



# *North East Strategic Economic Plan*

Your thoughts on our next steps





# 1. Foreword

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### The North East Strategic Economic Plan<sup>1</sup> (SEP), published in 2014, was the culmination of three processes:

- The North East Independent Economic Review (Adonis Review), published in 2013. This provided a comprehensive overview of our local economy, building on a wide-ranging evidence base and regional consultation
- Development of our European Strategic Investment Fund (ESIF) strategy which identified proposals for prioritising the £560million allocation of European cohesion funding allocated to the area
- Our proposal for a share of £2 billion of Local Growth Fund identified in the 2013 Autumn Statement.

Much has changed since 2014 in both the economy and the policy environment and we have made good progress.

The economic situation has changed, and new economic data is now available. Similarly the continued experience of delivering our aspirations enables us to further build on our success. Most significant is the changed policy context following the result of the EU referendum and the prospect of new powers and resources through the Devolution Deal. As such the North East Local Enterprise Partnership (North East LEP) and North East Combined Authority have agreed that it is now the right time to refresh our Strategic Economic Plan.

This engagement paper is the third document we have published to support the SEP refresh process. The other documents are the [progress review](#) and [economic analysis paper](#).

The purpose of this document is to invite responses to key questions on priority areas of the SEP. It takes content from the progress review and economic analysis paper to provide a context for these questions.

The focus of the refresh is on delivery. We have an established and enduring vision for transforming the economy in the North East. We will do this by strengthening the factors that drive productivity and resilience and by fostering business growth, in order to deliver more jobs and better opportunities for our population, promoting economic inclusion and better quality of life.

We know the key factors that will support this aim - the fostering of innovation, trade and business growth. We also know that the development of skills, employment and investment in our economic infrastructure are critical enablers.

We aim to embrace sustainability and resilience. We will do this by focusing on opportunities to address global climate challenges, building low carbon and environmental industries and promoting carbon reduction throughout our approach, and by focusing on wider social challenges. For example demographic ageing, where the North East has a

strong opportunity to build on its research strengths.

We intend that the SEP refresh process will renew our programme towards these objectives, taking into account our changing economy. Our aim is to identify the key, 'must do' interventions and game-changing proposals which can meet our ambitions, using the resources and influence at our disposal now and in the future.

We look forward to your comments and contributions and would encourage you to take part in this process.

**Andrew Hodgson - Chair, North East LEP**  
**Councillor Paul Watson - Chair, North East Combined Authority**



Andrew Hodgson



Councillor Paul Watson

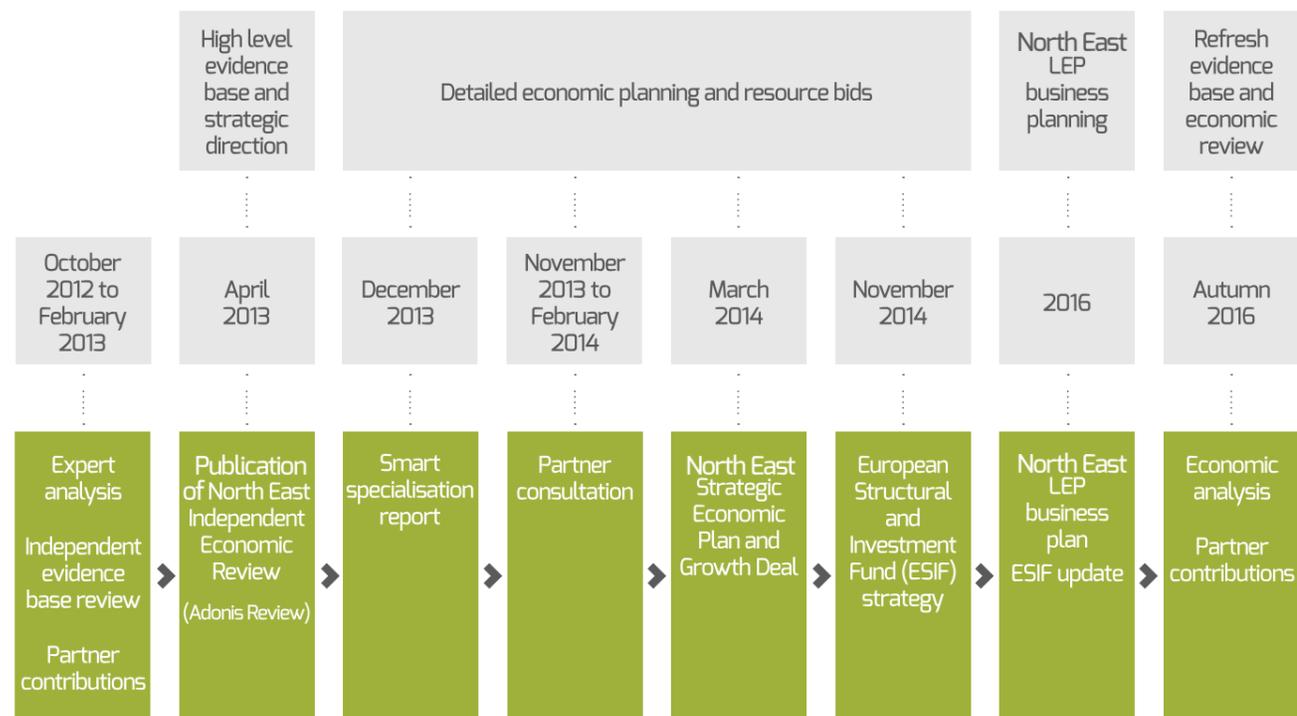
<sup>1</sup> <http://NorthEastLEP.co.uk/wp-content/uploads/2014/11/North-East-Strategic-Economic-Plan-More-and-Better-Jobs.pdf>

