#### NORTH EAST GROWTH DEAL

The North East LEP Growth Deal will drive growth across the area and support the ambition to create thousands more jobs over the next decade. The deal was negotiated following publication of the North East LEP's Strategic Economic Plan, 'More and Better Jobs', which drew on the evidence in the North East Independent Economic Review. The cornerstone of the review and Strategic Economic Plan is the need to create over 60,000 new private sector jobs in the North East to create a balanced and sustainable economy.

The Growth Deal, subject to a satisfactory conclusion of the funding agreement, will bring together local, national and private funding as well as new freedoms and flexibilities to focus on five key priority areas as identified in the LEP's Strategic Economic Plan:

- Driving innovation and improving business support
- Working with schools to improve outcomes in education
- Tackling skills and economic inclusion
- Building economic assets and infrastructure
- Enhancing transport and digital connectivity

The North East LEP has secured £289.3 m from the Government's Local Growth Fund to support economic growth in the area – with £47.9m of new funding confirmed for 2015/16 and £69.6 for 2016/17 to 2021. This includes:

- As part of the Government's ongoing commitment to the North East LEP a provisional award of a further £78.7m of funding for projects starting in 2016 and beyond; and
- £ 93.1m of funding which the Government has previously committed as part of Local Growth Deal funding to the area.

This substantial investment from Government will **bring forward at least £90m of additional** investment from local partners and the private sector. <u>Combined together this will create a total new investment package of £379.3m for the North East LEP.</u>

The Economic Review and Strategic Plan demonstrate a strong ambition in the North East for local decision making and control, further emphasised by the establishment in April 2014 of the North East Combined Authority, which brings together the seven councils which are members of the LEP and serve County Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland. The Growth Deal will build on this strong local leadership with a range of investments and greater influence over some of the key levers affecting local growth. By 2021, this Deal will create at least 4,000 jobs.

## Summary of North East Growth Deal projects and funding

LEP Local Growth Fund breakdown (£m)			
	2015/6	2016 onwards	Total
Local Growth Fund award	47.9	69.6	117.5
Previously committed funding	63.8	29.3	93.1
Provisional allocation to projects starting in 2016/17 and beyond	-	78.7	78.7
Total	111.7	177.6	289.3

The table above includes the provision of £6.8m loan funding (subject to due diligence) to Keepmoat Homes Ltd to accelerate the delivery of 706 homes on the Cramlington South West site.

These totals exclude match funding for European Social Fund (ESF) skills activities. The total amount of ESF skills activity LEPs have planned in their draft strategies over the 7 year programme is currently just over 1 billion euros. Actual skills ESF match will be used on the basis of the skills activity which is delivered at LEP level according to their final strategies.

## North East LEP and Central Government have agreed to co-invest in the following jointly-agreed priorities:

- Merchant Park 2 to support inward investment and supply chain development adjacent to the future home of Hitachi Rail Europe.
- Rural Growth Network infrastructure a project to plug infrastructure gaps in key rural
  market towns and to grow the innovative, community-led network of rural enterprise hubs to
  support rural business growth.
- Swans Wet Berth Infill to create development land with quay frontage within the Swans site of the North East Enterprise Zone, thereby increasing availability of commercial land available for priority sectors.
- A North East innovation programme a package of five projects to support and drive innovation in the LEP area: (1) Newcastle Life Sciences Incubation Hub; (2) NETPark Infrastructure Phase 3; (3) Low Carbon Energy Centre; Newcastle Science Central; (4) Sunderland Enterprise and Innovation Hub; (5) The Centre for Innovation in Formulation.
- A skills improvement package five projects to increase skills levels in key sectors: (1) Tyne Met College; (2) South Tyneside College; (3) Port of Blyth Offshore and Wind Energy Training Facility; (4) Newcastle College Group: Low Carbon Tech Centre; (5) East Durham College.
- A transport improvement programme nine strategic transport projects starting in 15/16:
   (1) Northern Access Corridor: A189/A191 Haddricks Mill; (2) Newcastle Central Metro Station Refurbishment; (3) A19/A194/A1300 Lindisfarne Roundabout; (4) Newcastle Central Station to Stephenson Quarter; (5) A191 Junctions (Coach Lane and Tyne view Park); (6) A19 Employment Corridor (Silverlink North); (7) A1 Corridor Scotswood Bridgehead; (8) A1056-A189 Weetslade roundabout; (9) Local sustainable transport fund package.

