



North East Leadership Board

Tuesday 21st October, 2014 at 2.00 pm

Meeting to be held: Newcastle Civic Centre, Newcastle upon Tyne, NE1 8QH

www.northeastca.gov.uk

SUPPLEMENTAL AGENDA

	Page No
7. Updates from Thematic Leads	
(a) Thematic Lead Update Report - Economic Development and Regeneration	1 - 6
(b) Thematic Lead Update Report - Transport	7 - 12
8. Consultation response - Northern Futures	13 - 24

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To All Members

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North East Combined Authority

North East Leadership Board (NELB)

DATE: 21 OCTOBER 2014

SUBJECT: THEMATIC LEAD UPDATE REPORT - ECONOMIC DEVELOPMENT AND REGENERATION

REPORT OF: Thematic Lead for Economic Development and Regeneration

1.0 EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to provide an update for the Combined Authority's Economic Development and Regeneration theme.
- 1.2 By working with the Local Enterprise Partnership and other partners a number of key milestones have been achieved. These have included:
 - Investment in the region's successful Enterprise Zones
 - Developing a process for the allocation of resources on the region's investment priorities
 - Established an inward investment Gateway as the first stage of a coordinating responses to inward investment enquiries
 - Established Invest North East England brand, associated staff resource and coordinated regional input to key inward investment events
 - Supported the development of the Business Support and Innovation Implementation programmes including the design of a regional Business Growth Hub.
- 1.3 Progress on the development of these activities will continue and these will be reported to the Leadership Board in due course.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Leadership Board note the content of the report.

North East Combined Authority

North East Leadership Board (NELB)

1 Background Information

- 1.1 The Combined Authority (CA) has supported the development of the North East Local Enterprise Partnership's Strategic Economic Plan (SEP); More and Better Jobs and the European Structure and Investment Funds (ESIF) Strategy. Both documents have been submitted to government. The government responded to the SEP by awarding one of the highest Growth Deal allocations to the region, whilst the final response to the EISF Strategy, like all others continues to be the subject of ongoing negotiations between the Government and the European Commission. Both documents provide a considered and established strategic platform on which the CA can build future activity.

2 Economic Assets and Infrastructure

- 2.1 The region's current and future economic infrastructure provides the framework that enables businesses to compete effectively in an increasingly competitive global environment and is therefore utterly vital to the future economic health of the region. Investment in key infrastructure projects is progressing: the success of the region's Enterprise Zones, the development of Science City and the investment to support Hitachi's decision to locate in the region are just three of the very significant achievements that are being realised.
- 2.2 Public bodies in the region have an excellent reputation for using resources effectively and this was recognised by the successful Growth Deal bid. The £298.3m awarded in July to support economic growth in the region was one of the highest in the country. The award included £50m towards eight strategically important economic infrastructure projects that will enable the region to build on a number of key economic growth opportunities in the region.
- 2.3 The production of the Strategic Economic Plan (More and Better Jobs) and the European Structure Investment Fund Strategy for the region provide a clear forward plan for economic growth. The role of the CA Portfolio will be to work with partners to build on the strong strategic case set out in the SEP and EISF and continue to promote the benefits of future public and private sector investment in the region's economic assets and infrastructure.
- 2.4 Resources are key to the CA's ability to progress key investments in the region's economic infrastructure and it is also important that we have governance arrangements in place to ensure that all available resources are used effectively and according to the priorities of local people and businesses.

North East Combined Authority

North East Leadership Board (NELB)

3. Inward Investment

- 3.1 Each local authority in the area is engaged in activities that are designed to generate and convert inward investment enquiries. These local arrangements have been supplemented by the creation of the Inward Investment Gateway that is able to provide a considered regional response to potential inward opportunities generated by UKTI and other activities. The work is being led by a dedicated resource that acts as the regional contact point for enquiries and coordinates the regional response. This development of the Invest North East England brand has also brought opportunities to introduce regional initiatives that add significant value to local activities.
- 3.2 Recent activities delivered under the Invest North East England (INEE) brand have included sponsoring and leading conferences on key regional sectors at the International Festival of Business in Liverpool and the MIPIM UK event in London. These activities have raised the profile of the area's offer and the aim is to build on the success of these initiatives and the profile of the INEE brand as it grows in the market.

4. Business Support and Access to Finance

- 4.1 Programmes of activity have been produced and these are being delivered. Recent developments have included steps towards the formation of a Business Support Board and the announcement of plans to develop a Business Growth Hub for the region using resources from the Growth Deal. The ESIF Strategy includes a proposal to use a proportion of the programme allocation to extend the existing JEREMIE fund for loan assistance to SMEs throughout the programme period.

