



Overview and Scrutiny Committee

Wednesday 30th July, 2014 at 2.00 pm

Meeting to be held: County Hall, Durham, DH1 5UL

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SUPPLEMENTAL AGENDA

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To All Members

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North East Combined Authority

North East Leadership Board (NELB)

DATE: 15th July 2014

SUBJECT: Transport Policy Update

REPORT OF: Thematic Lead for Transport, North East Combined Authority

EXECUTIVE SUMMARY

This paper summarises information discussed by the Transport North East joint committee, updated with new information for the Leadership Board. The North East Combined Authority brings together transport functions across an area of nearly 2 million people, offering the opportunity to influence our connectivity to the rest of the UK and the world, to attract new investment, and to ensure that transport make a strong contribution to sustainable and inclusive economic growth – helping us to realise our aspirations for communities, the environment and the economy. To achieve this vision we need a clear “manifesto” for transport, which is both ambitious and deliverable.

The Chancellor of the Exchequer stated on 23rd June that “the transport network in the north is simply not fit for purpose”. The inception of the NECA, combined with the government’s acknowledgement of the limitations in our current transport network, offers a unique opportunity to make the case for a step change in our transport connectivity.

RECOMMENDATIONS

It is recommended that the Leadership Board:

- Note the opportunities provided by the new Combined Authority, to improve integrated transport across the region and to enhance our influence on national decisions affecting the connectivity of the North East;
- Approve development of a NECA Transport Strategy to provide a high-level strategic overview of our aspirations for transport improvements across the region;
- Agrees to retain the Assurance Framework agreed by the seven councils to underpin their previous role in setting transport investment priorities as a Local Transport Body, subject to changes which reflect the new Combined Authority arrangements;
- Endorses the North East Rail Statement, agreed with partners in the Tees Valley through the Association of North East Councils;

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- Recommends that NECA participates as a full and active partner in Rail North, and joins the proposed Association of Northern Transport Authorities;

1 Background Information – the new transport arrangements

1.1 On 29th of May the first meeting took place of the new Transport North East joint committee, bringing together representatives from the seven local authorities to support the Combined Authority's transport responsibilities. The Combined Authority provides a mechanism for the North East to have a much stronger voice to influence investment in national transport infrastructure, and over time to move to more integrated arrangements for transport across the Combined Authority area. The Transport North East Committee endorsed this approach, and a work programme to advance these objectives.

1.2 The Combined Authority can improve transport by joining up services across the Tyne & Wear/Durham/Northumberland boundaries; bringing together powers and responsibilities on a multi-modal basis; embedding transport within a wider economic strategy; joint promotion of sustainable modes; and securing devolved decision-making and greater influence on central government decisions in respect of transport issues that affect the north.

1.3 There are immediate opportunities for the Combined Authority to establish its position within the Rail North partnership, to advocate improvements to the East Coast Main Line, to lobby for regional benefit from HS2 and to secure investment in the A1 and A19 as key inter-regional road routes. The LEP and Combined Authority have already identified a clear strategy for transport within the Strategic Economic Plan, including investment to unlock development sites, reduce congestion, open new rail routes, continue reinvigoration of the Metro system and improve connectivity, whilst also seeking to de-carbonise our transport system.

1.4 The Combined Authority itself will have a substantial budget for public transport services, with the prospect of further devolved funding from the Department for Transport, for which the Combined Authority will be the accountable body. It will also inherit responsibilities from the Tyne and Wear Integrated Transport Authority; including a decision on a Quality Contract Scheme/ Voluntary Partnership arrangement for bus services within Tyne & Wear and on certain cross-boundary routes. A decision on this matter will be brought to the Leadership Board following further assessment of the relative merits of these approaches, and on the basis of a recommendation from the Transport North East joint committee.

1.5 The Combined Authority will fulfil the role of a Local Transport Body, responsible for oversight of the funding devolved by the Department for Transport for local major transport schemes. The seven councils have agreed an assurance framework associated with the creation of the Local Transport Body, and DfT have been notified that this robust approach will be maintained under the new Combined Authority arrangements. This means that investments approved by the Leadership Board, in its role as a Local Transport Body, can be delivered under the new

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Combined Authority arrangements. It is therefore recommended that the Leadership Board agrees to retain the agreed assurance framework, subject to changes which reflect the new Combined Authority arrangements, which replace the previous North East Local Transport Body.

1.6 It is proposed to begin development of a NECA Transport Strategy, for commencement in 2015. Such a document will provide a strategic overview of transport provision and aspirations across the region, covering many of the issues raised in this paper, whilst delivery plans that are aligned to the NECA transport strategy will be developed for Tyne and Wear, Northumberland and Durham.

2 Opportunities for Enhanced Connectivity

Strategic Economic Plan

2.1 [to be completed following announcements expected on 7th July

Integrating transport services

2.2 The formation of the Combined Authority provides an immediate opportunity to improve the integration of public transport services across the area. In the short-term the Combined Authority and its constituent members are an active partner in the North East Smart Ticketing Initiative (NESTI). NESTI offers a step change in the ability to deliver integrated ticketing across modes using smartcard technology, working with bus operators and Nexus, and there is a key role for the authority to play in encouraging the roll-out of innovative travel products, not just for commuters but also for those seeking to access education or training.