## 2. The refresh process and the purpose of this document

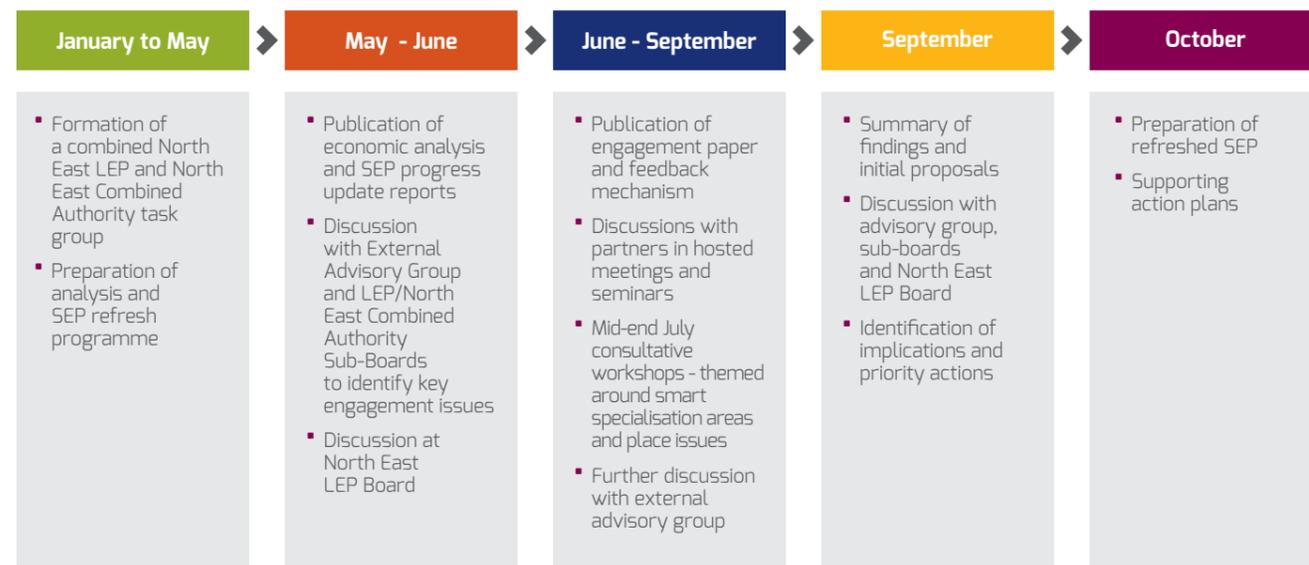
The focus of the refresh is on the next stage of delivering of the SEP. We have an established and enduring vision for transforming the economy in the North East to deliver more and better jobs in the region. In the context of economic change, experience of delivery and a changing policy environment, the SEP refresh will aim to renew our

programme by identifying the key 'must do' interventions and game-changing proposals. This will enable us to meet the ambitions established since the North East Independent Economic Review, using resources and influence at our disposal now and in the future.

### North East Strategic Economic Plan timeline



### Planned activity 2016



## 3. Key questions

This document provides a framework for engagement with key economic stakeholders and the wider region to develop the next stage of our programme.

It summarises the content of two other documents that have already been published and the subject of discussion with our boards and our advisory group. These documents are:

- Our [progress review](#), which reports back on the work that has been done since the SEP was published

- Our [economic analysis paper](#), which sets out an updated economic evidence base - bringing together data and information about the North East economy in its national and international context and providing a summary of the assets, opportunities and challenges facing key parts of our economy.

It goes on to seek responses to four groups of questions, which are summarised here:

### Key questions

#### The economic evidence base

Does this analysis align with evidence and experience in the region?

What are the key implications?

Are there sources of supporting or contradictory evidence? Which are the key evidence gaps that need to be filled?

What key analytical information is required by the region on an ongoing basis?

How do we maintain a strong regional understanding going forward? Are there opportunities to better co-ordinate and disseminate evidence?

#### Progress review on delivery of the Strategic Economic Plan

What can we learn from delivering the SEP so far?

What key activities should be the focus for our programmes as we move forward?

How do we measure success - what mix of absolute and relative measures should we look to? With whom should we compare our performance?

What mix of funding do we need to support our programmes?

How should we present the refreshed SEP to our different audiences?

#### Taking opportunities and ensuring resilience

Is the framework of smart specialisation strengths, enabling capabilities and key research

and knowledge strengths the right focus to support growth?

What opportunities, challenges and medium term vision should be in focus for each of these areas?

How does this decision to leave the EU potentially affect the sector you are involved in?

What specific interventions could be transformational for the North East? What are the must do's? Who should take action to make these happen?

How can we ensure that national policy and delivery organisations work with us to grasp opportunities

What are the implications of the Northern Powerhouse and its themes and structures for the North East?

Are there other areas of our economy we should be thinking about?

#### Place competitiveness

What further evidence is available about the current position and potential of the North East to be more 'place-competitive'? Are there possibilities to secure more productivity gains?

What are the key principles we should adopt for priorities for transport, housing and infrastructure development?

What initiatives could strengthen the North East's capability and profile as an 'innovation hotspot'? What key assets could be engaged in this area?

How can different parts of the region collaborate to deliver strengthened economic outcomes and resilience?

## External advisory group

We set up an external advisory group to help direct and inform the SEP refresh process. The members of this group can be seen in the table below.

