



# Tees Valley

## City Region Business Case and City Region Development Programme

### EXECUTIVE SUMMARY

September 2006





# Preface

In May 2006, the Secretary of State for Communities and Local Government asked the Tees Valley Authorities to prepare a City Region Business Case based on the City Region Development Programme (CRDP) produced in 2005 to:

- a) Provide a coherent economic analysis of the City Region;
- b) From the analysis identify how the City Region could improve its economic performance;
- c) Identify any governance arrangements necessary to deliver this improved economic performance;
- d) Identify how Government can help the area improve its economic performance.

At the same time the Northern Way asked the Tees Valley City Region to produce a second iteration of the CRDP. Since the role of the CRDP is somewhat similar, this document serves both purposes.

The main document is quite lengthy because it contains much of the evidence base to justify our proposals. For this reason we have prepared this Executive Summary. Further details can be found in the following reports:

- a) The Tees Valley City Region Business Case and Development Programme;
- b) An Economic Analysis of the Tees Valley City Region;
- c) An Investment Strategy for the Tees Valley;
- d) The Case for Housing Market Restructuring;
- e) A series of business cases/funding bids to the Department for Transport for infrastructure improvements, primarily the local bus and rail networks.

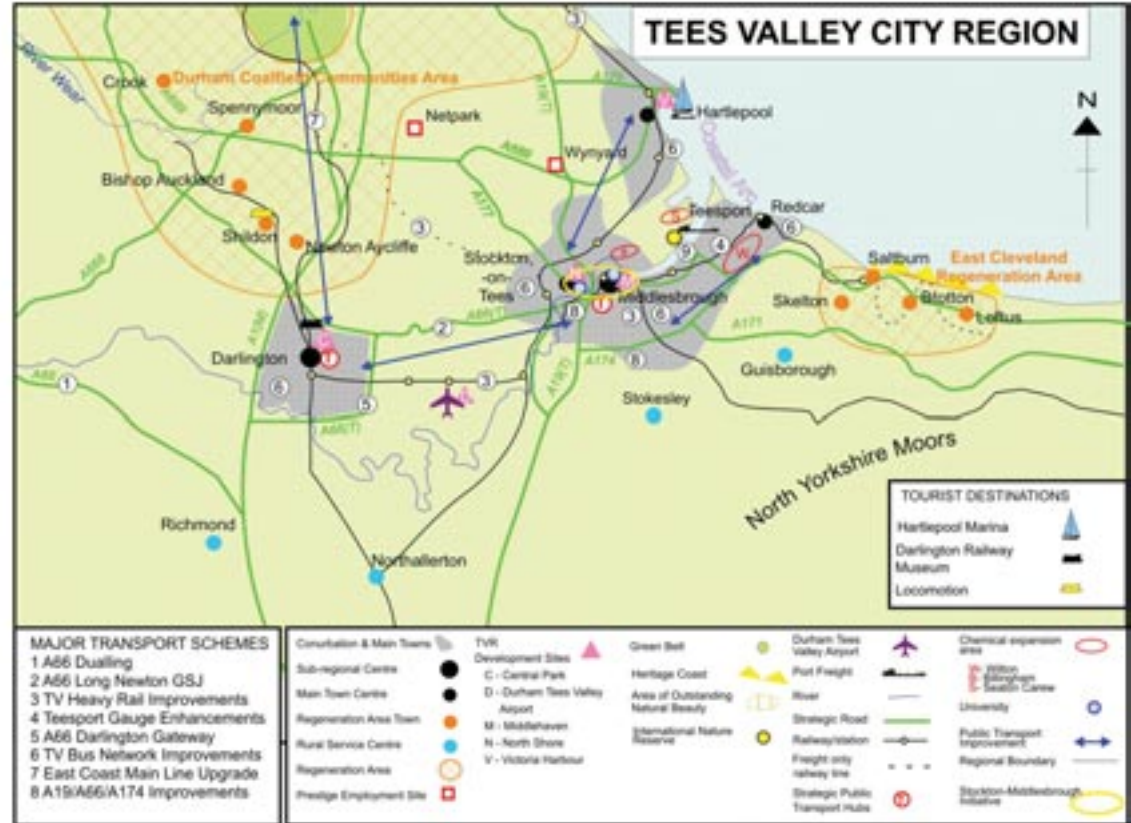




1.0 The Tees Valley City Region

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1.1 The Tees Valley City Region is based around the five towns of Darlington, Hartlepool, Middlesbrough, Redcar and Cleveland and Stockton on Tees. It also includes the Borough of Sedgefield. The sphere of influence of the Tees Valley extends from Peterlee and Durham City in the North to Northallerton in the South and from Richmond in the West to Whitby in the East. The City Region including the area of influence has a population of 875,000 of which 650,000 live in the five Tees Valley Authorities of Darlington, Hartlepool, Middlesbrough, Redcar and Cleveland and Stockton on Tees.