2.3 The current round of franchise negotiations for the national rail network provide the Combined Authority with an opportunity to work with regional and national train operators to encourage the development of joint products across national, regional and local public transport services. Again, the NESTI project provides a platform upon which to develop this aspiration and the Combined Authority can seek to influence its usage via the franchising consultation process.

2.4 There is also the opportunity to work more closely together on information provision and the marketing of public transport services across the area. In the first instance, a review of information available digitally to provide a central 'Transport North East' information portal provides the opportunity to make an immediate impact, combining a number of separate information sources to dramatically enhance the range and quality of the information available to travellers via a single point of access.

A better rail system

2.5 An unprecedented programme of railway modernisation and investment is being implemented across the UK and the inception of the Combined Authority offers an enhanced opportunity for the region to influence the development of future rail

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services, to deliver much-needed improvements to the North-East rail network and secure far better regional and national rail connectivity. In particular, the rail investments proposed in the Strategic Economic Plan offer the potential to restore railway passenger services to densely-populated towns in the region (such as Ashington, Horden and Washington) that have been isolated from the network for decades.

Specific areas where the Combined Authority will seek to apply this influence include:

- Influencing the franchise process for the East Coast Main Line via engagement with bidders;
- Involvement in the East Coast Main Line authorities group, advocating major investment in the line to deliver substantial economic benefits;
- Coordinated work with other Combined Authorities across the North, to promote investment in stronger inter-city and inter-regional connections, including through the 'Connected Cities' campaign, and making common-cause on inter-city links within the north;
- Advocacy of the rail investments proposed in the Strategic Economic Plan, including the opening of new lines or services to add capacity on the East Coast Main Line between Newcastle and Northallerton, improvements to the Durham Coast line and the restoration of passenger trains to the Ashington, Blyth and Tyne route;
- A common position on rail investment with the Tees Valley, being considered through a North East Rail Study by ARUP, and a proposal for a common statement on rail by ANEC leaders;
- Influencing the development of the eastern Y route of HS2, in the light of recent reviews by David Higgins and Lord Deighton, including an increase in capacity on the East Coast Mainline to accommodate HS2 services

The Chancellor of the Exchequer has recently endorsed the concept of "HS3" to improve high speed links between the northern cities. It is not yet clear what specific investments the government will support. It is clearly important that the North East is able to influence these developments, and to this end the Combined Authority is working closely with other Combined Authorities across the north, to develop plans for inter-city rail connections and the investments required to unlock them. Passengers and businesses in the North East have much to gain from better connectivity across the north, and poor services to Manchester, Birmingham and other cross-country routes are a barrier to our economy. Often the North East's connectivity will be improved through investment in other regions, for example to improve cross-Pennine services. There are also important investment priorities within the North East, including the East Coast Main Line, which will be necessary to realise this vision. It is therefore proposed that the North East Combined Authority

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should continue to play an active role in working to develop these investment priorities.

Rail North

2.6 In parallel with these developments, northern local authorities have agreed in principle to create a 'Rail North' partnership, to work more closely with DfT in the delivery of new franchises for Northern Rail and Trans-Pennine Express services. This proposition has evolved, as DfT have decided against the full devolution of funding responsibility for services at this stage. Nevertheless, the Rail North partnership provides an opportunity to influence the development of the franchises, and to secure stronger local democratic control. There are however risks that reductions to the subsidies available for these services could present difficult issues for the region, and it will be important to secure a strong level of influence within these arrangements to mitigate these risks as far as possible. The DfT and Rail North have jointly released a consultation on the future of the Northern and Trans Pennine rail franchises, and a response to this consultation on behalf of the Combined Authority will be considered at the 29th of July meeting of the Transport North East Committee.

To ensure the North East Combined Authority is at the forefront of these developments, it is recommended that the Authority join the proposed Association of Northern Transport Authorities, which will provide governance for these arrangements.

Metro Strategy

2.7 The Metro Strategy 2030 sets out ambitions for the development of the Tyne and Wear Metro system through to 2030 and beyond. The analysis to date gives highest priority within the strategy to the replacement of the Metro fleet beyond 2020. There may be scope to extend the Metro beyond its current sphere of operation and the boundaries of Tyne and Wear to more fully reflect travel patterns across the wider region, in particular to adjacent parts of County Durham and Northumberland. The Metro system has become a valued and iconic part of our transport network, removing large numbers of car journeys from local roads, and the Combined Authority will have an important role to play in determining its future development.

HS2

2.8 HS2 will have profound consequences for rail travel and the economy across the country, and it is vital that the north east secures maximum benefit. The Combined Authority will want to secure a high level of influence as plans are developed. As well as influencing the routes and delivery timescales for HS2 trains, it is important to link this opportunity to wider economic and business benefits; including business supply-chains, skills developments and economic regeneration around stations and linked routes. It is also vital that investment in HS2 is complemented by other investments on existing lines, particularly the East Coast Main Line and services between other major cities in the north and midlands.