	Name	Organisation
<b>Chair</b>	Helen Golightly	Chief Operating Officer, North East LEP
	Adam Wilkinson	Interim Head of Paid Services, North East Combined Authority
<b>Local authorities</b>	Patrick Melia	Chair, NECA Chief Executives
<b>North East LEP team</b>	Richard Baker	
	Ben McLaughlin	
<b>Business organisations</b>	Simon Hanson	Federation of Small Businesses (FSB)
	Jonathan Walker	North East England Chamber of Commerce (NEECC)
	Sarah Glendinning	Confederation of British Industry (CBI)
	Liz Mayes	Engineering Employers Federation (EEF)
<b>Education</b>	Mike Parker	Schools NorthEast
	Jon Vincent	Tyne Met College
<b>Universities</b>	Tim Hammond	Durham University
	Richard Davies	Newcastle University
	Andrew Sugden	Northumbria University
	Tony Ikwue	University of Sunderland
<b>Infrastructure</b>	Bob Paton	Chair, Digital Leaders Group
	Jo Boaden	Northern Housing Consortium
	Mark Wilson	North East Transport Team
	Adam Serfontein	Developing Consensus
<b>Environment and sustainability</b>	Eddie Halstead	Environment Agency
	Frank Major	Nature Partnerships
<b>Finance &amp; investment</b>	Andrew Mitchell	North East Finance
	Guy Currey	Inward Investment Director, North East Combined Authority
<b>Trade Unions</b>	Beth Farhat	Trades Union Congress
<b>Rural</b>	Antony Braithwaite	North East Farming Rural Advisory Network (NEFRAN)
<b>Third sector</b>	Carol Botten	Voluntary Organisations' Network North East (VONNE)
	Anna Round	Institute for Public Policy Research (IPPR North)
<b>Government</b>	Adrian Coates	Department for Business, Innovation and Skills (BIS)

### How to comment...

We are inviting comments about the questions and content identified in this paper and there are two ways to contribute:

- @ Complete our online survey
- ✉ Email us at [info@nelep.co.uk](mailto:info@nelep.co.uk)

There will also be eight themed workshops held in July, which will discuss key questions in our priority areas with experts in the particular field.

In addition, some of the external advisory group members will be organising events for their members and stakeholders.

We look forward to hearing your feedback.

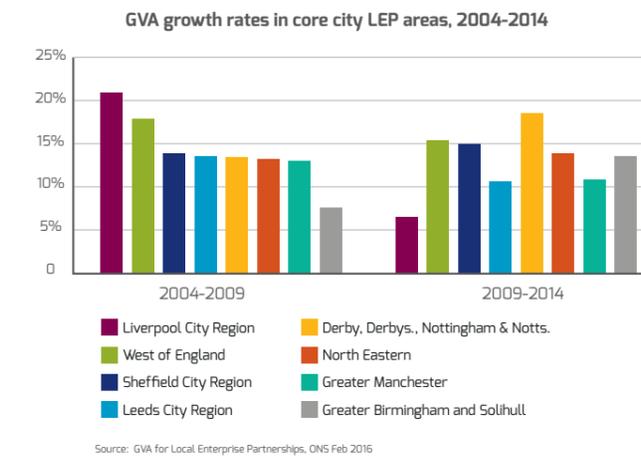
## 4. The North East economy: summary of economic evidence

A key part of the SEP refresh is to clearly understand the economic trends, opportunities and challenges in the North East. Our economic analysis paper:

- Assembles and draws on key economic data and information from a range of sources to provide an updated view of our economy and highlight the key issues for the future suggested by this information
- Provides a summary of key opportunity areas.

It also reveals that the North East has made progress since the recession with:

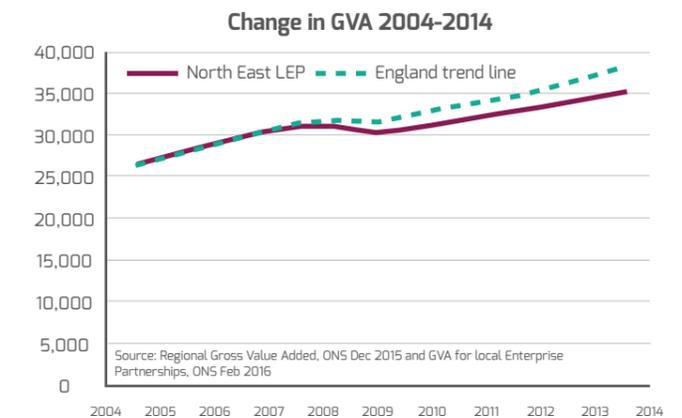
- Sustained annual growth rates around 3% per annum
- Stronger relative progress than some comparable economic areas in the North and Midlands



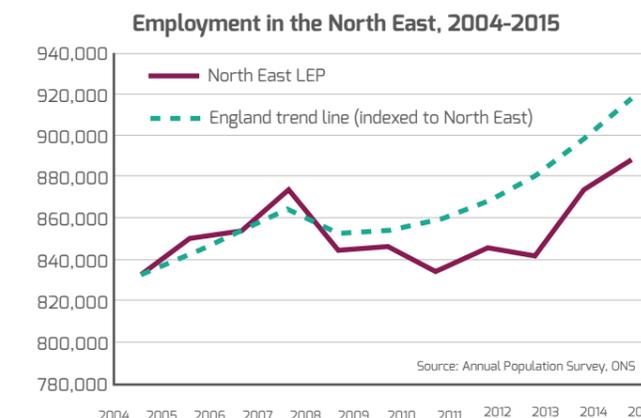
- Rising levels of workforce qualifications
- Some growth in our population providing new sources of labour.

But it also records both ongoing and new challenges:

- A growing comparative performance gap on growth and productivity with the national average
- Ongoing skills mismatches in the labour market
- Longstanding and persistent problems of economic engagement in some communities
- A genuine risk from a population 'crunch', with population growth levels needing to rise to respond to growing demand for labour.



