
ECONOMIC STRATEGY REFRESH AND BREXIT

Responsible Cabinet Member
Councillor Chris McEwan, Economy and Regeneration Portfolio

Responsible Director
Ian Williams, Director of Economic Growth

SUMMARY REPORT

Purpose of the Report

1. To brief Cabinet on the revised Tees Valley Strategic Economic Plan and Brexit.

To seek member's approval for amending the action plan that supports Darlington's Economic Strategy, in light of recent policy changes and emerging priorities for business. A copy of the Monitoring report is available on the Council's website at the following link <http://www.darlington.gov.uk/business-and-licensing/economic-strategy/> and the 2016 / 2017 action plan document is attached at **Appendix 1**.

Summary

2. Since the Economic Strategy was adopted in 2012 the local economy has seen significant growth with over £150 million of physical development. On almost all indices Darlington's economy outperforms regional and national growth trends.
3. In the four years since Darlington's economic strategy was created there has been dramatic political change which has inevitably impacted the delivery of the economic strategy including:-
 - (a) The Tees Valley devolution deal
 - (b) Establishment of a Tees Valley Combined Authority (TVCA)
 - (c) Brexit following the UK's decision to Vote leave in July 2016
 - (d) Reduced public funding
 - (e) Changing public policy
 - (f) Changing global economic conditions such as the oil prices.
4. The Economic Strategy contains a commitment to annually review and assess progress against the performance targets and in light of up to date business feedback. In addition, this year's Annual Monitoring Report for the Economic Strategy 2012-2026 reflects these wider political changes which have influenced the targets for delivery for 2016 / 2017.

Recommendation

5. It is recommended that Cabinet endorses the amendments to the Economic Strategy Annual monitoring report and action plan.

Reasons

6. The recommendations are supported as the Action Plan sets out the tasks and targets for the continued delivery of the Economic Growth agenda.

Ian Williams
Director of Economic Growth

Background Papers

Darlington Economic Strategy 2012-2026

Lucy Humphreys: Extension 6308

S17 Crime and Disorder	There is a positive link between the economic wellbeing of a population and the reduction in crime and disorder.
Health and Well Being	It is acknowledged that good health and wellbeing are linked to economic productivity
Carbon Impact	The development of a low carbon economy is integral to the economic success of the Borough in the future.
Diversity	A locally diverse and resilient economy will provide opportunities for all.
Wards Affected	All
Groups Affected	All
Budget and Policy Framework	There are no budget or policy framework implication of this report however some of the Priority Actions will have budgetary implications which will be picked up in future Cabinet reports.
Key Decision	No
Urgent Decision	No
One Darlington: Perfectly Placed	The new Priority Actions support the vision and outcomes of the Darlington Partnership by seeking to make sure that more people have access to employment in line with the perfectly placed priority.
Efficiency	No new implications

MAIN REPORT

Information and Analysis

7. The Economic Strategy 2012 – 2026 was approved in September 2012 and contains a commitment to annually review and assess progress against the targets.
8. Darlington's Economic Strategy and annual Action Plans identify the key priorities to create the conditions for economic growth within the borough.
9. To maximise our potential for achieving further economic growth it is essential that Darlington's Economic Strategy and the actions contained therein, align with the Tees Valley Strategic Economic Plan and that through working closely with the newly formed Tees Valley Combined Authority, with businesses and other agencies, we create the right environment to attract business investment, for companies to set-up, flourish and drive growth in jobs and economic output.

Tees Valley revised Strategic Economic Plan (SEP)

10. In light of the Devolution Deal and the formation of a Combined Authority, Tees Valley Combined Authority (TVCA) and partners have undertaken a review of the Tees Valley Strategic Economic Plan and the supporting Investment Plan. Specific focus for the review included:-
 - (a) Refresh of the 25,000 net jobs and replacement demands for key sectors
 - (b) Review of indicative activities being delivered under the exiting themes
 - (c) Review of proposed activities for emerging themes of Culture and Place
 - (d) Develop a more detailed focus on the cross cutting theme of The Circular Economy
11. The revised Tees Valley Strategic Economic Plan now has six priority themes. Business Growth; Research & Development (Innovation), Skills, Transport, Culture and Place.
12. The additional emerging themes of Culture and Place will address specific issues to change external perceptions of the area, promoting the Tees Valley as a great place to live, work and play. Focus for these will be on improving town centres, housing, commercial property and developing a stronger cultural investment strategy.
13. Central to the revised Strategic Economic Plan for Tees Valley was a refresh of the original 25,000 jobs target for the area by sector as follows;

The table below confirms the revised job creation figures broken down by sector

Net Job Creation, 2015-2025	Original	Revised
Low Carbon / Process, chemical and energy	+2,500	+2,000
Advanced Manufacturing	+2,500	+1,500
Other Manufacturing	-5,000	-4,000
Construction	+4,000	+3,000
Professional and business services	+8,000	+7,000
Logistics	+2,000	+3,000
Digital	+2,000	+3,000
Higher Education	+1,000	+1,000
Health and social care	+4,000	+3,500
Services	+4,000	+2,000
Culture and leisure	-	+3,000
Total	+25,000	+25,000

14. The jobs figures are aspirational targets for the area which have been calculated to reflect predicted changes in global and national sectors during the plan period. It is also important to note this is a net new jobs target; in addition to this each sector will also be creating jobs to deal with replacement demand.
15. Within the revised SEP the measures for success have also been amended and now which now include increased targets to create 2,000 new businesses; 40,000 additional residents and £2.8 billion of additional GVA.