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2.9 A key concern for the Combined Authority area is to ensure there is sufficient capacity on the two-track section of the East Coast Main Line between Northallerton and Newcastle, without which there could be insufficient capacity for HS2 trains north of York. The North East Local Enterprise Partnership has commissioned a study to examine the options and outputs that would arise from investment to relieve this bottle neck. Local businesses and skills providers, including our local universities and colleges, are also involved in demonstrating the role that the north east could play in delivering HS2, building upon the north east's history and expertise in the rail sector.

2.10 In order to demonstrate the contribution the NECA area can make to the development and construction of the proposed High Speed Rail network, a document has been produced that summarises the skills and expertise available across our supply chain and our educational institutions for consideration by the Leadership Board.

3 Roads

3.1 In summer 2013 the Government published *Investing in Britain's Future and Action for Roads*, outlining their intention to transform the way they invest in and manage the strategic road network. The documents revealed the government's intention to reform the Highways Agency (HA) from an executive agency of the Department for Transport (DfT) to a government-owned company.

3.2 The main aims of the changes are to:

- Give the HA the freedom to manage the day-to-day operation of the roads while remaining fully accountable for the state of the network;
- Provide greater certainty and flexibility of funding, and stability over delivery requirements, to allow the operator and the supply chain to plan ahead and deliver more efficiently; and
- Improve accountability and transparency for road users and the wider public about what the HA are delivering and how they are performing.

3.3 Under the new arrangements the HA will be required to develop a Roads Investment Strategy (RIS). The document, which will be published late in 2014, will set out a five-year investment programme and performance standards that the new government-owned company will have to achieve.

3.4 On 30th April 2014 the government published their response to the public consultation, which ran from 29th October 2013 until 20th December 2013. The document sets out the decisions government have made following the public consultation and summarises the intentions for the new company, one of which is the requirement for the new company to co-operate with local authorities and other stakeholders. This provides the North East Combined Authority with an important opportunity to input into the RIS.

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3.5 Further details about the governance framework documentation and the RIS are expected to be made available in summer 2014 and it is intended that the new company will come into operation in spring 2015.

3.6 As part of the publication *Investing in Britain's Future* and *Action for Roads*, DfT and the HA made a commitment to identifying and funding solutions to tackle several known road issues by undertaking a set of feasibility studies targeted at key locations and problems. The studies are targeted at key locations and problems.

A1 Proposals

3.7 Six feasibility studies are being carried out, two of which are in the North East; A1 North of Newcastle and A1 Western Bypass. The Department for Transport presented their proposals for the scope of the A1 North of Newcastle and A1 Western Bypass studies at an initial engagement event in Newcastle on 28th January 2014. Proposals for the timing and management of the studies were also set out at the event.

3.8 The views expressed at the event have been considered. The scope of the two study documents have now been finalised and they are available on the Department for Transport's website. Officers from the Combined Authority continue to engage with the H.A and DfT via stakeholder groups to ensure that the views of the NECA are taken into account during development of the respective studies.

A19 Proposals

3.9 The Highways Agency proposes to improve the A19/A1058 Coast Road junction by upgrading the existing grade separated roundabout to a three level interchange. The works are expected to alleviate congestion, enhance capacity and improve safety. The scheme is currently progressing through the development phase. However, a decision on whether or not to construct the scheme will not be taken until the next spending review post 2015.

3.10 The Highways Agency's proposal to improve the A19 by constructing a flyover to take the A19 over the Testo's junction is also being accelerated through the development phase. The scheme aims to improve road safety and alleviate congestion.

4 Potential Impact on Objectives

4.1 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.

5 Finance and Other Resources

5.1 There are no direct implications arising from this report

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6 Legal

6.1 There are no specific legal implications arising from this report

7 Other Considerations

7.1 Consultation/Community Engagement

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

7.2 Human Rights

There are no specific human rights implications arising from this report

7.3 Equalities and Diversity

There are no specific equalities 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 The Durham, Gateshead, Newcastle upon Tyne, North Tyneside, Northumberland, South Tyneside and Sunderland Combined Authority constitution April 2014

9 Links to Plans in the Policy Framework

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

10 Appendices

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10.1 Appendix – North East Rail Statement' document

11 Contact Officers

11.1 Mark Wilson, Combined Authority Transport Advisor,
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12 Sign off

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

Annex

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North East Combined Authority

North East Leadership Board (NELB)

DATE: 15 July 2014

SUBJECT: Economic Development and Regeneration Update

REPORT OF: Thematic Lead for Economic Development and Regeneration

EXECUTIVE SUMMARY

The Combined Authority, working in partnership, provides a major opportunity to transform the North East economy so that it provides more and better jobs and continues to grow in a sustainable way that benefits the whole area. Through playing a direct role in coordinating key activities around economic assets, the attraction of inward investment and better digital connectivity, this Thematic Lead Area will play an important part in the collective effort to grow the economy. It will also assist and support the work to stimulate innovation and provide targeted business support.

The Local Growth Fund and European Structural and Investment Funds will provide significant resources to enable transformational change to be achieved. Success will be measured in terms of wealth generated, jobs and lower joblessness.

Certain practical steps are proposed to establish the Thematic Lead Area with the right support and begin the work urgently.