- Business growth in key industries; services, manufacturing, property, digital and business services
- Record employment levels including a recent closing of the employment rate gap with national averages



The following messages from the data suggest that a group of opportunities and challenges need to be at the heart of our thinking through the refresh include process:

- The need to continue to improve the size and productivity of our business base, to ensure that the region can continue to build its competitiveness and attractiveness in the UK and overseas, growing employment, and to ensure our resilience in an increasingly uncertain environment
- That we have strengths and good recent performance in key areas on which to build. There are also opportunities to:
  - Focus on existing and emerging industrial strengths, each of which provide opportunities to strengthen our growth and productivity performance
  - Support a growing service sector with the capacity to provide productive, higher skilled jobs.

- Use a range of resources at our disposal - from across our towns, cities and rural communities – to ensure that each contributes to our economic future, in particular by securing and accommodating growth of our labour force
- With record levels of employment and improving qualifications, a tightening labour market demands focus on both demand and supply of employment to address the following:
  - Important mismatches between supply of skills and demand meaning that key industries can't find skills while a large number of both younger and older people are out of work
  - Too short careers 'escalators', meaning many of those with higher skills wanting to build careers often have to choose either to leave the region or remain in roles that they are over qualified for.

**Economic evidence base:**

**Proposed opportunity areas**

**Key capabilities - smart specialisation themes**

- Passenger vehicle manufacturing
- Subsea and off shore engineering
- Life sciences and healthcare
- Creative, digital, software and technology based services

**Key knowledge and technology themes:**

- Surface science
- Ageing
- Energy systems
- Satellite applications

**Enabling capabilities**

**North East evidence base and Northern Powerhouse Independent Economic Review:**

- Financial, professional and business services
- Education – in particular, but not exclusively Higher Education
- Transport and logistics

**North East evidence base**

- Construction and real estate

The review of economic evidence is only one part of the evidence base available, and the report seeks comment on the issues it raises and contribution of other information. We want to identify knowledge and insight from other sources that can be brought to bear on the SEP refresh process, and to contribute to our understanding about the North East economy going forward.

**Key questions**

**The economic evidence base**

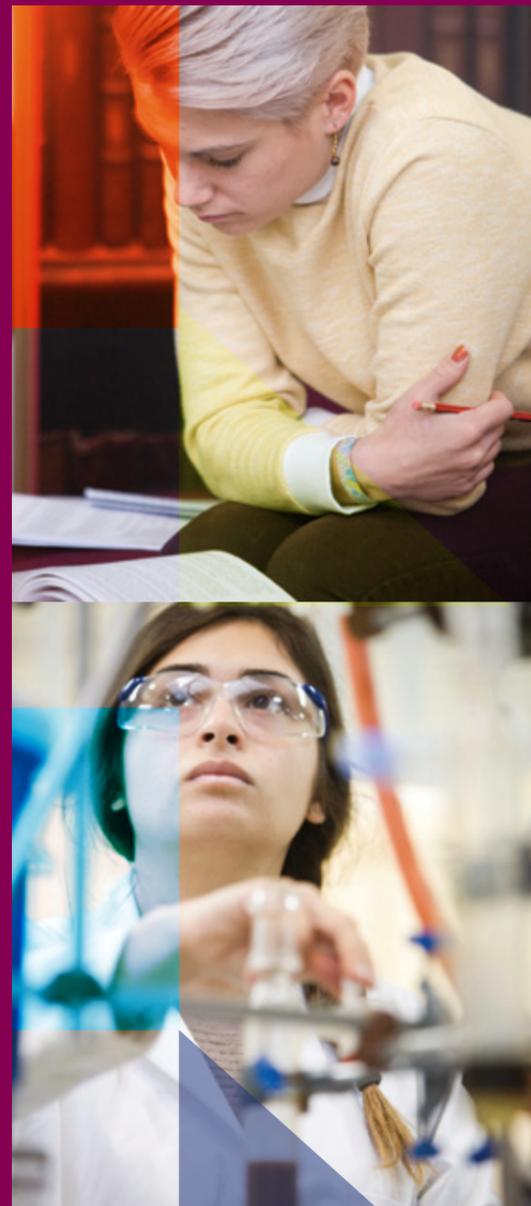
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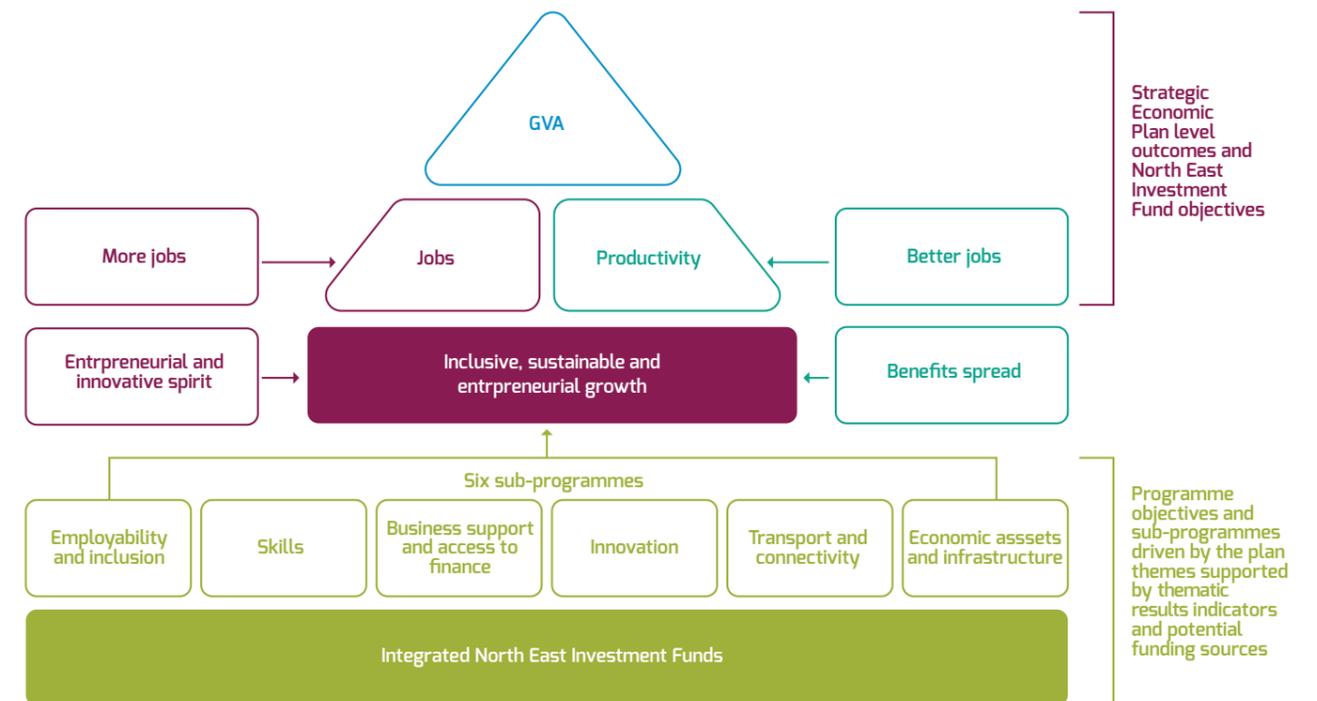
How do we maintain a strong regional understanding going forward? Are their opportunities to better co-ordinate and disseminate evidence?