## 2.0 The Economic Base of the City Region

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**2.1** The Tees Valley economy is based on the largest integrated heavy industrial complex in the United Kingdom. There are three main components:

- a) The petrochemical cluster at Wilton, Billingham and Seal Sands is the largest integrated chemicals complex in the UK in terms of manufacturing capacity and the second largest in Europe. It contributes £3.5 billion to the UK economy and 70,000 jobs in the UK depend on it. The last 3 years has seen £700 million of investment in the industry in the Tees Valley including a £200 million investment by Huntsman to construct the world's largest polyethylene plant. It is also backed up by the Wilton Centre, which is the largest non-military private sector research centre in Western Europe and a world-class engineering design and plant maintenance industry employing 5,000 people throughout the Tees Valley.
- b) The Redcar Steel Complex, one of the three main producer sites in the UK, has secured long term contracts with international partners to supply 3.4 million tonnes of slab a year mostly for export.

- c) Teesport, the second largest port in the UK which handles 10% of all UK traffic; oil and gas based chemicals, iron ore import, coal imports and steel exports account for about 75% of its trade. The port is the only deep-sea port on the East Coast capable of taking vessels up to 150,000 tonnes and has the potential to become a major deep-sea container port catering for the growing Far East trade creating in the long-term 5,500 jobs.

Largely as a consequence of its heavy industrial activity, Tees Valley is now developing a unique combination of energy related activities, including biofuels, biomass, hydrogen and oil and gas.

**2.2** The area has also developed a strong logistics industry based around the port and the distribution of chemicals/steel/engineering products. The Tees Valley has also diversified its economy over the last 20 years. Darlington has become a major logistics centre serving the North of England; financial and business services including the more advanced call centre functions have been developed in Darlington, Teesdale in Stockton, Middlesbrough and Hartlepool

Marina, and Newton Aycliffe has developed a specialism in electronics. There has also been substantial growth in tourism, and the public sector, notably education and the health services.

**2.3** The area contains two universities: the University of Teesside in Middlesbrough and the University of Durham with a base at Queen's Campus in Stockton. Both universities play an important part in the economic development of the region. In addition to the world-class Wilton Centre, the area also contains the Centre for Process Innovation which is the National Centre for Nanomaterials and Industrial Biotechnology.

**2.4** For a peripheral region like the Tees Valley external linkages are very important. The important key transport linkages are:

- a) Teesport – with regular container/goods services to Europe, Asia and the Mediterranean.
- b) Durham Tees Valley Airport – with its links to Heathrow and Amsterdam which are vital to support our world-class chemicals industry made up of major multi-national companies.

- c) The East Coast Main Line with a regular two and a half hour service to London and Edinburgh, and for delivering goods from Teesport and the chemical/steel industry across the country.
- d) The A1(T) (soon to be upgraded to motorway standard) and the A19(T) links to the South and the A66(T) to Scotland and Ireland.

**2.5** The Tees Valley is very self-contained with little leakage out of the area of retail expenditure. However, the area depends on Newcastle or Leeds for higher level financial and business services.





### 3.0 The Economic Performance of the Tees Valley

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**3.1** The economic performance of the Tees Valley has been generally poor both compared to the UK and international comparisons. In 2003 GVA per head in the Tees Valley was £12,280 compared to the UK figure of £16,845 per head. GDP per head is 88% of the European Union average. However in comparison to similar industrial areas in Europe, the region performs better than Lille or Lorraine but worse than the Ruhr.

**3.2** The factors contributing to this poor performance are:

- a) Globalisation, which has resulted in a restructuring of our economy through the decline in employment in steel, shipbuilding, engineering and chemicals. 93,000 jobs have been lost in manufacturing since 1971.
- b) As a result of our heavy industrial past there are now high levels of worklessness and people on incapacity benefit. 10.7% of the working population are claiming incapacity benefit compared to 7.4% nationally.

- c) A dependency on a small number of large employers has resulted in a lack of entrepreneurship; 8.3% of the population is self-employed compared to the national average of 12.3%.
- d) Lack of entrepreneurship means a low level of business formation. The Tees Valley has half the number of companies nationally per 10,000 population.
- e) Gross disposable household income is 85% of the UK average and remained constant over the last decade.
- f) A legacy of derelict and underutilised land in the old industrial heartlands between Stockton and Middlesbrough, South Bank/Grangetown and central Hartlepool. In 2004, 1,278 hectares of land were classified as derelict on previously developed vacant land i.e. 55% of the North East previously developed vacant and derelict land is in the Tees Valley.

- g) Problems of housing market failure primarily created by problems of obsolescence and poor housing, often concentrated in the most deprived areas, which together act as a major barrier to bringing residents back to these deprived communities.
- h) A high degree of spatial polarisation. 25% of our super output areas in the Tees Valley are in the 10% most deprived in the country. 34% of those residents of the Tees Valley, looking to move aspire to live in North Yorkshire.
- i) 20% of the workforce has no qualifications.

**3.3** However, there are positive signs that the economic performance of the area is improving:

- a) Over the last 3 years 12,800 jobs have been created primarily in the service industries.
- b) Economic activity rates are rising from 73% of people of working age in 1999 to 75% in 2005.

- c) Employment rates are rising – the proportion of people of working age in employment rose from 65.3% in 1999 to 71% in 2005, whereas nationally the rise was more modest from 73.8% to 74.6%.
- d) Despite 16,500 people claiming unemployment benefit in the City Region, there were still 4,800 vacancies in the area. There are skill shortages in skilled trades, process and plant workers, engineering and administrative and secretarial staff.
- e) The City Region is performing at or above the national average in terms of qualifications except NVQ4. It is important to the area's future development that a greater emphasis is placed on upskilling the workforce to obtain NVQ3/4 qualifications.
- f) Net migration loss has fallen from 1,500 per annum in the 1990s to zero as a result of more people being attracted to the City Region.