RECOMMENDATIONS

The Leadership Board is recommended to agree the initial scope of the Economic Development and Regeneration Thematic Lead Area, note the opportunities provided by the new Combined Authority and consider the economic development and regeneration issues that arise.

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1 Executive Summary

- 1.1 The Leadership Board is recommended to agree the initial scope of the Economic Development and Regeneration Thematic Lead Area, note the opportunities provided by the new Combined Authority and consider the economic development and regeneration issues that arise.

2 Background Information

- 2.1 The North East Combined Authority aims to create the best possible conditions for growth in jobs, investment and living standards, making the North East an excellent location for business and enabling residents to access opportunity, participate in and benefit from the opportunities from economic growth.

- 2.2 Achieving economic growth remains a priority for all, but there remain a number of persistent challenges. These include:

- Addressing the gross shortage of private sector jobs to provide a more balanced and sustainable economy.
- Improving the quality and remuneration of jobs on offer.
- Addressing critical gaps in the area's skills base and raising productivity.
- Tackling weaknesses in the property market as it relates to commercial and industrial development to promote sustainable economic growth through more private sector investment.
- Strengthening the urban cores so that they are able to play a greater part in innovation, productivity and growth for the whole region.

- 2.3 Building on the successful track record of joint working, the North East Combined Authority and working with the NELEP, will reinforce existing partnership arrangements across the public and private sectors to drive forward change and deliver economic growth. It will provide the strategic leadership to maximise economic opportunities, particularly in the key growth sectors:

- Business services, predicted to grow strongly in the UK over the next ten years
- New economy – the area has a very strong cultural and creative base and technology, media and telecoms companies are well represented.
- The resurgence of some parts of the manufacturing base including

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automotive and a growing number of companies returning production to the UK; increasing exports for in sub-sectors that include marine engineering, oil and gas.

- Low carbon, including renewable technologies, has the potential to deliver significant new investment and jobs.
- Tourism: the coast and rural areas underpin a strong local tourism offer, with a number of heritage assets of national and international significance. These opportunities are complemented by a growing city tourism market and increasing business tourism.
- Logistics: the move to internet shopping and increasing international trade are changing the nature of distribution and logistics

3 Proposals

3.1 With the publication of “More and Better Jobs – a strategic economic plan for the north east”, the NELEP has established an approach to the area’s economy. This plan sets out an agenda to create 100,000 new jobs in the next decade, equivalent to an 11% increase in employment. This growth will be supported by activities that boost productivity, accelerate business growth, promote trade and encourage enterprise.

3.2 Additionally, the SEP sets a target of at least 60% of the employment growth to be in higher paid and higher skilled jobs, increasing average productivity in the economy and providing employment for an increasingly better qualified young workforce.

3.3 This vision will be only be achieved by active co-operation and collaboration across all partners to ensure that opportunities for integration and improved outcomes are maximised

3.4 In developing the Economic Development and Regeneration portfolio, its remit will be to provide strategic guidance and direction for the economic development and regeneration functions of the Combined Authority, progress and setting related policies and funding allocation frameworks in respect of:

- *Economic Assets and Infrastructure* - improving the economic infrastructure is clearly a shared priority for North East partners. Critically, infrastructure sits right at the heart of many of the long term challenges and therefore, longer term, investment in a portfolio of

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development sites and locations, both existing and new, will ensure the area can compete effectively for investment and enable the growth of its existing business base. Short term priorities around boosting business, safeguarding energy supplies and residential development in the right places, will create jobs and improve supply chains.

- *Inward Investment* – inward investment is a key opportunity for the North East. 42,000 jobs were created through foreign direct investment (FDI) between 2005 and 2012. Maintaining good levels of FDI is key to future growth. The Combined Authority has already taken steps to co-ordinate inward investment activity across local authority areas and this co-ordination needs to be extended across an inward investment, trade and business tourism proposition, actively engaging with relevant stakeholders to improve the profile of the area in the global economy.
- *Digital Connectivity* - in the UK, highly productive digital businesses are growing in number and in recent years, the region has seen more new technology company start-ups than any area of the UK outside London. The North East of England has emerged as one of the leading centres for digital games development and start-ups, with a dynamic cluster of firms and university courses acting as a magnet for entrepreneurs and students. The focus must remain on supporting the development of digital skills and facilitating take-up by both businesses and individuals, and delivering hard infrastructure where this is still required. Delivery of superfast broadband and the wider digital infrastructure will be essential to boost growth and remain competitive in an evolving and increasingly technology driven economy, to support business needs and improve digital inclusion. The Combined Authority can make a significant contribution to progressing Digital Connectivity and co-ordinating and in some cases, driving sector improvements.
- *Business Support and Access to Finance* - whilst the North-East can boast many positive assets to support business development and growth, the area continues to have a significant deficit of private sector employment compared to most other parts of the UK. This is a consequence of a multitude of social and economic challenges. Addressing this combination of issues requires the delivery and promotion of a pro-active, streamlined and coordinated support to businesses that:
 - Supports existing business to grow
 - Inspires entrepreneurs to start and build new business ventures
 - Breaks down the barriers to business investment and finance