# The North East LEP and Central Government agree the following provisional allocations to projects starting in 2016/17 and beyond:

 A185/A194/A19 Traffic Movements (The Arches Junction); Sunderland Strategic Transport Corridor Phase 3; Western Relief Road Durham City; Metro Enhancements; and A1/A19 Local Junction Improvements Package.

Local flexibility over Growth Deal programme: North East LEP has demonstrated strong partnership arrangements which deliver collective decisions, has articulated a clear and deliverable vision for growth in the area, and has established strong financial monitoring procedures and cross local authority collaboration. Government will disburse funds to the LEP annually in advance. The North East LEP will be expected to deliver the projects highlighted in the Deal, but will have flexibility over the management of these projects in order to deliver the greatest economic benefits to the area. Any significant changes to the projects will need to be discussed with the Government in advance.

The Growth Deal does not amount to an endorsement of everything in the submitted SEP. All development decisions for specific proposals must go through the normal planning process and be guided by local plans taking into account all material considerations.

## The North East Growth Deal

The investment secured by the Deal will be focused on five key areas to deliver transformative growth:

### Driving innovation and improving business support

The Deal includes a package of high priority local projects to drive innovation in key sectors such as manufacturing, process industries, science, technology and low carbon. This includes joint local and Government investment in the Newcastle Life Sciences Incubation Hub, a project to create incubation facilities to provide a base close to university research facilities for early-stage company development, and the Sunderland Enterprise and Innovation Hub, which will provide the first 'Fab Lab' in the North East – incubation spaces and workshop, office and laboratory space for manufacturing, creative and science-based businesses.

In addition, the Deal will provide investment in the North East Growth Hub, a project to simplify and rationalise local and national business support services to ensure more businesses can identify and access appropriate support to help them thrive and grow.

### **North East LEP commitments**

- Invest public sector resources of £8.7m in the Newcastle Life Sciences Incubation Hub and £3.5m in the Sunderland Enterprise and Innovation Hub as part of a package of key priority innovation projects.
- Further develop the business case for the Centre for Innovation in Formulation, working with the Centre for Process Innovation to ensure the project aligns to national priorities.
- Provide a clear model for coordinating and simplifying business support in the growth hub so that it joins up national, local, public and private support and creates a seamless customer experience for businesses, which makes it easy for them to get the right support at the right time.

- Invest £26.1m in a package of five innovation projects: £5.6m in the Newcastle Life Sciences Incubation Hub; £6.8m in NETPark Infrastructure Phase 3; £2.8m in the Low Carbon Energy Centre at Newcastle Science Central; £3.5m in the Sunderland Enterprise and Innovation Hub; £7.4m in the Centre for Innovation in Formulation.
- Provide £500,000 funding to the LEP for growth hub business support coordination, subject to the growth hub meeting minimum conditions that reflect the position agreed by the Government review on business support and services.
- UKTI will commit to effectively communicating its strategic priorities to LEPs and where possible help them access relevant opportunities. UKTI has doubled the number of Partnership Managers to 16. This will ensure that UKTI can work more closely with LEPs and help build their capability to secure more inward investment.
- The Technology Strategy Board recognises
  the important and valuable role that LEPs are
  playing in promoting and supporting
  innovation, and is committed to developing
  strong and effective relationships with LEPs
  both individually and collectively to build on
  this. The Technology Strategy Board is
  committed to supporting LEPs in developing
  the emerging Growth Hubs and in exploring

how LEPs can help drive up local business
awareness and engagement in Technology
Strategy Board programmes and initiatives.

## Working with schools to improve education outcomes

North East schools perform strongly compared to national averages in terms of the proportion of local schools which are outstanding. There is, however, a tail of underperformance, particularly in the most deprived areas, which is cause for concern. The North East LEP commits to improving educational attainment in schools across the North East.