BREXIT

16. On Thursday 23 June 2016 Britain voted with a majority of 52% to leave the European Union, Darlington had a slightly higher percentage than the national of 56.2%.
17. The UK economy appears to have weathered the initial shock of the Brexit vote, although the value of the pound remains near a 30-year low, but it is too soon to recognise the long-term effects leaving the EU will have on Britain.
18. Tees Valley Combined Authority has provided a briefing for local councils on the key risks for the Tees Valley, attached as **Appendix 2**. A summary of the key risks are as follows:-
 - (a) Loss of £170m direct financial support from EU structural funds plus additional investment loss due to uncertainty for both the private and public sectors
 - (b) Uncertainty over State aid and UK competition policy
 - (c) Reduced Foreign Direct Investment into area
 - (d) Reduced access to the Single European Market
 - (e) Reduction in skilled workers to fill 25,000 net jobs target in TV SEP
 - (f) Reduction in access to European research, development and innovation networks
19. The key risk of Brexit on Darlington's Economic Strategy is reduced investment into the borough which will have knock on effects to the jobs targets that underpin our economic strategy. If Central Government do not commit to match the current

committed European funding to Tees Valley there is a real threat to the skills and innovation programmes which are essential in creating economic growth and jobs in the Borough.

20. To mitigate these risks Tees Valley Combined Authority has committed to lobby government to ensure the best deal for Britain reflects Tees Valley local priorities as well as to ensure a financial commitment to support some of the programmes that are at risk but will be essential in achieving the ambitious targets set out in the Tees Valley revised SEP.

Darlington Economic Strategy

21. The Darlington Economic Strategy was developed in 2012 by Darlington Partnership and the Council through consultation with over 100 local employers, business support organisations, trade bodies, education providers, investors and local entrepreneurs.
22. The Economic Strategy 2012 – 2026 has helped attract substantial public and private sector investment to the borough totalling over £150 million including;
 - (a) £38 million National Biologics Manufacturing Centre
 - (b) £8 million Bishopgate House, innovative public sector hub housing DfE
 - (c) £10 million Opus North
 - (d) Multi million pound mixed commercial property development at Yarm Road
 - (e) £6.6 million Business Central, dedicated space for start and grow on companies.
23. The strategy is made up of 10 core actions under four themes; **Place** – promotion and environment, **People** – skills, **Infrastructure** – road, rail and broadband and creating the right **Business conditions**.
24. Since 2012 Darlington businesses value to the national economy (GVA) has seen the highest percentage growth nationally outside of London (8.9%). Trends show an improving picture regarding the skills and productivity of Darlington's residents with an increase in GVA per annum (+11.7%) & per head (+5.8%), a rise in the employment rate (+4.2%) and an upsurge in the number of residents educated to degree level or equivalent (+4%). This coupled with a significant reduction in the unemployment rate (-3.4%) showcase the success of the Borough's Economic Strategy.
25. The only indices which has seen a reduction since 2012 is Gross Disposable Household Income (GDHI), which has reduced in real terms by £342 pp/per year whereas nationally this has increased by £260 pp/per year. GDHI takes into account the combined incomes of all people sharing a particular household or place of residence, and includes every form of income (e.g. salaries and wages, pensions, benefits etc). The recent reduction in Darlington's GDHI can be attributed to two factors; the welfare reforms and Darlington's ageing population. Since 2012 Darlington's working age population has reduced by almost 2%.
26. Key achievements of the strategy to date include:-

- (a) Developing a dedicated Inward Investment website & Ingenious Darlington marketing toolkit to promote Darlington as an outstanding business location
- (b) Launched Foundation for Jobs, which to date has worked with over 5,000 young people to match their aspirations to the local labour market
- (c) 2000 premises have been enabled with superfast broadband, 350 of these business premises
- (d) Many businesses and private sites expand and grow.

27. Economic Strategy priorities not yet achieved include:-

- (a) Develop sector action plans, key to understanding need and barriers to growth
- (b) Narrow the gaps in the employment and earnings rate, ensuring Darlington residents are able to benefit from the opportunities economic growth create.
- (c) Secure investment into ECML & Bank top station
- (d) Develop a coordinated effective strategy to promote Darlington's cultural, leisure, retail and housing offer, building on existing brands
- (e) Master plan key sites.

28. Following the Darlington business summit on 18 July 2016, further business intelligence garnered through 1-1 meetings with businesses and in light of the recent policy changes highlighted earlier within this report, the Economic Strategy monitoring report and subsequent action plan have been amended (attached as **Appendix 1**).

29. Additional actions from new business intelligence gathered include:-

- (a) Develop mentoring for micro and small businesses to support growth
- (b) Establish a new approach to retrain and up skill existing workforce and long term unemployed
- (c) Reconsider ways to support vibrancy in the town centre through re-using empty, unused premises.

Financial Implications

30. There are no immediate financial implications arising from the Economic Strategy.

31. The development of the action plans in consultations with partners will take account of budgets and resource implications and will be considered as part of the Council's normal budget processes.

Consultation

32. No external consultation has been carried out in preparing this report however the economic strategy has been developed with significant input from local businesses, representatives of business sector organisations, education providers and others involved in the economy of the Borough. The revisions to the Annual monitoring report and action plan are as a direct result of partner's feedback from the Darlington business summit event held on 18th July 2016 which was attended by over 60 local businesses.