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- Promotes the North East as a place to invest, trade and visit.
 - *Innovation* - for individual businesses, successful innovation is a key source of competitive advantage with new products and processes driving opportunities for new markets or efficient delivery. For areas such as the North East, dynamic innovation systems and cultures can be the source of both economic and social development. In absolute terms today, the North East's performance in turning ideas into economic value through research and development (R&D) is not competitive. The Combined Authority can play a substantial role in this work stream by supporting the private-sector led Innovation Board, and enabling local authority resources, and synchronising economic development assets to co-ordinate across sectors and innovation nodes.
- 3.5 The Combined Authority's ambition is to work with partners to create the conditions for growth in jobs and investment, to make the North East an excellent location for business, by prioritising and delivering high quality infrastructure, and to enable all residents to benefit from economic growth long into the future. As each of the members of the Combined Authority have a detailed understanding of their local areas, their opportunities and their challenges, the Combined Authority is uniquely placed to shape the strategic direction and support delivery of projects and initiatives that will help to create growth and prosperity

4 Next Steps

- 4.1 The next immediate steps – by September/October 2014 - in delivering this agenda are to:
- Assist in completing negotiations with Government regarding the allocation of Local Growth Fund (LGF) for 2015/16, with a particular focus on investment in economic assets.
 - Confirm the business process for developing LGF 2015/16 priority investments to ensure that projects are approved and ready to commence in April 2015.
 - Begin the process of preparing proposal for LGF submission for 2016/17.
 - Contribute to the development of the ESI Funds Implementation Plan and the establishment of governance structures and business processes – including the local ESI Fund committee.
 - Align ESIF with the implementation of SEP priorities to maximise ESIF

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resources in a practical way, specifically in relation to the development of thematic implementation plans, including:

- Identifying appropriate mechanisms for securing ESIF (open call, restricted call, commissioning) and efficiently allocating resources
- Clarifying timescales and the drafting of call documentation (scope, scale & criteria).
- Establish a governance framework to support the portfolio holder that facilitates appropriate democratic accountability, supports collaboration on shared strategic priorities and supports appropriate pathways for implementation, consistent with the ambitions of More and Better Jobs – a strategic economic plan for the north east.
- Agree the staffing resource for the Combined Authority and LEP to facilitate and coordinate the activity and decision-making processes associated with the agreed Delivery Programmes for economic development and regeneration.

5 Potential Impact on Objectives

5.1 The SEP aims to have over 1 million people in employment in the local economy by 2024. This represents an increase of circa 100,000 jobs from current employment levels, and delivers an employment rate of around 73%, closing the current gap with England excluding London.

5.2 Establishing the right priorities, systems and procedures will support the delivery of the SEP to produce balanced growth, and its commitment, as a minimum, to halve the gap between the North East and the national average (excluding London) on three quantifiable measures:

1. Gross value added (GVA) per full time equivalent (FTE), with wages and profits rewarding workers and investors and sustaining high levels of employment.
2. Private sector employment density, with more companies and jobs driving a high growth economy.
3. Activity rate, with no one left behind, and those distant from or disadvantaged in the labour market helped to take advantage of the opportunities created by a successful growing economy.

5.3 It also aims to fully close the gap on one quantifiable measure:

4. Employment rate, with the scale and quality of employment matching

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an increasingly better qualified and higher skilled workforce.

6. Finance and Other Resources

6.1 There are no financial consequences of the recommendations in this report.

7 Legal

7.1 There are no legal consequences of the recommendations in this report.

8 Other Considerations

8.1 Consultation/Community Engagement

There are no consultation or community engagement issues arising from the recommendations of this report

8.2 Human Rights

There are no human rights issues arising from the recommendations of this report

8.3 Equalities and Diversity

There are no equalities and diversity issues arising from the recommendations of this report

8.4 Risk Management

In order to address the challenges and opportunities set out in this report, progress in the establishment of governance structures is essential if the schedule is to be achieved, and the appropriate external funding plans be agreed and submitted as required. Failure to adhere to this timetable could jeopardise or delay the implementation of the project proposals.

8.5 Crime and Disorder

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There are no crime and disorder issues arising from the recommendations of this report

8.6 Environment and Sustainability

There are no environmental or sustainability issues arising from the recommendations of this report

9 Background Documents

9.1 More and Better Jobs – A Strategic Economic Plan for the North East, NELEP, March 2014

10 Links to Plans in the Policy Framework

10.1 More and Better Jobs – A Strategic Economic Plan for the North East, NELEP, March 2014

11 Appendices

11.1 N/A

12 Contact Officers

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13 Sign off

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

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DATE: 15 July 2014

SUBJECT: Employability, Inclusion and Skills Update

REPORT OF: Thematic Lead for Employability and Inclusion

EXECUTIVE SUMMARY

The Combined Authority provides an opportunity for the North East to radically maximise the scale and productivity of the area's workforce and thereby improve the economic prospects of local people. The challenge is twofold – get more people into work and equip more people with better qualifications and higher skills.

There are two particular opportunities to realise this vision. The first is to seek the devolution of agreed Department for Work and Pensions (DWP) contracts from 2016 founded on a new locally-led and commissioned framework for deliverability of employability and welfare to work support. The second is to invest the considerable European Social Fund (ESF) resources – in excess of £200million – allocated to the Local Enterprise Partnership for employability, inclusion and skills activity between 2014 and 2020 as effectively as possible.