## 5. The contribution of the Strategic Economic Plan

The SEP was prepared as a 10 year economic growth plan from 2014 - 2024, with a clear understanding that the plan would ultimately extend beyond these years.

It details a framework of actions across six programmes to achieve 100,000 more and better jobs by 2024. The framework is detailed below:



It provided plans and targets for the delivery of two specific funding programmes, the 2014 Local Growth Fund (LGF) capital allocation, confirmed in the Government's Growth Deal, and the notional allocation of 2014-2020 European Structural and Investment Funds (ESIF). It also outlined proposals for devolution.

Our progress review details delivery to date against both these long term goals, across governance, investment and eco-system development, and the delivery of these funding programmes. It also identifies a range of other actions and investments that have been undertaken aligned with the SEP and supported by the North East LEP and North East Combined Authority. It describes some of the opportunities and challenges that have emerged as a result of changes in policy, at national level.

Overall it reports good progress in:

- The development of programme leadership structures in place:
  - North East LEP Sub-Boards, North East Combined Authority programmes
  - Programme management structure developed.

- Securing over £800m for the region
- Good progress on LGF capital investments with most projects approved and moving towards delivery and the others on track. The fund does pose some challenges because of the exclusivity capital nature of it.

- The European programme to date, despite: application timescales and processes being changed. Plus the national delivery approach changing, affecting key SEP projects. The impact of the EU referendum on the North East's level of funding is still unknown at the time of publication.
- The devolution deal, with the prospect of new powers and resources for the area
- A range of other developments and new themes, challenges, networks and ideas emerging, including from strategic 'smart specialisation' processes, including to support growth in smart specialisation areas and to build our regional eco-system through investments in innovation incubators and skills facilities.

## Delivery of the North East Strategic Economic Plan - an overview

March 2014 – March 2016

### Finance and investment

#### European Structural and Investment Funds

€559.5m notional investment into the North East LEP area

Development of ESIF strategy

#### North East Growth Deal

£329.9m secured

Over £132m committed to capital projects

#### North East Investment Fund

£55m loans fully committed

Supporting 21 projects  
£4.5m allocated to extend current Finance for Business Fund (JEREMIE)

#### Enterprise Zone Investment

Infrastructure investment agreed to support development on Enterprise Zone sites

### Progress highlights by theme

#### Innovation

First LEP in the UK to appoint an Innovation Director.

A strengthened innovation eco-system supporting leading business facing initiatives including: Venturefest, FinanceCamp and the Innovation SuperNetwork

• 10 large capital schemes delivering over £100m of external funding.

Science and Innovation audit proposal to Government in line with Devolution Agreement.

Strong relationships with national innovation agencies; e.g. Innovate UK and Knowledge Transfer Network.

#### Business growth and access to finance

Secured control of £120m Finance for Business Fund to remain in the North East (successor to current JEREMIE fund).

Development of the first fully digital Growth Hub in England; one single point of access for business support and advice.

Local Growth Fund investment of £6.2m for the Rural Growth Network.

#### Skills

Transformative career benchmarks pilot launched into 16 regional schools and colleges in a UK first.

Enterprise Adviser programme rolled out to connect school pupils with work opportunities.

Higher than national average take-up of apprenticeships, with the North East LEP leading the drive.

#### Employability and inclusion

Successful development of £2m Mental Health Trailblazer, which will support 1,500 ESA claimants.

Generation North East will invest £4.5m to help 16-24 year olds into employment; to date 950 young people have found work.

#### Economic assets and infrastructure

£241m investment secured for 23 transport projects.

Highways England collaboration underway to attract over £900m of investment in the strategic road network.

The Connection Voucher Scheme provided £1.9m of vouchers to over 1,700 businesses to help them get connected to Superfast Broadband.