5. Innovation

- 5.1 The Growth Deal included an allocation of £26.1m towards five innovation infrastructure projects (Newcastle Life Sciences Incubation Hub, NETPark Infrastructure Phase 3, Low Carbon Energy Centre at Newcastle Science Central, the Sunderland Enterprise and Innovation Hub and Centre for Innovation in Formulation) and a programme for the use of ESIF has been developed. In addition, recruitment exercises for a Director of Innovation and Innovation Board members have been progressed.

4 Next Steps

- 4.1 Progress on the development of these activities will continue.

5 Potential impact on objectives

- 5.1 The proposals in the report are consistent with the CA's stated objectives

North East Combined Authority

North East Leadership Board (NELB)

6. Finance and other resources

- 6.1 Financial plans will need to be developed and reported to the Board as the Delivery Plan develops.

7 Legal

- 7.1 The legal implications of the proposals will be considered as delivery progresses.

8 Other considerations

8.1 Consultation/community engagement –

The proposals are consistent with the outcome of consultation exercises that were used to inform the SEP and ESIF Strategy.

8.2 Human rights

There are no specific issues arising directly from this report.

8.3 Equalities and diversity

There are no specific issues arising directly from this report.

8.4 Risk management

Appropriate risk management arrangements will be put in place

8.5 Crime and disorder

There are no crime and disorder implications directly arising from this report.

8.6 Environment and sustainability

There are no specific issues arising directly from this report. Future reports will set out environment and sustainability implications where necessary.

9 Background documents

- 9.1 Strategic Economic Plan – More and Better Jobs
European Structure Investment Fund Strategy

10 Links to plans and policy framework

North East Combined Authority

North East Leadership Board (NELB)

10.1 The subject of the report has close relationships with the other Combined Authority themes, particularly the Transport theme, the work of the North East Local Enterprise Partnership and other public and private sector partners.

11 Appendices

11.1 No Appendices are attached to this report.

12 Contact Officers

12.1 The contact officer for this report is Janet Johnson, Deputy Chief Executive, Sunderland City Council. Email: janet.johnson@sunderland.gov.uk
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13 Sign off

- Head of Paid Service ✓
- Monitoring Officer ✓
- Section 151 Office ✓

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North East Combined Authority

North East Leadership Board (NELB)

DATE: 21 October 2014

SUBJECT: Thematic Lead Update Report – Transport

REPORT OF: Thematic Lead for Transport

EXECUTIVE SUMMARY

The purpose of this report is to update Members on the North East Combined Authority's (NECA) vision for transport, our recent achievements in securing funding and our future plans for delivering a transport system that contributes to the Authority's objective of maximising opportunities and potential.

1 The vision for transport

- 1.1 As the birthplace of the railways, the North East has a proud record of transport innovation. The Combined Authority, bringing together transport functions across an area of nearly two million people, offers the opportunity for a further step change in our transport connectivity – strengthening our trading and cultural links with the rest of the UK and the world, helping to attract new investment, and enabling transport to make a strong contribution to sustainable and inclusive economic growth throughout the region.
- 1.2 Transport is the glue of our daily lives, getting adults to work, children to school and goods delivered on time. This report outlines how the Authority, working in conjunction with partners and other local authorities across the North, has already begun to have an impact in securing additional transport funding - and has ambitious plans for further improvements that will help re-balance the economy and spread economic success more widely.
- 1.3 Other reports at this Leadership Board meeting cover the issue of improving local bus services, including the recommendation that we pursue a Quality Contracts approach.

2 Investing in Our Transport Network

- 2.1 NECA and other Combined Authorities are putting a strong case for longer term transport allocations, allowing us to plan more effectively for future delivery, and with the flexibility to be able to move resources according to priorities and our focus on delivery. The government's current approach is in contrast driven by shorter-term funding opportunities and specific projects, selected by Whitehall. The current interest in greater devolution of decision-making within England provides an opportunity to advance this argument.
- 2.2 The budget report being considered at this meeting of the Leadership Board

North East Combined Authority

North East Leadership Board (NELB)

makes clear that the north east is underfunded for transport: in terms of the relative allocation of public funding between the north and London; and because of the chronic under-funding of public transport services as a result of the government's approach to reimbursing the cost of concessionary travel. Against this background, our achievement in securing funding and the progress in developing proposals for improving our key road links reflects the hard work of the region and its political and business leaders in assembling a compelling case for investment in our transport network.