- g) £700 million of capital investment has taken place in the chemical industry over the last 3 years.
- h) Where major regeneration schemes have taken place e.g. Teesdale in Stockton, Hartlepool Marina and Darlington, the financial and business services sector has grown.

**3.4** The economic challenges facing the City Region are:

- a) To grow the Tees Valley economy faster than the UK economy to narrow the gap in GVA.
- b) To continue the rise in employment in the Tees Valley, to encourage manufacturing industry to innovate and improve its productivity and to develop the service sector particularly financial and business services.
- c) To increase the stock of firms in the Tees Valley.
- d) To improve household income and develop less dependency on benefits.

- e) To continue to increase economic activity and employment rates and reduce worklessness.
- f) To both upskill the workforce to obtain NVQ3/4 qualifications and also reduce the people of working age with no qualifications.
- g) To reduce spatial polarisation within the Tees Valley.





4.0 Our Forward Strategy

## 4.0 Our Forward Strategy

- 4.1** The forward strategy for improving the economic performance of the Tees Valley is based upon two fundamental principles.
- 4.2** First we need to build on the economic assets of the City Region. These fundamentally are our world class chemicals industry and research base and its potential for future development both for chemicals and as a national centre for energy development, the development of our port as the second largest in the UK, the development of Durham Tees Valley Airport, our potential as a logistics hub, exploiting the research potential of our universities and taking advantage of Defence Estates proposals to double the size of Catterick Garrison.
- 4.3** Secondly, we need to improve the urban competitiveness and liveability of the Tees Valley through upgrading the business environment, skill base and physical, social and cultural infrastructures, so as to attract and retain high growth, innovation and profitable firms, and an educated, creative, entrepreneurial workforce, thereby enabling them to achieve a high rate of productivity, high employment rate, high wages, high GDP per capita and low levels of income inequality and social exclusion.
- 4.4** In relation to improving urban competitiveness we have a long way to go. We need to:
- a) Regenerate the core of our urban areas and develop underutilised vacant and environmentally poor land in central Hartlepool and along both banks of the Tees from Stockton through Middlesbrough to South Bank.
  - b) Provide city scale activities in Stockton/Middlesbrough and improve the quality of life in our main town centres of Darlington, Hartlepool and Redcar.
  - c) Provide a modern competitive transport infrastructure which improves both internal and external connectivity.
  - d) Renew our ageing housing stock which caters for the needs of the early part of the 20th Century rather than the needs of the 21st.
  - e) Tackle problems of worklessness, lack of skills and social deprivation.
  - f) Create an environment which enhances the stock of business and encourages entrepreneurship.
  - g) Reduce the social polarisation of the Tees Valley by providing more opportunities for new housing in the centres of our main towns.
  - h) Improve the liveability of the Tees Valley by improving our environment, cultural and retail facilities.
  - i) Develop in the long term a viable private sector commercial property market without the need for public sector support.
  - j) Make the most of the economic opportunities presented by our transport connections to other city regions.
  - k) Ensure that the towns of County Durham and North Yorkshire can actively benefit from the economic development and regeneration of the Tees Valley.

A large industrial facility, likely a biofuel plant, featuring a prominent cylindrical tank with a green sign that reads "BIOFUELS CORPORATION". The tank is surrounded by a complex network of pipes, ladders, and structural steel. A bright orange light is visible on a platform above the tank. The sky is clear and blue.

BIOFUELS  
CORPORATION

5.0 Developing our Economic Assets

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**5.1** The chemicals industry has seen £700 million of investment in the last 3 years. It shows the commitment from major international companies to the development of the industry in the Tees Valley. The upturn in chemicals output and investment is hugely welcome but we need to remain a competitive location and support is needed where there are strategic investments and opportunities for integration with competitive energy/waste investment which will benefit both. Whilst the area has £2.5 billion of projects interested in investing in the Tees Valley, there is a need to adopt a more strategic approach to proactively identify investment opportunities which strengthen the integrated chemicals complex.

**5.2** One NorthEast has set up the North East Process Industries Cluster (NEPIC) Group comprising the key industry leaders in the North East. It has set a strategic goal of providing 50% of growth in GDP in the process industries over the next 10 years which equates an increase of £4.5 billion in constant money. Base chemicals will provide £3 billion of this increase and biotechnology £0.5 billion.

Already there is £2.5 billion of new projects under active consideration by NEPIC. NEPIC is working on a GDP Growth Strategy to translate these projects into reality. NEPIC is also producing a programme aimed at improving productivity by £400 million/year. The Centre for Process Innovation is also working with universities and major companies to help translate research into innovation and new processes and products. In the long-term there is the opportunity to develop a Centre for Innovative Technologies in the North East.