In addition, Government welcomes North East LEP's ambition to strengthen the link between education providers and businesses in the local area. Through the Growth Deal, Government will work with North East LEP to explore the feasibility of implementing a programme of Enterprise Advisers in line with Lord Young's recommendation in his review 'Enterprise for All', in addition to wider school-business linkage activities. Advisers would be volunteers drawn from local private and public sector organisations and would advise head teachers and teachers on how employers can engage with schools.

#### **North East LEP commitments**

- The North East LEP commits to improving educational attainment in schools across the North East, North East LEP aims to work with school leaders, including local teaching schools, to design and deliver a school-led model which raises attainment and young people's outcomes across the North East. In particular, they will explore how the programme can empower school leaders in the North East to drive improvements in outcomes for all North East young people to meet those of the highest performing region, work towards the abolition of illiteracy and innumeracy at primary, close the attainment gap within schools, and increase the proportion of young people progressing to the most selective universities and advanced apprenticeships.
- North East LEP will achieve this in maintained schools by mobilising its existing support framework including schools and head teachers, teaching schools and their alliances, local authorities, local businesses and education and community stakeholders in the pursuit of this shared goal. They will explore opportunities to build on the creation of the academies and free schools programmes which can raise standards, especially for disadvantaged pupils. In addition, the LEP is committed to increasing employer

- In return, Government commits to working with the North East LEP and to facilitate the involvement of outstanding school leaders in the design and planning phase of the programme; to support the alliance that will govern the programme's implementation; and facilitate North East LEP's ability to access DfE data and analytical capability where needed.
- Central Government commits to work with the LEP to explore the design of a programme of Enterprise Advisers, in addition to wider school-business linkage activities, and allocate funding for such a project subject to further discussions.

engagement with schools and will explore ways to increase the number of local business representatives on school governing bodies. North East LEP is committed to funding the design of the programme and will provide leadership to ensure that the commitments agreed in the Growth Deal are fulfilled. Additionally, North East LEP commits to aligning key elements of its European Structural Fund allocation, including £4.7m ESF to better connect schools and businesses. This programme will be supplemented by support from a wide range of organisations, including Ofsted, Teach First, the Teaching Schools Council, North East Universities and the North East Chamber of Commerce.

 The LEP commits to work with Government to explore the design of a programme of Enterprise Advisers to advise schools on how to drive employer engagement.

## Tackling skills and economic inclusion

In addition to the education activities set out above, the Deal includes a substantial package of investments in a programme of projects to drive skills improvements supporting key sectors. This includes: Tyne Met College, to provide a base for vocational training to support engineering and manufacturing industries operating from and linked to the River Tyne; South Tyneside College, supporting the skills need of current and future employers in the marine and offshore sectors; and East Durham College, a project to ensure that land-based skills training continues but also reflects the growing need for skills in science, technology, engineering and maths (STEM) subject areas.

In addition, the North East LEP and partners will work with the Government to jointly design and develop a mental health and employment integration trailblazer to inform future national and local support for people with mental health conditions. The trailblazers will further test support to boost employment and clinical outcomes for people with mental health conditions, as well as testing integrated and better sequenced delivery models to better complement public services at the local level at scale. This will form part of a national pilot building on the first phase of Department for Works and Pension and Department of Health's scoping trials. The Department for Communities and Local Government will provide up to £1.7m in 2015/2016 to support the design and delivery of this LEP trailblazer subject to a satisfactory business case which includes local matched investment.

Local Enterprise Partnerships are well-positioned to enhance the current Careers Information, Advice and Guidance offer by influencing the shape of provision so that it meets the needs of the local economy. Moreover, they have the ability to link employers with education providers; can have strategic influence over skills supply; and have the ability to coordinate local services towards a shared goal.

Improving skills levels is a key factor in stimulating local growth and taking advantage of new economic opportunities. Government is committed to ensuring that adult skills provision is increasingly responsive to the needs of business and supports local economic growth and jobs.