- 2.3 Following a compelling set of business cases presented by the seven authorities and the NE LEP, the North East secured a significant element of transport funding through the Local Growth Fund. This includes nine schemes that will commence delivery in 2015-16 and a provisional funding allocation for five projects starting in 2016-17. In addition, all the authorities in the NECA area have been successful in their bids for further funding from the Local Sustainable Transport Fund programme in 2015-16, allowing NECA to continue to prioritise green transport.
- 2.4 Major road improvements to the A1 Western Bypass are now underway between junctions at Lobley Hill and Coal House whilst we are working with the Highways Agency to progress two key junction improvements on the A19, at Silverlink and Testos. A public consultation into the latter scheme began on 13th October and it is proposed that a response to the consultation be submitted on behalf of Transport North East Committee.
- 2.5 The A1 North of Newcastle Scoping Document recognises that the route forms an important strategic link between England and Scotland, providing transport connectivity between the UK's capital cities. Three sections of the route are currently not dualled, totalling approximately 37 miles. The Highways Agency is conducting a feasibility study to establish the potential business case for dualling the remaining sections of the route. The outcome of the study will be announced later this autumn.

3 Public Transport

- 3.1 In the North East, we have the lowest levels of car ownership of any English region (except London). High-quality public transport is essential for our quality of life and millions of people use our public transport network to get about. During 2012/13 there were 172.6 million recorded passenger trips taken by bus in the NECA area and, during 2013/14, there were 35.7 million recorded passenger trips on the Tyne and Wear Metro system.
- 3.2 Improving local bus services is key to achieving the goals of the Combined Authority whilst the Metro system is also undergoing renewal, with Nexus investing £389m in new track and technology, better stations and refurbished trains.
- 3.3 A range of schemes are under way to enhance the experience of travelling

North East Combined Authority

North East Leadership Board (NELB)

by public transport across the region, including the new rail station at Horden, Gateshead's Park and Ride proposals and the new South Shields Transport Hub. These will be underpinned by our ongoing investment in a region-wide smart ticketing system, already being rolled out locally through the Pop card, that will make it easy to travel anywhere in North East England using a single card. Looking further ahead, funding support is needed for replacement of the Metro train fleet, which will be life-expired by 2025, and for our aspirations to extend the Metro network more widely within the region.

4 Rail

- 4.1 The North East Combined Authority is working together with the Association of North East Councils, Rail North and the East Coast Main Line Authorities Consortium (ECMA) to secure improvements to our rail connectivity.
- 4.2 The Transport North East committee also endorsed the economic analysis conducted by the ECMA, which demonstrates that investment in the East Coast Main Line (ECML) produces significant economic benefits for communities served by the route and for the UK as a whole. Moreover, investment in the ECML and HS2 are complementary – investment in the 'classic' route is essential to maximise the benefits of HS2.
- 4.3 In this context, the draft findings of a study commissioned by the North East Local Enterprise Partnership reveal that there is a clear need for capacity enhancements between Northallerton and Newcastle by 2019, to cater for anticipated passenger and freight growth and to prevent proposed HS2 services from displacing current intercity services.
- 4.4 NECA's membership of the Rail North partnership was approved in principle at the last meeting of North East Leadership Board, and I was able to confirm at a meeting of the Rail North Leaders' group. This follows agreement to revised voting metrics which enhanced our share of influence, while ensuring that no single authority is able to exercise a minority block on key decisions. Membership of Rail North allows us to influence the delivery of new franchises for Northern Rail and Trans-Pennine Express services and to secure stronger local democratic control. Our aspiration is for a transformational strategy that provides the region with modern and efficient local rail services and rolling-stock (including the replacement of the "Pacer" train fleet used on many local services), as well as stronger local influence through a North East Business Unit.
- 4.5 The region needs to exploit the opportunities provided by a level of national investment in railways that is unprecedented in modern times. As well as our ambitions for improved connectivity to London and key cities across the North, there are local aspirations to re-connect communities to the national rail network – such as the proposed re-opening to passengers of the Ashington, Blyth and Tyne line.

North East Combined Authority

North East Leadership Board (NELB)

- 4.6 There is a need to address this wide range of rail issues in detail and to consider our long-term strategy. It has therefore been agreed by Transport North East Committee to hold a seminar on rail, offering Members the opportunity of a full debate on the current rail agenda, This will allow the Authority to identify our key aspirations for rail and inform future strategy.

5 Sustainable Travel

- 5.1 Whilst we are actively pursuing improvements to connectivity for long-distance national and international journeys, we are also aware that two thirds of all journeys in the UK are less than five miles. Improving walking and cycling provision will help to take short trips off our local road network, reduce congestion and carbon emissions and assist in improving public health.
- 5.2 Obesity-related hospital admissions are significantly higher in the North East than anywhere else in the country and promoting active travel can assist the region in both its transport and health objectives. There are successful Local Sustainable Transport Fund programmes in place within Tyne and Wear, Durham and Northumberland, focused on promoting active sustainable travel to schools and workplaces, to assist in meeting this challenge.
- 5.3 We will aim to build on the good progress with our existing programmes and seek to develop further sustainable travel initiatives, working in conjunction with public health professionals to deliver our shared objectives and contribute to the national goal of a “Cycling Revolution”.