**5.3** To develop the industry there are two major constraints:

- a) The need to develop an integrated energy and efficient infrastructure to service key sites at North Tees/Seal Sands.
- b) If the target of £4.5 billion growth in GDP is to be achieved there is a requirement for 8,000 new jobs at graduate/technician level and a further 4,000 to replace those retiring. There is a need for a skills strategy for the industry which meets the needs of the industry through the development of higher level skills and flexible

delivery working across programmes, providers and skills areas. There is a clear need for greater flexibility in delivery and easy progression from LSC funded programmes at Level 2 and 3 into higher level programmes at 4 and 5. This strategy needs practical and dynamic collaboration between employers, LSC, Universities and the Further Education/Training sector.

**5.4** The energy sector is an important part of the Tees Valley economy. The CATS pipeline provides 20% of the UK's gas and feedstock for the petrochemical industry. Currently there are two major projects – a coal gasification plant with carbon capture and an energy processing plant which will make a major contribution to meeting the energy needs of the UK. These two projects will also produce large amounts of hydrogen which will enable us to develop further the hydrogen economy. We also have the largest biodiesel production facility in the world and there are enquiries for a further 7 plants of which there will be room for 2. There are also opportunities in biomass, wind, industrial symbiosis, nuclear power and waste recovery. Other major projects are two LNG plants by Conoco Phillips and Excellerate. A priority is to

produce a strategy to develop the energy/low carbon industry in the Tees Valley. This combination of energy sources, in conjunction with our advanced engineering strengths, creates unique opportunities for research and development related to future energy generation and use.

**5.5** Teesport is the second largest port in terms of volume in the UK and the seventh largest in Western Europe. It employs 2,000 people and contributes £250 million/year to GVA. Its competitive advantage is:

- a) It is the only deep-sea port on the East Coast which can provide direct access to the sea without locks in 30 minutes.
- b) Fast turnaround of ships and trucks can be achieved far quicker than in congested southern ports.
- c) There is considerable land at Teesport to accommodate a further 6 assembly and distribution hubs with the potential to create a further 3,000 jobs. Asda has shown through

the construction of its import centre that customers will locate to Teesport, in order to avoid busy congested southern ports and roads.

**5.6** To realise this advantage PD Teesport has submitted a planning application and harbour revision order to create a deep-sea container handling 1.5m TEUs/year, mainly from the Far East. The case for the project is as follows:

- a) The deep-sea container market is expected to grow by 12.6 million TEUs; the Asian market accounts for half the growth.
- b) There is land available for assembly and distribution hubs with the potential for a further 3,000 jobs.
- d) Since over 40% of the traffic through Southern ports is heading for the North of England and beyond the port will produce an annual saving of 72 million lorry miles/year through the congested South East, reduced transport costs for firms in the North and reduced CO<sub>2</sub> emissions.

**5.7** Durham Tees Valley Airport is the international airport within the City Region. Peel Airports Limited is seeking planning consent for the extension and refurbishment of the Terminal Building and passenger facilities to accommodate 3 million passengers/year by 2015, a cargo and maintenance village, hotel and business park comprising 18,600 sq metres of airport related office development. The north side developments will generate between 2,000 and 2,500 jobs by 2015. Outline planning consent for the development of the south side of the airport has been granted for substantial warehousing, industrial and ancillary freight accommodation.

**5.8** Other key economic assets which need to be developed are:

- a) The engineering sector, in particular the use of innovation and new technology, upskilling of the workforce and exploiting new markets and opportunities.
- b) Logistics where it is proposed to set up a cluster group to identify how we can encourage the expansion of the sector.

- c) Financial, business and professional services which are driving the office market in our town centres and on key regeneration sites.
- d) Tourism, building on our river, coast, maritime and railway heritage.
- e) The University of Teesside which through its Digital City development is creating a new industrial sector in the Tees Valley, and the University of Durham through its expansion at Stockton.
- f) The expansion of Catterick Garrison which will provide 10,000 new people to the City Region.
- g) The creation of a science/technology park at Netpark in Sedgfield and the provision of a real and vertical knowledge economy hub.
- h) The continued development of Peterlee as an employment centre.



6.0 Improving Urban Competitiveness

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**6.1** Improving the urban competitiveness and liveability of the Tees Valley is a key part of our strategy to improve economic performance. The key initiatives are:

- a) The Stockton/Middlesbrough Initiative which is concerned with bringing life back into the heart of the Teesside conurbation by developing the city scale facilities that the region sadly lacks. Key projects are the development of the former Middlesbrough Dock (known as Middlehaven), Digital City and the Boho cluster, Cannon Park, Middlesbrough Town Centre, Stockton Town Centre (Stockton Gateway scheme), North Shore, St Mark's Basin and the Green Blue Heart.
- b) The Darlington Gateway aims to build on the success already achieved by logistics and office based employment as a result of both its unique location on the A1(M), the East Coast Main Line and the Airport together with the quality of life provided by its tradition as an historic market town. Key projects are office development at Morton Palms, new logistics development at Faverdale, the development of Darlington Town Centre, Central Park, Lingfield Point and the promotion of

rail heritage with Locomotion at Shildon and the Weardale Railway; a major improvement project for Aycliffe Industrial Park is proposed.