Transatlantic flight to New York secured.

#### Transport and digital connectivity

£44m of Local Growth Fund will be invested across five major infrastructure capital projects worth over £75m.

2015/16 saw 95 inward investment projects secured, bringing 3,322 jobs.

Invest North East England established to champion inward investment into the North East.

A second Enterprise Zone secured with 10 sites across the area.

### Key questions

#### Progress review on delivery of the Strategic Economic Plan

As we move into the next stage of the SEP's development it is important to learn from the experience to date and identify how the SEP itself can add value to the region.

What can we learn from delivering the SEP so far?

What key activities should be the focus for our programmes as we move forward?

How do we measure success – what mix of absolute and relative measures should we look to? With

whom should we compare our performance?

What mix of funding do we need to support our programmes?

How should we present the refreshed SEP to our different audiences?

## 6. Key economic opportunity areas

The SEP identified a group of four 'smart specialisation' areas in the North East in 2013 - the key parts of the North East economy that could provide opportunities for developing long term competitive advantage and productivity growth through innovation, business clustering and investment.

Work has been underway to build the support to these parts of the economy and to understand clearly opportunities for including:

- A range of capital investments into key hubs, facilities and strategic sites
- Support for the business support eco-system to enhance both business networks and support for individual businesses
- Engagement with businesses and networks to identify current and future opportunities and challenges.

Similarly, a 'Northern Powerhouse' Independent Economic Review (IER) prepared for Transport for the North has proposed that four prime capabilities should be priority themes for the north as a whole:

- Advanced manufacturing
- Energy
- Health innovation and
- Digital capabilities.

These are likely to be the focus for the Northern Powerhouse initiative including the work of key government agencies to promote trade, investment, and innovation across the north.

The Transport for the North review identifies a group of three enabling capabilities – financial and business services, education and transport and logistics.

These are identified as key opportunities for highly productive employment growth. In this context it has been agreed that understanding

the North East's capabilities, opportunities and challenges for each of these areas should be a key focus for the SEP refresh.

The next section therefore provides a short summary of the North East's strengths, and the opportunities and challenges in these areas. There is more content in the economic analysis paper. It invites further comment and proposals about how these areas could be supported and accelerated.

### Smart specialisation areas

#### Automotive and passenger vehicle manufacturing

The automotive and passenger vehicle cluster is relatively young yet already established in the region. It boasts a mature automotive sector, employing 18,500 people directly, with all of the capacity and expertise that this brings.

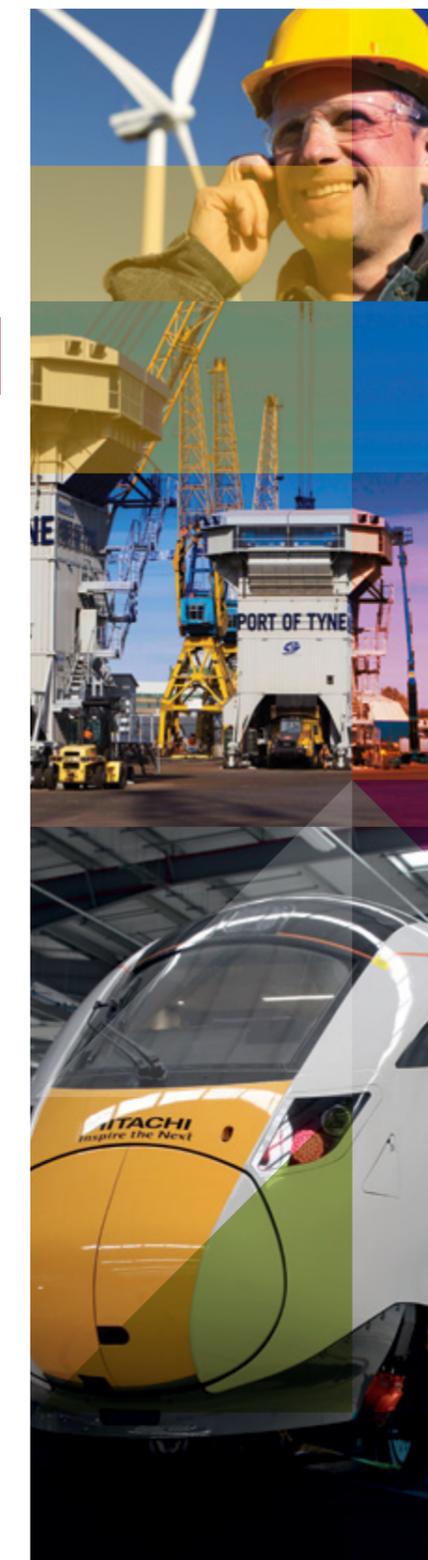
This includes the presence of Nissan, which accounts for a third of UK car production, a wider group of manufacturers and suppliers and a strengthening innovation footprint.

Unlike traditional automotive locations (West Midlands and North West), the labour market has scope for significant further growth. The investment by Hitachi into rail manufacturing adds to the scope for broadening the region's industrial base in passenger vehicle manufacture.

There is an important industry task to respond to global challenges for advanced manufacturing to drive more productive and sustainable manufacturing processes. This provides an opportunity for the region given its range of assets in areas like low carbon technology, fuels and digital technologies.

A recent EU publication<sup>2</sup> proposes the concept of 'The circular economy' as a sustainable way of organising economic activity by designing in processes and materials which can be re-used and recycled.

This is now a core part of the EU's industrial policy and will impact on all of the major production sectors.