6 Next Steps

- 6.1 Transport officers will continued to work with funding bodies, transport operators and delivery partners to secure a modern, sustainable and efficient transport network. Preparatory work will take place to inform a new transport strategy for the whole NECA area.

7 Potential Impact on Objectives

- 7.1 Successful delivery of the various transport schemes and programmes outlined in this document will assist the Combined Authority in delivering its objective to maximise the area's opportunities and potential.

8 Finance and Other Resources

- 8.1 There are no direct implications arising from this report.

9 Legal

North East Combined Authority

North East Leadership Board (NELB)

9.1 There are no specific legal implications arising from this report.

10 Other Considerations

10.1 Consultation/Community Engagement

There are no specific consultation or community engagement implications arising from this report.

10.2 Human Rights

There are no specific human rights implications arising from this report.

10.3 Equalities and Diversity

There are no specific equalities and diversity implications arising from this report.

10.4 Risk Management

There are no specific risk management implications arising from this report.

10.5 Crime and Disorder

There are no specific crime and disorder implications arising from this report.

10.6 Environment and Sustainability

Delivery of the various rail and public transport schemes outlined in this report, together with measures to reduce road congestion, should assist in meeting our objectives for a more sustainable transport system and improved air quality.

11 Background Documents

11.1 "More and Better Jobs" – North East Strategic Economic Plan March 2014

12 Links to Plans in the Policy Framework

12.1 This report has no direct link to plans in the policy framework.

13 Appendices

13.1 None.

North East Combined Authority

North East Leadership Board (NELB)

14 Contact Officers

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15 Sign off

- Head of Paid Service ✓
- Monitoring Officer ✓
- Chief Finance Officer ✓

North East Combined Authority

Leadership Board

DATE: 21 October 2014

SUBJECT: Consultation response - Northern Futures

REPORT OF: The Head of Paid Service

EXECUTIVE SUMMARY

The Northern Futures project was launched in early August by the Deputy Prime Minister as 'a new approach to policymaking which means that rather than decisions being made by politicians and civil servants in Whitehall, the power is given to the people who live and work there'. The purpose of this report is to inform the NECA Leadership Board that a response was prepared and submitted on behalf of the North East Combined Authority, and to ask the Leadership Board to note for information the content of the response.

RECOMMENDATIONS

The North East Combined Authority Leadership Board are asked to note that a response to the Northern Futures Project has been submitted, and to note for information the content of the response as attached at appendix 1.

North East Combined Authority

Leadership Board

1 Background Information

- 1.1 The Northern Futures project was launched in early August by the Deputy Prime Minister as 'a new approach to policymaking which means that rather than decisions being made by politicians and civil servants in Whitehall, the power is given to the people who live and work there'.
- 1.2 Local Authorities each received a letter from the Deputy Prime Minister seeking views to feed into the overarching question central to the Northern Futures debate: *'How do we build on the strengths in the North to create an economic core in the heart of the region that can compete with the biggest cities and regions in the world?'*
- 1.3 A response to the proposals was prepared on behalf of the North East Combined Authority and was submitted on Friday 17 October.

2 Proposals

- 2.1 The Leadership Board is requested to agree to the recommendations set out above to formally endorse the content of the submitted response.

3 Next Steps

- 3.1 A series of events are also being held as part of the Northern Futures project in October and November to consider innovative ideas and a new vision for the North. Further updates will be provided from these events alongside other developments on this project within the context of the broader devolution debate.

4 Potential Impact on Objectives

- 4.1 The Northern Futures Project sits within a broader debate on devolution and economic growth and has potential implications for delivering the shared agenda for growth in the future. The response and participation in the associated project events offers a further opportunity to influence Government thinking on these issues.

5 Finance and Other Resources

- 5.1 There are no specific financial implications arising from these recommendations.

6 Legal

- 6.1 There are no specific legal implications arising from these recommendations.

North East Combined Authority

Leadership Board

7 Other Considerations

7.1 Consultation/Community Engagement

Views provided by the Leaders and Elected Mayor as well as the Chief Executives and Economic Directors Groups informed the development of the submitted response.

7.2 Human Rights

There are no specific human rights implications arising from this report.

7.3 Equalities and Diversity

There are no specific equality and diversity implications arising from this report.

7.4 Risk Management

There are no specific risk management implications arising from this report.

7.5 Crime and Disorder

There are no specific crime and disorder implications arising from this report.

7.6 Environment and Sustainability

There are no specific environment and sustainability implications arising from this report.