#### **North East LEP commitments**

- Invest £2m local public sector funding and £22.4m local private sector resources in a package of five projects which will improve skills facilities across the North East linked to key sectors: Tyne Met College, South Tyneside College, Port of Blyth Offshore and Wind Energy Training Facility, Newcastle College Low Carbon Tech Centre, East Durham College.
- Work with Local partners including Local Authorities, Jobcentre Plus, Increasing Access to Psychological Therapies (IAPT) leads, Clinical Commissioning Groups (CCGs), Health and Wellbeing Boards, and other experts to design fully developed interception and business case for a mental health and employment integration trailblazer by autumn 2014.
- As part of designing a business case, explore the potential for local match funding for the delivery of the mental health and employment integration trailblazer.
- The Government expects North East LEP to open up new jobs associated with the Local Growth Fund to local unemployed and longterm unemployed people working closely with local and national back to work initiatives. This would be part of a wider expectation that local areas use the Social Value Act, drawing on best practice across local councils and central expertise in maximising social value.
- This Government remains committed to helping all young people to achieve their potential and specifically to reduce long-term youth unemployment. As part of this commitment the Deputy Prime Minister launched the Youth Contract for Cities in November 2013 providing local areas with devolved funding to boost employment opportunities for young people. As part of this, the North East was awarded £4.5m from the Government to develop its youth employment programme, including through the use of business advisors and intensive peer mentors. Alongside this Growth Deal, the Government expects the North East to

- Invest £22.4m in a programme of key priority skills projects: £1m in Tyne Met College; £1.1m in South Tyneside College; £400,000 in Port of Blyth Offshore and Wind Energy Training Facility; £9.9m in Newcastle College Low Carbon Tech Centre; £10m in East Durham College.
- The Department for Communities and Local Government will provide up to £1.7m for a mental health and employment trailblazer subject to receiving a satisfactory business case.
- Government, including the Cabinet Office, the Department for Communities and Local Government, The Department of Health and the Department for Work and Pensions will support the design of the pilot and consider the case for any relevant flexibilities to aid the delivery and integration of services within the pilot area.
- Commit to working with North East LEP to help ensure that local employer priorities are fed into the operation of the new National Careers Service providers in the region.
- Government, through the Skills Funding Agency, will support the process to ensure that provision meets local priorities and that increasing responsiveness is delivered through a three-pronged approach:
  - Procurement of new provision: LEPs will be involved throughout the process and providers' track records against LEP requirements will be considered as part of this assessment.
  - Accountability: Providers will be required through their funding agreements with the Agency to explain to LEPs details of their provision and planning and we are testing ways in which they can be most effectively held to account for being responsive to local economic priorities. The Skills Funding Agency is trialling Skills Incentives Pilots from 2014/15 in Stoke and Staffordshire, the North East and West of England, designed to explore the mechanisms through which providers will account to LEPs for delivery.
  - Allocations and Intervention: In future years, providers' records in delivering to LEP requirements will be taken into

- deliver against its commitments towards youth employment.
- Facilitate stronger links between education providers and local businesses. Work with relevant local stakeholders to communicate priorities and align the offer to the National Careers Service (NCS) providers ahead of the new service's roll-out in October 2014 in order to augment the service.
- The LEP will consider skills implications as part of decisions taking on growth strategies.
- The LEP will clearly articulate and evidence skills priorities in the light of strategic national and local growth opportunities and communicate them to the Further Education and skills sector.
- The LEP will positively engage the Further Education and skills sector in key strategic partnerships e.g. Skills and Employment Boards.
- The LEP will recognise where the private sector has a responsibility to invest in skills provision and work with business and the skills system to realise that investment.

- account when setting allocations and triggering interventions. From 2015/16 the Skills Funding Agency will take into account the outcomes of the Skills Incentive Pilots in Stoke and Staffordshire, the North East and West of England, in making allocations to those providers in scope; subject to evaluation of the pilots, these mechanisms will be rolled out to other LEPs in future years.
- Government will set out revised information for LEPs on how they can take advantage of this approach and options for seeking advice if provision is not responsive to their needs. The Skills Funding Agency will publish information during summer 2014 on how LEPs can influence the use of all skills budgets in their localities, and the steps they can take if they are dissatisfied with the pattern of delivery.
- Government will seek to improve the provision of skills data for LEPs and will develop and publish new reports that will quantify and assess responsiveness to local skills needs. In the summer of 2014 the Skills Funding Agency will provide all LEPs with a data set that updates them on the provision delivered in their areas.