<sup>2</sup> "Closing the loop - An EU action plan for the Circular Economy"



## Smart specialisation and emerging areas

### Life sciences and health

The North East cluster includes over 140 companies employing 5,644 employees, with an annual turnover of £683million. This is supported by a wider supply chain employing over 7,500 people. 95% of production is exported, and there were record export levels to the EU, with £1.3billion pharmaceuticals exports in 2014.

A group of major players have key facilities in the region include GlaxoSmithKline, MSD Pharmaceutical, Aesica and Piramal Pharma. There are significant and growing science, research and incubation facilities and excellent public sector health care capacity.

The health innovation agenda is influenced by trends in global markets towards more personalised medicines and treatments and a priority to deal with demographic ageing.

These are national priorities for the UK's National Health Service and the wider care system, where innovation has the potential to both improve the quality of treatments and promote cost effectiveness. The UK has significant opportunities in this area given its pharmaceutical sector and national health system.

A recent report commissioned on behalf of the North East LEP Innovation Board recommended that the North East should focus on two priority areas in driving forward this smart specialisation area.

These are **ageing innovation** and **building an effective translation environment for medicines and applications into the NHS**, providing opportunities for business development and growth.

It recommends that the North East LEP should take on a role coordinating support and engagement in this complex area.

It also recommends taking advantage of the wider northern cluster including assets across the Pennines and the national bio-pharmaceuticals centre being developed in Darlington to help support business growth in the area.

It identifies a group of knowledge themes that have the potential to be long term strengths for the North East including genomics, photonics and social innovation.

### Digital, software and technology based services

Within this diverse and rapidly developing area of the economy, the North East has a vibrant cluster with a number of areas of current strength and growth potential. These include software development and services, data applications and gaming and virtual reality.

The North East cluster is arranged across the region with a particular focus around Tyneside, and is the fastest growing across the UK.

It is supported by increasingly high profile networks and hubs, knowledge, research and academic facilities with developing partnerships with global corporates and centres for both the Digital and Satellite Applications Catapults. 28,000 are employed in its ICT sector and 15,250 people employed in creative industries.

The recent announcement that the Government is to invest £15million into a new National Institute for Smart Data Innovation confirms the potential of the North East to build on an already strong track record and vibrant eco-system working with big data applications.

A key challenge for the digital, software and technology sectors is the scaling-up phases of companies and development, often through several phases, and with multi-million pound equity investment, to support rapid growth.

The North East faces the challenge of supporting entrepreneurs and developers at a very early stage, where high quality office and incubation facilities are important, and to move to rapid acceleration of businesses to capitalise on ideas of national and international scale

### Offshore and subsea advanced manufacturing

Businesses in the North East have a genuinely global reputation in the

offshore and subsea sector with a strong cluster of businesses working into a range of energy markets and a strong enabling infrastructure around the rivers and ports. More than 50 companies are spread across the across the North East and Tees Valley LEP areas, with over 15,000 employees and £1.5bn turnover.

North East subsea and offshore technology is used to conduct processes and operations both beneath the surface of the sea and in the interface between the sea and connected (offshore) operating in oil and gas; defence; wave and tidal energy; mining; offshore wind; and ocean science sectors.

They are supported by a range of networks and business cluster organisations including Subsea North East and NOF Energy and there are a range of centres of academic and research excellence and skills support.

The North East is one of six nationally designated Centres for Offshore Renewable Engineering (CORE).

The area has excellent access to the UK Continental Shelf (oil and gas) and offshore wind areas with proximity to the largest development zone, Dogger Bank and the infrastructure includes direct transport links to key centres, sites within the North East Enterprise Zone and significant port access and land.

As with other advanced manufacturers it is challenged by dynamics seeking more sustainable and efficient production processes and there is a global challenge to drive down the cost of renewable energy to provide a competitive energy source for the future.

In challenging market conditions, there are opportunities to continue to deliver new opportunities in energy markets including oil and gas and offshore renewables, and challenges in terms of diversification and driving cost effectiveness.

The decommissioning of current investments has the potential to be a large opportunity over a number of decades.

More broadly, there is potential to take advantage of North East strengths in areas like digital and satellite applications to help address some of these challenges.

### Emerging areas with significant knowledge, strengths and industrial potential

There are a host of science, research and knowledge strengths in North East universities and businesses. In the 2014 SEP the following were identified as emerging areas with significant innovation potential with a combination of assets:

- **Surface science:** The North East has a range of strengths in coatings, paints and other technologies. There are significant private sector investments by Akso Nobel in Gateshead and Procter and Gamble in Durham in the region, and the investment into the new National Formulation Centre will provide a key asset
- **Ageing:** The North East has the potential to become an exemplar in applications in a range of areas in response to global demographic change. The investment of £20million by Government into the National Centre for Ageing Science and Innovation in Newcastle will provide a national and international focus in this area
- **Energy systems:** The North East is a hub for development of a range of technologies including renewable energy systems, smart grids and energy storage. The recent investment of £20m into the EPSRC National Centre for Energy Systems Integration supported by Siemens and Newcastle University will provide an international focus on the energy network
- **Satellite applications:** The North East has demonstrated significant capacity to deliver satellite and drone applications into a range of key sectors working with the Satellite Applications Catapult. This was recognised by the decision in 2015 to create the North East Satellite Application Centre for Excellence based in Sedgefield, hosted by Business Durham.

## Key enabling capabilities

The North East has key assets in each of the three enabling capabilities identified within the Northern Powerhouse economic review. These are important enabling features of the North East economy and potential employment drivers.