- c) The Coastal Arc which is concerned with developing the economic asset of the coast both for tourism, other economic development and to act as a catalyst for housing market regeneration. Key projects are Hartlepool Quays (Victoria Harbour, Headland, Hartlepool Town Centre and the Marina), Hartlepool Education and Skills Quarter, Hartlepool Southern Business Zone, Seaton Carew, Saltholme International Nature Reserve, Redcar Town Centre, Coatham Links, Kirkleatham, Redcar Racecourse and Saltburn. There are also opportunities to link the initiative with County Durham and North Yorkshire.

**6.2** Tees Valley Regeneration is an Urban Regeneration Company charged with delivering five key projects at Middlehaven, North Shore, Central Park, Victoria Harbour and the south side of Durham Tees Valley Airport. These projects will deliver over the next decade the redevelopment of 800 acres of brownfield land, the provision of 2 million sq ft of

office accommodation, 6,500 homes, 1 million sq ft of education facilities, 12,000 jobs and £1.2 billion of private sector investment.

**6.3** As part of its economic legacy, the Tees Valley has extensive areas of high density, low specification small back of pavement terraces built in the late 19th Century and the early part of the 20th Century which no longer meet modern standards. Vacancy rates in the worst areas approach 13% of the stock. Tees Valley Living proposes that by 2016 some 5,500 dwellings will have been cleared and redeveloped with 5,000 new homes. In addition, 3,000 existing dwellings will have been improved to bring them up to 21st Century standards. £31.55 million of funding, of which DCLG has provided £18 million, has been approved for expenditure on the programme for 2006-2008. If we are to reduce out-migration from these areas, regenerate these neighbourhoods, create a quality of place and reinvigorate a weak housing market in these areas, it is vital that the Tees Valley continues to receive resources from DCLG to carry out an HMR programme.

**6.4** With 1,250 hectares of vacant and derelict land, the

Tees Valley City Region has a poor environment. A strategic approach to green infrastructure and public realm is a vital part of improving the liveability of the region, its quality of place and the urban competitiveness of the Tees Valley. An attractive urban environment helps raise the value of the commercial facilities such as offices by providing an alternative setting and platform for development which makes them easier to let and achieve higher rentals. It is also vital to making our older housing areas viable.

**6.5** In the North East, it is difficult to persuade agencies to fund green infrastructure and public realm preferring to concentrate resources on buildings rather than the quality of place around them. In the South East and East Midlands substantial funds are in place to assist with green infrastructure within identified grown areas (e.g. North and West Northamptonshire (£1.75 million for green infrastructure)). We invite DCLG to consider identifying a budget of £2 million/year for developing green infrastructure to provide platforms for housing and commercial development.

**6.6** A critical element of any programme to improve the urban competitiveness of the Tees Valley must depend

on tackling the problems of worklessness, developing the skills of its people and raising the aspirations of its young people. Increasingly Job Centre Plus, the LSC and the colleges of further education will play an important role in tackling these issues. However whilst there is much good work going on it needs coordination – it also needs to be focused on the new economy of the Tees Valley. We propose therefore to prepare a Skills Strategy which will:

- a) Identify the key skills needs of the Tees Valley and the programmes necessary to meet the needs of the Tees Valley economy.
- b) Identify how we tackle the issues of worklessness and the 20% of the working population with no skills qualifications.

Increasing employability rates within the Tees Valley is a critical factor in improving urban competitiveness it is therefore vitally important that the resources given to JobCentre Plus by the Department of Work and Pensions (DWP) are delivered in conjunction with partners in tackling the wider worklessness agenda. It is crucial that a cohesive, inclusive strategy is developed locally which

seeks wherever possible to align the funding of all key stakeholders to maximise the impact for those people and places with the greatest need, and avoid duplication of area based community initiatives.

As part of this strategy Jobcentre Plus is delivering a range of programmes and services including New Deal and the recently introduced Pathways to Work which specifically supports customers on Incapacity Benefit (IB). Jobcentre Plus is also working collaboratively with the five Local Authorities in providing opportunities for Tees Valley residents most in need, and furthest from the labour market through the delivery of community based initiatives, which are focused on removing the barriers preventing individuals moving into sustainable employment.

**6.7** A potential constraint on economic growth in the Tees Valley is the transport system – in particular the ability of the trunk road network to cope with future development and the lack of accessibility of jobs by public transport. We are therefore:

- a) Improving the City Region bus network to offer a step change in public transport provision in terms of frequency, reliability, quality and

convenience with a coordinated approach to public transport provision and to enhance access from local residential areas to town centres and major employment locations.

- b) Developing a sub regional integrated public transport system based on the existing heavy rail system to create a high quality, fast and reliable solution to assist regeneration and help to avoid the transport problems that would otherwise arise as economic activity takes place.
- c) Taking forward proposals to enhance the current rail gauge to support the expansion of Teesport and allow larger sized containers to move from the port to its markets.
- d) Tackling projected traffic growth on the trunk road network through an approach of provision of quality public transport, enhancing the local road network and demand management/congestion charging.