There is also a particular need to focus on young people, and ensure that a number of ongoing and emerging initiatives to address youth unemployment are effectively coordinated and integrated.

This paper outlines the scope of this activity.

RECOMMENDATIONS

The Leadership Board is recommended to note the opportunities provided by the new Combined Authority and consider the employability, inclusion and skills issues that arise.

1. Background Information

- 1.1 The Combined Authority provides a mechanism for the North East to ensure an integrated approach is taken across the whole labour market – from basic skills to high level skills; from the jobless to those in work; and from young people through to older people.
- 1.2 An inclusive and skilled workforce is central to private sector-led growth. The North East's workforce has a strong reputation for responding to the opportunities presented by a growing and changing economy. Nonetheless, the area faces a number of challenges in establishing a better functioning labour market which maximises the contribution of the workforce

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1.3 These include:

- Worklessness – pockets of deprivation and multigenerational worklessness exist across the North East, in both urban and rural locations.
- Access – a wide range of barriers to employment exist for individuals and communities, including issues around connecting those in need of work with areas of employment growth (especially via public transport) and addressing underlying challenges of improving health and skills.
- Structural economic and demographic issues – there are too few private sector jobs, higher than average unemployment levels, an ageing skilled workforce in some key areas of economic activity, and gender imbalances within some sectors.
- Skill gaps – only half of the area’s working age population has Level 3 or above qualifications, the relatively low uptake (particularly among females) of science, technology, engineering, and maths (STEM) subjects continues to be of concern, and there is a deficit of high level skills compared with other areas.
- System improvement – there is an opportunity to better tailor employability and welfare to work support to the distinctive needs of the North, to bring greater cohesion and coordination to careers education and information, advice and guidance (IAG), and to improve employer understanding and take-up of available skills funding systems.

1.4 Given this, two parallel and wholly complementary “people-based” priorities need to be taken forward in tandem as part of the wider strategy to stimulate economic growth:

- Increasing social mobility and entrepreneurship moving towards employment and self-employment, realised by investing in and developing active and enterprising communities, building the confidence and resilience of local people, and removing barriers to jobs
- Shifting the labour market towards higher skill levels and greater demand for higher skills, with an emphasis on economic demand and creating a landscape where companies (and individuals) realise the benefits of training and see the returns on their investment

1.5 The Combined Authority will provide the strategic leadership and accountability for employability and welfare to work support. It will also play a central role, in conjunction with the Local Enterprise Partnership (LEP), in strengthening the skills system, particularly in equipping young people to access quality and sustainable jobs within the North East.

2 The vision of an inclusive and skilled workforce

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2.1 *More and Better Jobs* – The Strategic Economic Plan (SEP) for the North East – sets out the vision for establishing an inclusive and skilled workforce.

	Employability and Inclusion	Skills
<i>Overarching theme</i>	Ensuring that no one is left behind and everyone fully shares in the benefits of a growing economy, by providing targeted and tailored support to neighbourhoods and groups facing major challenges in accessing training and employment opportunities	Providing a demand led system which reflects the need of employers, including for high level skills in support of better jobs, and provides access to high quality training facilities for both general and specialist training
<i>Strategic objectives</i>	<ul style="list-style-type: none"> • Increase the economic participation rate in the North East, assisting people to take up education, training and employment opportunities to increase life chances and economic well being • Provide support to those most distant from the labour market, where necessary assisting people to overcome disadvantage and poverty • Tailoring support to meet the specific needs and circumstances of individuals through targeted intensive support and mentoring 	<ul style="list-style-type: none"> • Address the current and future skills needs, strategically investing resources and expertise to provide a reformed skills approach which meets the needs of employers and learners and complements or stimulates private and individual investment • Ensure young people are equipped and qualified to access the opportunities which will be available in a successful modern economy through a Schools Challenge • Ensure high quality training facilities which help engage employers and learners and are available to support a higher skilled workforce

2.2 The delivery of this vision is underpinned by a number of complementary Delivery Programmes. These are outlined in the subsequent sections.

3 North East Labour Market Agreement (LMA)

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- 3.1 With respect to employability and inclusion, the North East faces a number of unique challenges. These include:
- There is a relatively static and ageing population and need to ensure that the skills of young people are retained, people in later life are mobilised, and more people are attracted to the area, particularly with the skills needed to support the economy
 - There is a higher rate of disconnection from the labour market than any other part of the mainland UK due to ill health. There needs to be enhanced collaboration between health, social care services, and employment support if we are to link more people to the labour market
 - There are a number of communities exhibiting high levels of deprivation, including poverty and child poverty, which require integrated solutions to help the people who live there to improve their life chances.
 - Whilst this combination of factors represents a significant challenge, it also presents significant opportunities for innovation in models of preventative and rehabilitative health and care services – and the North East has significant innovation assets in this field.
- 3.2 This presents a strong case for developing a local approach to employability and welfare to work support, which will deliver better and more efficient outcomes than the current arrangements.
- 3.3 To this end, the Combined Authority is charged with developing a LMA as a platform for negotiating with Government to find new ways of working in the following areas:
- developing a framework for the local management and delivery of services which responds to the distinctive needs of the area; including a new locally-led and commissioned framework for delivery of employability and welfare to work support
 - building on the existing delivery of public sector reform and strong partnership arrangements to explore the devolution of agreed DWP contracts from 2016 which secure flexibilities in performance measures that better meet local needs whilst improving data sharing and the tracking of progression across programmes
- 3.4 As part of taking this work forward, three key local solutions are also being explored:
- To provide real-time understanding of the totality, distribution and impact of funding for employability and welfare to work support
 - To increase the understanding and tracking of individuals' progression across programmes to ensure tailored approaches and improved outcomes
 - To develop mechanisms that effectively collate, analyse and disseminate