### Financial, professional and business services

The North East hosts segments of the UK's £180 billion financial technology, banking, insurance, securities dealing, fund management, management consultancy, legal services, and accounting services. There are 17,645 FPBS companies in the region, including operations of all 'big four' professional services companies. The headquarters of Virgin Money, Atom Bank and Newcastle Building Society are all located here. And a particular niche we have is the hosting of the highest proportion of regional jobs in the UK of call centre activities. New and disruptive technologies are expected to change the occupational shape of some parts of financial and business services, with a significant reduction in administrative tasks and an increase in higher level technical and IT skills.

The impact will be seen in increased competition within sub sectors and new entrants taking market share from long established operators. The North East will face a challenge in providing new, modern office space with excellent digital connectivity needed to support both employment growth and employment change, while also supporting new and fast growing enterprises through its work with innovative digital and technology companies in sectors such as finance.

### Transport and logistics

The North East transport and logistics sector is a crucial part of the economic infrastructure of the area, supporting both freight and passenger movement. It includes about 4% of the business base plus a range of public sector providers. In the last two years almost 4,000 additional jobs have been created in the transport and logistics sector. The sector includes international connectivity through Newcastle

International Airport and the four sea ports, national rail connectivity through the East Coast Main Line and the local public transport system, plus a range of freight and other transport providers.

In addition to challenges to continue to upgrade the region's infrastructure, manage growth in demand and to drive down cost and control carbon emissions, the sector faces skills challenges as a result of competition for labour and the ageing of the current workforce. A number of employers are concerned about skills supply issues.

### Education

Based on its share of employment, the education sector is estimated to account for nearly 7% of total North East LEP GVA, with Higher Education accounting for around one-fifth of this. Based on estimates of growth of overall sectoral GVA, it is estimated that the GVA growth in the education sector over the last 10 years has been around £700m.

The education system in the North East is highly diverse including four universities providing a significant research base, and educating almost 100,000 Higher Education students each year. The Further Education sector includes 10 FE Colleges and a range of other providers including sixth forms and private bodies. There are 1300 schools in the North East region.

The education sector is experiencing rapid change with policy related challenges to HE and FE systems to strengthen the contribution of both research and teaching outputs to driving UK productivity and changing funding arrangements creating competitive challenges.

For schools, rapid change in governance models with a move from Local Authority control to direct funding and a preference for Trust based models is likely to see rapid consolidation and changing engagement systems with both students and the economy. At the same time changes to the national curriculum are changing the focus for school outcomes

## Key questions

### Taking opportunities and ensuring resilience

Is the framework of smart specialisation strengths, enabling capabilities and key research and knowledge strengths the right focus to support growth?

What opportunities, challenges and medium term vision should be in focus for each of these areas?

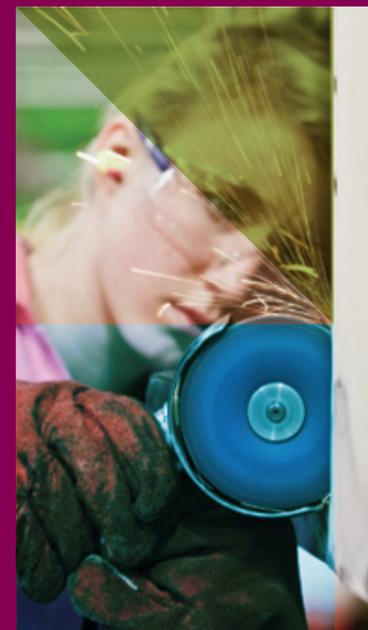
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What specific interventions could be transformational for the North East? What are the must do's? Who should take action to make these happen?

How can we ensure that national policy and delivery organisations work with us to take opportunities?

What are the implications of the Northern Powerhouse and its themes and structures for the North East?

Are there other areas of our economy we should be thinking about?



## 7. Place competitiveness

**With an ageing working age population, many businesses and sectors need to recruit experienced and skilled personnel, and there are already a number of skills shortages and recruitment difficulties in a range of industrial and service sectors. The North East needs to attract talent, investors and skilled workers and is now competing in national and international labour markets with other regions. The attractiveness of place is therefore a key part of a competitive, growing economy.**

Feedback from many sources suggests that there are significant market failures with regard to the commercial and industrial property market, and to some parts of the housing market in the North East. There is a danger that unless addressed, these factors will undermine economic growth in the medium term.

Given constraints on investment funds, and the need to re-cycle funds wherever possible, what new approaches could help to address market failures in the housing, commercial and industrial property markets. The current focus in sub-national policy includes an interest in a range of aspects of place competitiveness including:

- The potential to strengthen productivity through agglomeration and clustering of economic activity
- Internal and external connectivity to enable labour mobility and accessibility of markets
- The importance of housing growth in response to significant demographic and labour market changes
- The potential for integrated innovation and development through place based applications of a range of technologies captured in concepts such as Future Cities and Smart Regions
- The potential for strengthening economic linkages between rural and urban geographies to support more integrated and complementary development and to promote resilience in the face of challenges like flood risk management and food and energy security.

## Key questions

### Place competitiveness

What further evidence is available about the current position and potential of the North East to be more 'place-competitive'? Are there possibilities to secure more productivity gains?

What are the key principles we should adopt for priorities for transport, housing and infrastructure development?

What initiatives could strengthen the North East's capability and profile as an 'innovation hotspot'? What key assets could be engaged in this area?

How can different parts of the region collaborate to deliver strengthened economic outcomes and resilience?



### ***How to comment...***

**We are inviting comments about the questions and content identified in this paper and there are two ways to contribute:**

- 📧 Complete our online survey
- ✉ Email us at [info@nelep.co.uk](mailto:info@nelep.co.uk)

There will also be eight themed workshops held in July, which will discuss key questions in our priority areas with experts in the particular field.

In addition, some of the external advisory group members will be organising events for their members and stakeholders.

We look forward to hearing your feedback.