**6.8** As part of the Business Case, the Tees Valley Authorities have developed an Investment Plan which

sets out the resources required in terms of capital resources for the public sector to achieve our forward strategy in the next 10 years. The Investment Plan sets out our proposals to create:

- 30-33,000 new gross FTE jobs by supporting the growth of key sectors including chemicals/petrochemicals, engineering, the new energy economy, digital media, developing the Tees Valley's visitor economy and the regeneration of key sites;
- 495,000 square metres of new office/business space and 1.2m square metres of new or refurbished industrial space;
- 5,000 new homes in those neighbourhoods most in need of housing market renewal and improve a further 2,700;
- a radical shift in the quality of the Tees Valley public transport network through investment in bus services and the development of a new Tees Valley Metro to connect areas of disadvantage with employment, leisure and other opportunities.

To realise these long-term benefits for the Tees Valley will require additional public sector investment of just

over £600 million over the period to 2016. This assumes:

- a modest increase in current levels of Single Programme capital investment from £17.1 million per annum to £22 million per annum by 2015/16 to accelerate the economic regeneration of our key town centres and the River Tees Corridor; high, medium and low growth scenarios were considered in developing the Single Programme component of the Investment Plan;
- the attraction of up to £20 million of European funding between 2008-2016 to be matched against Single Programme investment in priority projects;
- a modest increase in DfT investment in our highways and public transport network and redirecting existing Network Rail funding commitments to support the development of the Tees Valley Metro;
- a more substantial increase in the level of DCLG Sustainable Communities investment to create new, mixed income communities in the urban core of Stockton, Middlesbrough, Redcar and Hartlepool to support our proposals for economic growth and neighbourhood renewal.



7.0 Governance

## 7.0 Governance

**7.1** If we are to achieve an improvement of the economic performance of the Tees Valley, we need to develop an effective city region governance system. We have been working together for 10 years through the Tees Valley Joint Strategy Unit, the Tees Valley Partnership, Tees Valley Urban Regeneration Company and Tees Valley Living. We need to build on their achievements.

**7.2** The main proposal is the creation of a Tees Valley Metropolitan Economic Partnership which we want to call Tees Valley Unlimited.

**7.3** Tees Valley Unlimited Leadership Board will consist of about 10 members. Five of the members will be representatives of the five Tees Valley Authorities. There would be five other members representing other sectors (such as businesses, education/universities and the voluntary sector). Board level representatives of regional agencies would not be formally members of the Board but would be invited to attend and actively contribute to discussions.

**7.4** The functions of the Board will be to:

- a) Make key strategic decisions relating to the economic performance of the City Region on the basis of analysis, discussion and consensus.
- b) Approve the development of spatial, economic development, transport and housing policies and programmes at the Tees Valley level.
- c) Ensure that the needs and opportunities of the Tees Valley are reflected in the policies and programmes of regional and national agencies.
- d) Monitor progress on city region programmes and the implementation of the metropolitan area agreement.
- e) Liaise with MPs on Tees Valley economic development issues.

**7.5** The Chair of the Leadership Board would be a non-local authority chair with a local authority representative as the vice chair. The Chair would be appointed for 3 years.

**7.6** The added value the Board will bring is it would

provide a body which is openly and publicly accountable to make key strategic decisions on matters affecting the economic development of the Tees Valley. It would also provide a body which has the mandate to influence national and regional government agencies.

**7.7** In order to more closely engage with the key private sector businesses and organisations in the Tees Valley, we would ask one of the private sector representatives on the board to chair a Private Sector Business Leadership Group to provide a very direct engagement of the private sector with decisions taken by the city region as a whole.

**7.8** Supporting the Board will be five boards:

- a) A planning and economic development board coordinating the input of the City Region into the Regional Spatial Strategy, Regional Economic Strategy and the Northern Way and taking forward the strategic economic issues set out in the Business Case.
- b) Transport for the Tees Valley to develop City

Region transport strategy and develop the Tees Valley Metro, Bus Network Improvements and transport issues affecting the trunk road network.

- c) A Skills Board to develop a Tees Valley Skills Strategy.
- d) A Housing Board (incorporating Tees Valley Living) to coordinate the delivery of the housing market strategy and other city region wide housing issues.
- e) A Tourism Board to develop and realise the potential for tourism in the Tees Valley.

**7.9** Tees Valley Regeneration would remain as the delivery organisation responsible for implementing the five key main regeneration projects as of now and dealing with inward investment.

**7.10** These new arrangements in the Tees Valley would have an initial critical role in negotiating the Metropolitan Area Agreement which would set out resources available and the outcomes and outputs expected to be achieved. Tees Valley Unlimited

would then provide leadership and coordination to drive forward the CRDP and arrangements for the management and delivery of the projects within the Metropolitan Area Agreement and the other functional areas within its remit.

**7.11** This will require some devolution of responsibility to Tees Valley Unlimited in relation to:

- a) Housing market restructuring funded by DCLG.
- b) Tees Valley wide transport projects – the Transport Innovation Fund, Tees Valley Metro and Tees Valley Bus Network Improvements.

It is understood that discussions are required with One NorthEast to consider future delivery arrangements for regeneration/place programmes. As part of the ongoing RES Action Plan process there needs to be a constructive dialogue and negotiation between partners to agree the strategic priorities for investment, with funding from all sources, required to achieve the ambitious RES objectives. The 10 year Investment Strategy could act as a useful starting point for discussion. Once these priorities have been agreed then further discussions can take place on the

appropriate management, decision-making and delivery arrangements. We will be looking for Tees Valley Unlimited to be playing a significant role in these areas for the place/regeneration agenda.