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effective and robust labour market intelligence

These in turn will allow gaps in service delivery to be identified and subsequently, more coordinated or new commissioning arrangements to be put in place.

- 3.5 Within this context, it's also important to recognise the corresponding approach being taken forward by the Local Enterprise Partnership (LEP) through the North East Skills Pilot.

North East Skills Pilot

In 2013, Government selected the North East Local Enterprise Partnership as one of three Local Enterprise Partnerships to implement a skills funding model which positively incentivises colleges and training providers in receipt of the Adult Skills Budget to align their provision to local skills priorities. This is referred to as the North East Skills Pilot.

Through the pilot's financial incentives, the colleges and training organisations will be formally recognised for the added value which they generate. It will also enable the LEP to identify any colleges and training organisations which need to do more to align their training offer to the current and future skills needs of employers in the area.

The measures in the pilot will focus provision on delivering outcomes more closely linked to the economic needs of the area. In particular, it will look at training provision that supports unemployed people back into work, increasing the number of people in the area who have STEM skills and qualifications and encouraging people to gain skills at a higher level.

The pilot will operate in a robust, transparent, fair and consistent manner that quantifies the contribution which colleges and training providers make to achieving more and better jobs. The pilot will also generate intelligence which will support the identification of skills needs and opportunities which may be addressed locally by the LEP through Local Growth Fund skills capital or deployment of European funding.

- 3.6 These two processes need to be fully aligned so that they mutually reinforce the ask from Government and, given the level of interdependence, ensure effective integration across the employability, inclusion and skills spectrum.

4 Commissioning Framework for European Social Fund 2014-2020

- 4.1 The European Social Fund (ESF) element of the European Strategy provides a mechanism for delivering a substantial programme of employability, inclusion and skills interventions between 2014 and 2020.
- 4.2 The Combined Authority is leading on the development of those supporting specifications relating to employability, inclusion and skills within this ESF

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Commissioning Framework. These are detailed at Appendix 1.

- 4.3 It should also be noted that the ESF investment will include a commitment to Community Led Local Development (CLLD) which will primarily focus on targeting deprived communities across the North East, enabling them to develop new ways of tackling ingrained problems. Provision will not clash with mainstream provision, but complement it, as a contribution to a wider aligned European Strategy encompassing employment, inclusion and skills.

5 Young People

- 5.1 The SEP identifies young people as a strategic priority, with a need to ensure that they are equipped and qualified to access the opportunities which will be available in a successful modern economy.

- 5.2 To this end, there are a number of ongoing and emerging initiatives specifically targeted at improving youth employment:

- *North East Youth Contract* – Based on the premise that all young people in the North East should believe they can get a job, have the capacity to do so, and know where they can get the support to achieve this, five of the local authorities within the Combined Authority successfully secured £4.5 million from the Government's Youth Contract programme. This resource is being used to launch a high-profile campaign to encourage employers to provide a chance for young people to succeed; provide employers with dedicated advisers to help simplify the process of recruiting young people; developing a new and shared "Young People's Commitment" that will provide a clear offer of support to all young people who are unemployed or NEET for 3 months, in return for their commitment to fully engage with the scheme; and strengthening the network of Employment Advisers and Peer Mentors for those young people with the greatest needs.
- *Durham Youth Employment Initiative* – In recognition of the particularly high level of youth unemployment in County Durham, a further allocation of £7.7m has been made through the Cohesion Fund's Youth Employment Initiative (applicable to County Durham only). This intensive programme of work focuses on raising achievement and aspirations among vulnerable young people; introducing peer mentoring and youth coaching programmes; increasing employer demand and supporting progress and transition into sustained post-16 learning and work; for 16-24 year olds who are identified as being furthest from the labour market or mainstream education.
- *Youth Apprenticeships* – Apprenticeships are fundamental to the sustainability of many local businesses and it is therefore crucial that the system works effectively for individuals, employers and providers. Building on the platform of activity already being taken forward within the

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North East, the aim is double the number of youth apprenticeships by 2018.