8 Background Documents

8.1 “More and Better Jobs”, A Strategic Economic Plan for the North East

9 Links to Plans in the Policy Framework

9.1 This report links to “More and Better Jobs”, A Strategic Economic Plan for the North East

10 Appendices

10.1 Appendix 1 – Northern Futures Project - NECA response

North East Combined Authority

Leadership Board

11 Contact Officers

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12 Sign off

- Head of Paid Service
- Monitoring Officer
- Section 151 Officer

North East Combined Authority response to Northern Futures Project

How do we build on the strengths in the North to create an economic core in the heart of the region that can compete with the biggest cities in the world?

Summary and key messages

The North East Combined Authority agrees with the many different commissions which have reported over recent years that the North holds the key to a more resilient national economy. At the moment the UK is dominated by one region, which itself is led by one sector. Both on the grounds of national resilience, and fairness, there is an economic case for maximising the potential of the North.

Further, the recent Scottish referendum has demonstrated the long term risk of failing to deal with the real imbalances in our economic and political system. Addressing the issues raised by the referendum, which found resonance with many people and communities in the North and West of the UK, requires a significant reworking of our economic approach and structures of governance.

There is an ambition shared across the North to accelerate the economy of our region. We believe that to do so is in the UK national interest and that a national strategy to achieve this goal needs to focus on enabling regional bodies to build on inherent economic opportunities and strengths located across the different parts of the North by investing or providing greater autonomy over a more proportionate share of the nation's wealth.

There is a compelling evidence base that dealing with these two issues in parallel; strengthening the integration within the North – through transport connectivity, co-ordination across key industrial and innovation sectors and labour market links, whilst at the same time enabling the various parts of the north to convert their distinctive economic potential to real business growth and jobs, will deliver the best outcome for the UK as a whole. Dealing with only one of these dimensions will limit the economic dividend, and for some places could lead to disadvantage.

The North East Combined Authority therefore has three key messages in response to this consultation:

- **That there is an economic and political rationale for the UK to focus on strengthening the economy of the North**
- **That there is genuine, untapped potential within the North, which can be released in the UK economic interest through strengthened local economic governance and autonomy over the drivers and proceeds of growth**
- **Not only do the individual parts of the North need to grow and excel at what they are best at but those parts need to be connected better to each other and to rest of country as part of a Northern strategy. This will maximise the return on any individual investment**

1. Shared ambition for economic growth and inclusion and the framework for delivery

There is a shared ambition across the North to build on inherent opportunities and strengths to become a dynamic counterweight and complement to the London and South-East economy helping rebalance and grow the national economy in the decades ahead. While the congested Greater South East region continues to push up against the limits of growth, the North has land, water and energy sources and a range of industrial assets with genuine national potential in abundance complemented by a workforce that has a strong reputation for responding to the opportunities presented by a growing and changing economy. To achieve transformational change and for the entire North to become more than a sum of its different areas the focus should be two-fold. Not only do the individual parts need to grow and excel at what they are best at but those parts need to be connected better to each other and to rest of the country. Recognition is also needed that the 'North' extends beyond the M62 corridor and includes the North East within an important north/south axis of the national economy between Edinburgh and London.

As the Chancellor said in his Northern Powerhouse speech, *"if northern cities can be brought closer together by providing modern transport connections, supporting great science and our universities here, giving more power and control to civic government; then we can create a northern powerhouse with the size, the population, the political and economic clout, to be as strong as any global city."*

The North holds the key to a more resilient national economy and to bring about change, the North and its constituent economic areas need much greater autonomy over the drivers and the proceeds of growth. Combined Authority areas in particular need greater control over the decisions that can drive economic growth. They need to be able to control their own budgets across a variety of policy areas and have the opportunity to implement bespoke and innovative models, including raising their own revenue, to deliver on their aspirations. Failure on either point will perpetuate the dependency on central government subsidy to prop up economic weakness rather than self-determination of priorities.

Combined Authorities are statutory bodies which enable local authority leaders, acting collectively over a city or county region, to take direct responsibility for transport and other economic functions, on a similar basis to the Mayor of London. The Greater Manchester Combined Authority was the first such authority, and four Combined Authorities were subsequently established in the North East, West Yorkshire, South Yorkshire and Merseyside. All the Combined Authorities are in the North of England and already have the right framework in place to not only take on more devolved powers and responsibilities but to lead on collaborative arrangements across the North. The One North initiative is such an example, reflecting the critical importance of transport for vibrant, sustainable economic growth across the North.

Transformative projects with major direct public and private investment can bring about positive, additional economic benefits at a local-level. Decisions taken at a distance from the people and places they affect have the effect of limiting the activities that can lead to growth. The current centralised system restricts growth opportunities. By providing greater financial autonomy to local areas, devolution

would enable areas such as the North East and the wider North to unlock their full potential.