## Building economic assets and infrastructure

The Deal includes agreement to jointly invest in three key economic assets and infrastructure projects in the North East LEP area: Rural Growth Network infrastructure, a project to plug infrastructure gaps in key rural market towns and to grow the innovative, community-led network of rural enterprise hubs to support rural business growth; Swans Wet Berth Infill, to create development land with quay frontage within the Swans site of the North East Enterprise Zone, thereby increasing availability of commercial land available for priority sectors; and Merchant Park 2, to support inward investment and supply chain development adjacent to the future home of Hitachi Rail Europe.

In addition, the LEP will establish the North East Development and Investment Fund, a pioneering approach to identifying and aligning local public resources and private sector investment in key strategic development and investment sites. The Deal includes agreement to work jointly with the HCA on developing the Fund, and to develop proposals for securing added value on HCA sites and sharing the uplift in value – incentivising all partners to work together locally to drive growth.

North East LEP commitments	Central Government commitments
Invest £7m local public resources in Rural	Invest £24m in the Rural Growth Network
Growth Network infrastructure, a project to	infrastructure, Merchant Park 2 and Swans Wet
plug infrastructure gaps in key rural market	Berth Infill projects as a precursor to the
towns and to grow the innovative, community-	establishment of the North East Development
led network of rural enterprise hubs to support	

rural business growth.

- Deliver Merchant Park 2 and the Swans Wet Berth Infill projects to create development land and support inward investment at key strategic sites, with commitments to finalise the business cases, private sector contribution and project timelines.
- Establish the North East Development and Investment Fund to identify and align investment in key strategic development and investment sites.

and Investment Fund.

- HCA have been in regular contact with the LEP in the development of their Strategic Economic Plan and will continue to work with the LEP on their proposals to:
  - Establish an investment fund to unlock identified sites;
  - Explore a mechanism to secure book value/receipts profile on HCA sites and share any uplift beyond that, based on an agreed business case;
  - Review and contribute to a LEP-led business case for joint working with the HCA on sites as part of the North East Development and Investment Fund.

## **Enhancing transport and digital connectivity**

The Deal will invest in a package of transformational measures to support strategic developments, relieve congestion and reduce journey times across the North East area. The investments will also open sites to create significant employment and housing opportunities. Investments include: a direct link from Newcastle Central Station to Stephenson Quarter, which will serve as a driver for wider regeneration; investments in the A19 and A191 to improve a link associated with major residential development and the expansion of the employment sites at Quorum and Cobalt business parks; and a carriageway improvement scheme for traffic movements at Lindisfarne Roundabout providing improved connectivity to the Port of Tyne.

## **North East LEP commitments**

- Invest £11.35m local public resources in a transport improvement programme. This includes nine projects starting in 2015/16:
   Northern Access Corridor: A189/A191
   Haddricks Mill; Newcastle Central Metro Station Refurbishment; A19/A194/A1300
   Lindisfarne Roundabout; Newcastle Central Station to Stephenson Quarter; A191
   Junctions (Coach Lane and Tyne view Park); A19 Employment Corridor (Silverlink North); A1 Corridor Scotswood Bridgehead; A1056-A189 Weetslade roundabout; Local sustainable transport fund package.
- The Local Enterprise Partnership and partners agree to take a more proactive role in consultation on long-term rail planning and franchise specification; and provide a coordinating role between constituent local authorities.

- Invest £38m in the North East transport package over the life of the Deal (starting with £15.4m in 15/16):
  - £4.4m in Northern Access Corridor: A189/A191 Haddricks Mill, with £0.5m in 2015/16.
  - £2.5m in 2015/16 in Newcastle Central Metro Station Refurbishment.
  - £3.5m in 2015/16 in A19/A194/A1300 Lindisfarne Roundabout.
  - £6m in Newcastle Central Station to Stephenson Quarter, with £1m in 2015/16.
  - £1.5m in A191 Junctions (Coach Lane and Tyne view Park), with £1m in 2015/16
  - £4.7m in A19 Employment Corridor (Silverlink North), with £0.5m in 2015/16
  - £3.7m in A1 Corridor Scotswood Bridgehead, with £1.7m in 2015/16
  - £4.3m A1056-A189 Weetslade