**7.12** The ask of Government is to support the governance model and to endorse Tees Valley Unlimited as a pilot for Metropolitan Area Agreements which can be developed in the 6 months from October 2006 to March 2007. We will work with partners to develop the details of the governance arrangements over the same period.

**7.13** There is a need for policy, evidence and analysis to be developed on a City Region basis. We therefore propose that a Tees Valley City Region Policy Forum is set up with the County Durham and North Yorkshire authorities to develop policy in particular looking at not only how these areas can benefit from the improvement of the economic performance of the Tees Valley but also how they can contribute to improving the economic performance of the City Region.





## 8.0 How the Government Can Help

## 8.0 How the Government Can Help

**8.1** Through the implementation of this business case, we are aiming to:

- a) Develop our economic assets;
- b) Improve urban competitiveness.

**8.2** In order to develop our economic assets, the Government can help us in the following ways:

- a) Our main ask of Government is for national officers from Cogent, LSC, DFES, DTI to join a high level group drawn from NEPIC, service leaders from the industry, ONE, the regional LSC and the Tees Valley JSU to:
  - Investigate the current situation with regard to needs and provision to develop an appropriate strategy to address issues of learning capacity and supply, employer involvement and commitment, aspirations of young people and perceptions of concerns in the industry;
  - Conduct a comprehensive survey of Tees Valley company needs, future developments impacting on these and the status of current and predicted

future provision (apprenticeships, foundation degrees and modular programmes) to produce recommendations which will meet the skills needs of the industry in the Tees Valley;

- Expand existing, successful pilot programmes (such as the Tees Valley Production Technician Studentship) by increasing the number of people and employers involved and adapting to mainstream LSC funding as well as create new pilot programmes.

One of the conclusions of the Northern Way work is that LSC national programmes need to focus more on the NVQ3 and NVQ4 skills to meet the pressing skills shortages in key technological industries. This project would be a practical project for national, regional and local staff from these agencies to put in place the necessary freedoms that will stimulate employer demand and generate long-term employer commitment to tackle the skills needs of the City Region.

- b) The evidence shows that the Tees Valley has the potential to become a major location for the energy industry in the UK and Europe and can make a major contribution to the national

economy. Under the auspices of Tees Valley Unlimited we want to set up a strategy group comprising ONE, GONE, Renew Tees Valley, CPI, NEPIC, Tees Valley Regeneration, Tees Valley JSU, Tees Valley Engineering Partnership, University of Teesside, Redcar and Cleveland BC, Stockton on Tees BC and industry leaders to develop a strategy and programme to develop the renewable energy/low carbon industry in the Tees Valley to ensure that the economic potential of the Tees Valley is realised and its contribution to the national economy is maximised. The components of the strategy are:

- progressing the Progressive Energy and other major energy projects in the low carbon sector;
- developing the hydrogen economy;
- developing the full potential for liquid biofuels and ensure the agricultural hinterland of the Tees Valley can benefit;
- developing the potential for biomass;
- developing the potential for industrial symbiosis and ecoparks;

- Identifying how the engineering sector can contribute to and benefit from new energy developments including wind turbine production;
- Progressing research and development facilities in respect of energy generation and use.

Again, we would wish the DTI to provide advice in developing this strategy, and involvement in specific projects, where appropriate.

- c) The proposals from PD Ports to develop the Northern Gateway Container Terminal at Teesport are a key element of our future economic strategy. We would ask that the DfT recognise this within the review of the National Ports Strategy and provide no barrier to this development.
- d) Continued recognition by the DfT of the development potential of regional airports and support for the expansion of Durham Tees Valley Airport through the review of the Aviation White Paper in late 2006. We would also ask for the support of DCLG for the major developments planned around the airport, in line with the Panel

Report on the Examination in Public of the Regional Spatial Strategy.

- e) The expansion of Catterick Garrison and the economic benefits to the region are currently undermined by a lack of long-term commitment by Government to the implementation of the Long Term Development Plan. Whilst acknowledging that national and world events may influence future decisions over the redeployment of military personnel and investment priorities, a strong statement of commitment by Government to the expansion programme will strengthen confidence in supporting infrastructure development and private sector investment.

**8.3** In order to improve our urban competitiveness, the Government can help us in the following ways:

- a) Recognising the importance of regeneration to our future economic performance, continuation of Single Programme funding at slightly above the current levels. This has been assumed within the complementary Investment Strategy.

- b) DCLG to work with Tees Valley Unlimited to identify how funding of the order of £2 million per year for developing green infrastructure can be provided from existing funding sources.
- c) DWP and DfES to provide advice and support to develop a skills strategy for the Tees Valley, working with Job Centre Plus and the LSC.
- d) In relation to our plans to address connectivity issues, we would ask the DfT the following:
  - A positive response to our recent TIF Productivity (for Rail gauge enhancements to Teesport) and TIF Congestion (for demand management on the strategic road network) pump-priming bids;
  - Confirmation of Programme Entry status for the Tees Valley Bus Network Improvements following submission of the major scheme business case to allow work to continue on scheme development and its implementation to be brought forward within the programme;
  - Agreement to work with the Tees Valley and Network Rail to confirm the funding arrangements

for the Tees Valley Metro in line with wider proposals for the Tees Valley heavy rail network, leading to a detailed business case and funding submission in 2007.