- *Careers Education* – Ensuring that everyone has access to high quality and appropriate information, advice and guidance (IAG) on career options is fundamental to achieving aspirations and business growth. To this end, a locally designed and delivered IAG system for young people and the working age population will be developed. It will increase participation in vocational learning and progression and will utilise effective economic intelligence and measurement of progress linked to the National Careers Service model. This will be complemented with an ongoing commitment to build on existing school-business relationships to ensure all young people are exposed to business and enterprise opportunities.
- *North East Schools Challenge* – There is a shared commitment in the North East to drive up the quality of education and fundamentally raise education attainment levels. The Schools Challenge will generate a driving momentum to address underperformance, raise standards and close attainment gaps by building capacity in a sustainable, self-improving schools-led system resulting in many more good and great schools. It will also seek to influence the non-schools factors impacting on educational outcomes in the region and work with stakeholders to develop coherent approaches to the provision of early year's education, work-related learning opportunities, progression to Higher Education, apprenticeships and employment and information, advice and guidance. This approach is not about setting up evermore new initiatives or distributing large amounts of funding into schools. Instead, through a carefully structured process, it will develop capacity; build on what already exists; engage established organisations and identify gaps. Such a programme will complement, add value to and draw upon existing programmes within individual local authority areas whilst brokering innovative partnerships across the region as a whole.

6 Potential Impact on Objectives

6.1 The vision for employability, inclusion and skills in the North East is underpinned by two ambitious targets to be achieved by 2024:

- Employment rate - to fully close the gap between the North East and the national average (excluding London), with the scale and quality of employment matching an increasingly better qualified and higher skilled workforce
- Activity rate – to halve the gap between the North East and the national average (excluding London), with no one left behind, and those distant from or disadvantaged in the labour market helped to take advantage of the opportunities created by a successful growing economy

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6.2 The scale of activity will include:

- Securing over 1500 apprentices per annum
- Supporting around 5000 individuals into training per annum, with half of these currently being economically inactive
- Moving more than 35% of schools into the top performance quartile
- Reducing the claimant count by a further 1% per annum, moving individuals into education, skills, training and employment/self-employment

7 Next Steps

7.1 The next immediate steps – by September/October 2014 - in delivering this agenda are to:

- develop a project proposal and the associated enabling projects for the LMA, including the scope and process for negotiations with Government;
- draft the supporting specifications for the ESF Commissioning Framework, including the arrangements for delivery (opt-ins, etc);
- establish a governance framework to support the portfolio holder that facilitates appropriate democratic accountability and proportionate stakeholder engagement consistent with the LEP;
- refresh the existing officer-based LA7 Employment and Skills Group and affirm its remit as relating to the development and implementation of agreed Delivery Programmes relating to employability, inclusion and skills; and
- quantify the staff resource required within the centralised support team for the Combined Authority and LEP to facilitate and coordinate the activity and decision-making processes associated with delivering the agreed Delivery Programmes for employability, inclusion and skills

8. Finance and Other Resources

There are no specific financial implications arising from these recommendations.

9 Legal

There are no specific legal implications arising from this report.

10 Other Considerations

10.1 Consultation/Community Engagement

Not applicable

10.2 Human Rights

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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

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

11 Background Documents

- 11.1 *More and Better Jobs* – A Strategic Economic Plan for the North East, March 2014; together with the associated Implementation Plans for Skills, and Employability and Inclusion

12 Links to Plans in the Policy Framework

None

13 Appendices

- 13.1 Appendix 1: Employability, Inclusion and Skills Element of the ESF Commissioning Framework

14 Contact Officers

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15 Sign off

- Head of Paid Service ✓

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- Monitoring Officer ✓
- Section 151 Officer ✓

Annex

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Appendix 1: Employability, Inclusion and Skills Element of the ESF Commissioning Framework

ESF Objective		Proposed distribution	
		Northumberland Tyne & Wear	Durham
<i>Employability and inclusion</i>			
4.1	Provide additional and more intensive support to help people to develop the skills needed to move towards work, enter work (including self-employment), and to progress in work	£22.4m	£2.9m
4.2	Help older workers, workless people and those facing redundancy to upgrade their skills, learn new skills or retrain to enter, re-enter or stay engaged with the labour market and adapt to new market conditions including through targeted apprenticeships linked to economic opportunities	£12.0m	£2.4m
4.3	Support activities to reduce the number of young people not in employment, education or training and those at risk of disengaging and embed opportunities to raise ambition	£6.6m	£7.7m
4.4	Support activities to tackle the multiple barriers faced in a holistic and integrated way to avoid problems becoming entrenched through specific targeted interventions	£14.2m	£4.0m
4.5	Targeted activities to support bottom-up social inclusion through community focused actions in particular geographic locations with high levels of deprivation, poverty and exclusion	£6.6m	£1.7m
4.6	Targeted activities for those with protected characteristics and from specific communities who face multiple barriers and facing high levels of exclusion from opportunities and/or poverty	£12.0	£6.0m
<i>Skills</i>			
5.1	Support for intermediate, technical and higher level skills and studentships especially linked to Areas of Economic Advantage	£31.5m	£8.2m
5.2	Support collaborative projects, placements, internships or other activities that enable students and graduates to gain industry-relevant experience and skills	£13.5m	£3.5m
5.3	Support for activities to start and grow a business from promoting entrepreneurship (including social enterprises), self-employment to providing leadership and management training/advice within SMEs to develop internal capabilities and growth potential	£22.5m	£5.9m
5.4	Develop better links between business and educators, further education (FE) providers and other education partners to equip students with the skills to start and grow a business to meet identified need	£22.5m	£5.9m
		£163.8m	£48.2m

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