion for the local football team (Middlesbrough Football Club) to premier division; • Renewables and space – growth within these sectors. 	<ul style="list-style-type: none"> • Strong supply chain dependency on specialist industries; • EU debate is unsettling for foreign investment; • Leaving the EU impacting on trade and inward investment; • Northern Powerhouse not focussed enough for the Tees Valley area; • High Speed Rail Network currently planned to finish at Leeds, with high speed trains running on existing infrastructure; • Oil prices – stability required for long term investments; • Overreliance on short-term funding; • Skill shortages and restrictions on high value migration; • Long term trend in process sector is to focus on a few highly integrated clusters. Antwerp and Rotterdam have the potential to be Europe’s only centres for the process sector by 2050.

⁴³ Cities and Local Growth analysis based on information from Teesside University and Tees Valley Unlimited