It is now time to have a full debate about the devolution of power throughout the UK. If additional funding is guaranteed to meet the needs of Scotland it is reasonable to ask that funding is also guaranteed to meet the needs of northern England in areas such as transport and the economy. The North of England has suffered from underinvestment by central government, particularly on issues such as transport. The game has changed post-referendum with the Scottish debate giving voice to the concerns about the centralised nature of UK governance. There is a real danger that the North could be squeezed between an increasingly powerful Scotland and a London Assembly and a mayor who promotes the interests of the City, with other cities and regions having no counterbalance to those centres of power. If the Government are serious about devolution, any decentralisation of resources should incorporate a significant element of geographic redistribution, directing greater resources towards areas of past underinvestment and where there is a sound basis for growth.

Strengthening the Northern economies will produce significant medium and long term savings in public expenditure that is related to support social and economic deprivation as well as generating increased contributions to the exchequer from taxation as income grows. We would expect a growing medium and longer term net saving to the public purse to far outweigh the cost of investment needed to grow the economy.

2. Northern Futures and the North East

Across the North despite an ongoing decline in traditional sectors, new sectoral strengths are emerging in related fields such as advanced manufacturing, pharmaceuticals and biohealth. The low-carbon economy presents opportunities, such as offshore wind and other environmental technologies as does the oil and gas sector together with the fast growing digital and tech sector. In addition northern natural assets present opportunities in the visitor economy and agriculture. Export opportunities, not least to the emerging BRICs economies, exist in sectors such as telecommunications equipment and vehicle manufacture. And there will be ongoing opportunities in business and financial services associated with all of these sectors.

The North East's sector strengths and international reach make the area a powerful place to do business. Recent performance demonstrates that commercial strengths in automotive manufacturing, advanced engineering, life sciences and low carbon technologies are world class. Coupled with excellent quality of life and real incomes that are some of the highest in the country, the North East offers a compelling story for investment and increasing prosperity. That is why we are setting ourselves an ambitious vision for the North East economy to provide over one million jobs by 2024; an increase of 11% over the period.

The North East holds real prospects for growth. The North East Combined Authority area has recently achieved the highest employment rate since 2008. In the quarter to January 2014 employment rose by nearly 20,000 on the previous year, leading to an increase in the local employment rate that outperformed the UK average and was second highest in England. This demonstrates the growth potential of local companies and their commitment to the region. Equally important for the strategic economic plan and the views of investors and government of the area, this is not an

economy that needs propping up. The local economy is moving in the right direction and investment now will cement this growth and catalyse a transformational shift, enabling the area to achieve its true potential.

The area has seen sustained growth in GVA per capita over the period 2009-2012 which surpasses that achieved by any other English area. The area is producing more output and wealth per resident, and more wages and profits are being generated at a faster rate of growth than in any other area. The area is not only producing more, but is becoming more efficient in its production. Productivity in the region still needs to grow further if it is to catch up with the national average. However, recent performance shows that the area is well on its way to closing the gap with the national average, and that further high quality investment in the area will reap greater return than other areas of the country where the gap between output and capacity shows less sign of shifting.

Even though the latest data suggests that progress is being made with regard to more and better jobs there are a number of challenges still facing the North East economy. To continue this momentum there are a number of skills challenges which have to be addressed, along with strengthening the SME base to help diversify the economy and continue to improve productivity and of course investment in transport and economic infrastructure. These challenges, although some need to be viewed within a North East context, are indeed challenges for the entire North.

In March 2014 the North East Local Enterprise Partnership submitted “More and Better Jobs”, A Strategic Economic Plan for the North East to Government. The Plan and the proposals within it were developed through a partnership approach, building on the substantial work already completed through the North East Independent Economic Review, the Governance Review and the City Deals. The plan will inform how the area's economy grows over the next ten years and the specific project proposals formed the basis for a Growth Deal which was published on the 7th July 2014 setting out a £289.3m funding package for the area.

Our strategic economic plan follows these themes:

- **Innovation:** central to our ambition of better jobs and a more competitive business base, delivering medium term benefits as managers invest in new products, processes, markets and technologies supported by an ambitious open innovation system.
- **Business support and access to finance:** the key driver for more jobs and a strong private sector, addressing market failures to support a stronger indigenous businesses, with better access to finance, and able to progress expansion plans in national and international markets.
- **Skills:** providing a demand led system, reflecting the need of employers, including for high level skills in support of better jobs, with access to high quality training facilities for both general and specialist training.
- **Inclusion:** central to ensuring no one is left behind, providing targeted and tailored support to neighbourhoods and groups facing major challenges in accessing training and employment opportunities that enables everyone fully share in the benefits of a growing economy.