We would also ask that national agencies such as Network Rail and the Highways Agency as well as regional bodies recognise the new Transport for Tees Valley Board and engage with it on sub-regional and strategic transport issues. In particular, we need to develop the Tees Valley Metro proposals and address the issue of Article 14 directions on the trunk road network that could stifle development in the City Region.

**8.4** In order to transform the housing market in the weaker areas, Tees Valley Living have identified the need to demolish 5,500 homes and replace them with 5,000 new build properties and to improve 3,000 dwellings. To complete this task in 10 years our public sector resources need to rise from £15 million per annum to £30 million per annum. This investment is estimated to generate private sector leverage of £450 million.

**8.5** We believe our progress in understanding the

complex relationship between the local housing offer and our economic potential merits further recognition by the Government. The Tees Valley Authorities have shown already that they can work in effective partnership with their communities and key stakeholders to harness public funding towards urban renaissance and build sustainable mixed income communities.

**8.6** In recognition of this process the Government is asked to:

- Acknowledge the evidence that transformational change is needed in the urban core of Tees Valley to provide modern homes in an attractive setting;
- Recognise that house price rises in failing areas are typically driven by buy-to-let investors, which may be unlikely to create sustainable communities;
- Endorse Tees Valley's 10 year strategy, balancing housing demolition and redevelopment with extensive refurbishment and improvement to provide choice in critical neighbourhoods;
- Support the sub-region's commitment to managing change that ensures the housing offer reflects both

household aspirations (as confirmed by our Housing Market Assessment and the Regional Aspirations Study) and the commitment to place-making and image change, and is responsive to future change;

- Contribute £30 million per annum to speed the process up, to minimise disruption and encourage the fullest involvement of the private sector in long-term relationships at the earliest opportunity;
- Grant further freedoms and flexibilities - changes are needed to a number of programmes, such as 'Homebuy'; borrowing capacities; spending/budgeting exercises and funding timescales;
- Guide the Tees Valley Authorities by nominating a 'critical friend' to aid the process of learning from best practice, in a similar way to the facility available to the HMR Pathfinders.

**8.7** To help us deliver improved economic performance, we propose the creation of a Tees Valley Metropolitan Economic Partnership, which we want to call Tees Valley Unlimited. These new arrangements in the Tees Valley would have an initial critical role in

negotiating the Metropolitan Area Agreement which would set the resources available and the outcomes and outputs expected to be achieved. Tees Valley Unlimited would then provide leadership and coordination to drive forward the CRDP and arrangement for the management and delivery of the projects within the Metropolitan Area Agreement and the other functional areas within its remit.

- 8.8** This will require some devolution of responsibility to Tees Valley Unlimited in relation to:
- a) Housing market restructuring funded by DCLG.
  - b) Tees Valley wide transport projects – the Transport Innovation Fund, Tees Valley Metro and Tees Valley Bus Network Improvements.

It is understood that discussions are required with One NorthEast to consider future delivery arrangements for regeneration/place programmes. As part of the ongoing RES Action Plan process there needs to be a constructive dialogue and negotiation between partners to agree the strategic priorities for investment, with funding from all sources, required to achieve the ambitious RES objectives.

The 10 year Investment Strategy could act as a useful starting point for discussion. Once these priorities have been agreed then further discussions can take place on the appropriate management, decision-making and delivery arrangements. We will be looking for Tees Valley Unlimited to be playing a significant role in these areas for the place/regeneration agenda.

- 8.9** For the present time we propose that North Yorkshire and Durham County Councils are involved through a policy forum approach rather than direct involvement through the Tees Valley Metropolitan Economic Partnership.
- 8.10** The ask of Government is to support the governance model and to endorse Tees Valley Unlimited proposals for Metropolitan Area Agreements, and to agree a timetable between October 2006 and March 2007 which will allow the new arrangements to be in place from April 2007. We will work with partners in the Tees Valley to develop the details of the governance arrangements over the same period.
- 8.11** We commend the Business Case to you as a clear coherent strategy for tackling the poor economic

performance of the Tees Valley through building on our economic assets, improving urban competitiveness and improving governance arrangements between national, regional and local government and in involving the public, private and voluntary sectors.

- 8.12** Finally, the Business Case has the support of a wide range of bodies. There has been positive support and editorials in the Evening Gazette and the Northern Echo. We have also had considerable help and support from the Government Office. The Business Case has the support of the following organisations:

Darlington Borough Council  
Hartlepool Borough Council  
Middlesbrough Borough Council  
Redcar and Cleveland Borough Council  
Stockton on Tees Borough Council  
North Yorkshire County Council  
Richmondshire District Council  
Hambleton District Council  
Durham County Council  
Easington District Council

Sedgefield Borough Council  
Wear Valley Borough Council  
North East Chamber of Commerce  
Tees Valley Partnership  
One NorthEast  
North East Regional Assembly  
North East Learning and Skills Council  
Jobcentre Plus  
Business Link Tees Valley  
Tees Valley Area Tourism Partnership  
Tees Valley Living  
Tees Valley Regeneration  
Tees Valley Joint Strategy Committee





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