- The Local Enterprise Partnership agrees to take a more proactive role in consultation on long-term strategic road network planning and provide a co-ordinating role between constituent local authorities.
- To support extension of superfast broadband coverage to 90% of UK premises by 2016, via existing broadband projects, North East LEP will commit to work with local partners and BT to support delivery. To support extension of superfast broadband coverage to 95% of UK premises by 2017, North East LEP will also work with local partners to help ensure match funding is in place for the next round of projects
- Progress on the development and delivery of the priority transport schemes identified by the North East Local Transport Body that are fundable within available pre-allocated Local Growth Fund resources.

- roundabout, with £0.7m in 2015/16
- £7.5m Local sustainable transport fund package, with £4m in 2015/16
- The Department for Transport and Network Rail commit to more proactive engagement of the Local Enterprise Partnership in the longterm rail planning process (e.g. Route Studies) and in rail franchise specification through targeted local engagement of the Local Enterprise Partnership as part of an enhanced consultation process. The Department for Transport also commits to encourage bidders for franchises to identify and take into account the priorities of Local Enterprise Partnerships and other key local stakeholders as part of the franchising process, and will also encourage Train Operating Companies to continue with, and enhance where possible, their engagement with Local Enterprise Partnerships as key local stakeholders.
- The Highways Agency commits to developing a more proactive and collaborative approaches to promoting national and local growth and commits to continue building strong relationships and working arrangements with Local Enterprise Partnerships and the Local Enterprise Partnership Network, in the same way as with Local and Combined Authorities and the Local Government Association. Through its Route Strategies, the Highways Agency will engage the Local Enterprise Partnership in better understanding the challenges and opportunities associated with the network and to develop evidence based long-term plans to bring about much needed local economic growth and development, and commits to providing each Local Enterprise Partnership with a named contact, generally the relevant regional director. The Highways Agency commits to forming a Growth and Economic Development Group to support Local Enterprise Partnerships at a national and sub-national level, and a draft licence published on 23rd June 2014 for the new Highway Agency company includes a requirement to co-operate, which will underpin the arrangements described above.
- A provisional allocation of £79m is allocated to North East LEP to support key projects starting

in 2016/17 and beyond: A185/A194/A19 Traffic Movements (The Arches Junction); Sunderland Strategic Transport Corridor Phase 3; Western Relief Road Durham City; Metro Enhancements; and A1/A19 Junction Improvements Package (A185 Access Improvements to Southern Portal of Tyne Tunnel; A19/A189 Seaham/Murton Interchange Improvement; A1/A690 Junction Improvement; Boldon Business Park Access Improvements; A187/A193 River Tyne North Bank Access Improvements).

#### As part of the deal, the LEP will:

- Build on existing strong governance: To support growth, the North East area has
  established a Combined Authority covering the local authorities of County Durham,
  Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland.
  The LEP will build on the potential of this strong local leadership to ensure coherent, joined up
  and effective delivery of projects and programmes in pursuit of growth.
- Ensure implementation and demonstrate success, by accepting the funding agreement, and by tracking progress against milestones and agreed core metrics and outcomes in line with a monitoring and evaluation framework. This will include agreeing monitoring metrics and reporting arrangements with the Government by September 2014. The LEP will also produce an evaluation plan for the projects contained in the Deal before April 2015.
- Ensure value for money by developing robust processes that will guide local decisionmaking. This will include agreeing an assurance framework with the Government by September 2014, building on existing local and national frameworks
- Communicate the ongoing outputs and outcomes of the Deal to the local community
  and stakeholders by publishing the Growth Deal and reporting regularly, and publically, on
  their progress to implement the strategy, ensuring that local people understand how
  Government money is being spent via the Growth Deal, and what the benefits are for them
  and the area. The Cities and Local Growth Unit will continue to work with the LEPs on
  communications activities, and help make the links with other Government communications
  teams.

Funding for projects starting in 2016/17 will be subject to conditions that Government will discuss with the LEP over the next few weeks and months, along with establishing the best timetable for the project, taking into account practicalities and affordability.

The Government commits to opening discussions with the LEP right away on its priorities for the next round of Growth Deals.