- **Economic assets and infrastructure:** developing the places for business to invest and people to live, developing new opportunities with towns and cities, coast and country, and heritage assets.
- **Transport and digital connectivity:** which serves and connects people and businesses, letting people move around for both work and leisure, and connecting the North East to the national and international economy

The strategic economic plan sets out our ambitious vision to strengthen the area's economy and provide more opportunities for businesses and communities. This will involve a wide range of actions from investment in infrastructure to actions which inspire people across the area.

There are a number of proposals that can only be achieved if government is prepared to take bold action in support local priorities and strategic cross regional proposals, commit its resources and devolve or align its activities with our efforts. To transform the area's economic performance, financial support alone is not enough. We need to change the way we work with government the way we work across the North, and the way we deliver investments and services.

A key point to note is that delivering on the ambitions in the SEP will require a greater level of devolution and a longer term investment plan rather than the piecemeal form of initiatives, agreements and individual projects which has recently been the economic development policy landscape.

3. Collaboration across the North

There are significant areas for collaboration across the North on the themes above, especially for innovation, coordinating inward investment and transport connectivity. In addition much can be shared on best practice especially around delivery models and innovative solutions across many different policy areas.

Our approach for innovation comprises a comprehensive and imaginative programme, building on and extending smart specialisation principles and based on an 'Open Innovation' approach. For areas in the North, dynamic innovation systems and cultures can be the source of both economic and social development – the growth and creativity of individual businesses drives new investment and employment, and socially focused innovation responds to the changing demands of communities. There are opportunities to generate internationally significant clusters of economic activity, both from existing economic specialisms and by exploiting areas where our universities have world-leading research capabilities.

Over 42,000 jobs have been created in the North East through foreign direct investment between 2005 and 2012. While the number of jobs has fluctuated year on year, the area has averaged over 5,000 foreign direct investment (FDI) jobs each year. The North East has an exceptional record in attracting and retaining Japanese owned companies to the UK. In total, over forty Japanese companies have operations here, of which Nissan is the highest profile example with the North East making more cars than the West Midlands. Most recently Hitachi Rail Europe (HRE), a global rail original equipment manufacture is investing £82m in the North East economy, to create a 41,806 m² manufacturing, research and development base that will open in 2015. At least 730 jobs will be created, with a further 150 construction jobs on site. There are many more such examples across the North, and more can be done build upon the capability to attract inward investment to the North as a

whole and to build on clear strengths and opportunities to maximise export potential, not least to emerging markets.

Transport – for freight and people - is central to the ambition for a more competitive North. This is an area where there is already consensus across the North on the level of investment needed. The recent Growth Deal announcement confirmed support for many of the transport schemes set out in strategic economic plans but further improvements are needed to enhance regional connectivity, support economic growth and create better links with the other great cities of Northern England – something acknowledged by the Chancellor George Osborne in June when he described the transport network in the north as “simply not fit for purpose.”

A prime example of the way transport bottlenecks can constrain growth is the A1– a crucial link between the North East and Scotland, Yorkshire and Humber, the East Midlands and London, as well as providing access to important growth sites in the North East. The route is recognised by the Highways Agency as one of the country’s most significant congestion ‘hot spots’ and, to increase capacity, we would like to see the introduction of three narrow lanes along the length of the A1 Western Bypass and the renewal of Allerdene Bridge. We also wish to see further progress on dualling the A1 north of Newcastle and early action to address bottleneck junctions on the A19, beginning with approval for the Highways Agency’s investment proposals for Testo’s and Siverlink Junctions. Improvements to these key junctions are vital for the continued success of the North East economy.

Better local rail services within the North East and between the North East and other parts of England and Scotland are key priorities for the area. These rail investments would contribute to enhancing the regional economy and include investment to enhance the capacity on the existing East Coast Main Line to allow the future benefits of HS2 to be fully realised and connect communities with job opportunities; a second hourly TransPennine train to Newcastle; improvements to the Durham Coast line and the reinstatement of the Ashington, Blyth and Tyne line for passenger services which will significantly improve connectivity across Northumberland and Tyne & Wear. Replacement of the 30-year-old “Pacer” trains used on local routes is also essential to provide the high-quality travelling environment that is necessary to offer an attractive alternative to the private car.

The region sees investment in the East Coast Main Line and in HS2 as complementary, with improvements to the capacity on the existing East Coast Main Line route essential to allow the future benefits of HS2 to be fully realised. Capacity enhancements are required between Newcastle and Northallerton to cater for anticipated passenger and freight growth and to prevent proposed HS2 services from displacing current intercity services, leading to compromise rather than a step change in the connectivity of our area. The reintroduction of the Leamside line in order to generate the necessary extra capacity to get the best out of HS2 and link residents to job opportunities, may provide an opportunity as identified in the Strategic Economic Plan and the business case is currently being investigated.

The North East’s public transport network is vital for connecting people to jobs, and providing accessibility to key services considering low car ownership. Although the area benefits from a comprehensive network of local bus services, there is a need for further investment in infrastructure, a step change in information and smart ticketing provision and, most essentially, funding support for replacement of the Metro train fleet, which will be life expired by 2025. We also have aspirations to

extend the Metro network into Durham and Northumberland and to parts of Tyne and Wear not served by Metro at present. .

The ports and airport in the area are part of our competitive infrastructure offer and crucial for international connectivity. Newcastle International Airport is the North-East's primary airport, and ever stronger links from the airport to the major global air hubs are required in addition to the continuation of direct flights to the more distant British cities and to the UK's primary international hub at Heathrow. It has also been voted 'Which' Best Large Airport for the past 2 years. The recent new link to the fast developing hub at Dubai has been a great success and the top priority now is a commercial agreement relating to a new direct flight to a major North American air hub. The sea ports serving the area are also a valuable asset and we wish to see investment in port infrastructure and ferry links which establish the area's ports as Britain's route of choice to Scandinavia and the Baltic, and as Scotland's main route to the heart of Europe.

4. Delivering Change

There is a history in the North East of the private sector and local government coming together in regional coalitions to modernise and grow the economy, from the Regional Economic Planning Council in the 1960s through to the Northern Development Company in the 80s to ONE North East in the 90s and more recently the North East Local Enterprise Partnership and the North East Combined Authority. As a group of local authorities there are already joint working arrangements on some key issues and the Combined Authority have established a platform for even more effective interventions in the local economy. The North East was at the forefront of the devolution debate a decade ago and has continued to champion the case for more powers and resources to be devolved to local areas.

The Combined Authority represents a product of this ongoing commitment to local autonomy and provides a powerful host for devolved powers to the area. The benefit of having devolved funding, powers and responsibilities from central Government will enable local decisions based on local knowledge that will maximise the area's opportunities and potential.

The devolution of fiscal powers to areas outside London would enable areas to develop bespoke approaches to local challenges which would otherwise not happen, going some way to closing the differential in growth rates between London and the rest of the country. For example the North East asked the Government instead of selecting individual projects for LGF funds to support the North East to establish a North East Development and Investment Fund - aligning current local public and private sector resources and leveraging substantial further investment.

The scope of fund would include: Employment sites and premises, Enterprise Zone infrastructure, infrastructure for housing sites, investment in green infrastructure, quality of place improvements and culture, heritage and tourism capital. With a £60m support from LGF over 6 years matched with ERDF, the existing North East Investment Fund, Enterprise Zone receipts and local resources and assets the Fund would be able to invest a minimum of £245m up to 2021 in the North East's economic infrastructure with recycled funds allowing for further investment into the future. However, there is the potential for a much larger package of investment over a medium and long term period, that could further accelerate growth, drawing on the

innovative local funding opportunities and examples of deals that have been agreed elsewhere in the country.

Alongside this the North East Local Enterprise Partnership and the Combined Authority are seeking to partner with the Homes and Communities Agency to develop its portfolio and accelerate development in strategic sites. The Government through the North East Growth Deal identified named projects rather than the North East's preferred option to establish the fund. The Government have however committed the HCA to work with the Combined Authority and the North East LEP to progress the business case for the fund, which is the preferred long term option.

Another key example of devolved responsibilities which would allow a tailored solution to local issues, is the request for a North East Labour Market Agreement to provide strategic leadership and accountability for employability and welfare to work support through the Combined Authority and provide a platform for a negotiation with government for local management and delivery of services and devolution of funding.

5. Conclusion

The 15m population of the North is larger than London and almost as big as the Netherlands but its economy performs less strongly. There is an ambition for the North to be a dynamic counterweight and complement to the London and South-East economy, a destination of choice for investors, helping rebalance and grow the national economy in the decades ahead. Within this context the North East's sector strengths and international reach make the area a powerful place to do business. Coupled with excellent quality of life and real incomes that are some of the highest in the country, the North East offers a compelling story for investment and increasing prosperity. To achieve transformational change and for the entire North to become more than a sum of its different areas the focus must be two fold. Not only do the individual parts need to grow and excel at what they are best at, but those parts need to be connected better to each other and to rest of country.

The North East has some big challenges to tackle but also some remarkable assets and opportunities to build on. It is now more important than ever to work together not only in the North East but across the North to take advantage of these opportunities and create new ones for economic growth.

The North already has, through the five existing Combined Authorities, the right framework in place to not only take on more devolved powers and responsibilities but to lead on collaborative arrangements across the North.