
ECONOMIC STRATEGY ANNUAL MONITORING REPORT

SUMMARY REPORT

Purpose of the Report

1. The purpose of this report is:
 - (a) To brief Scrutiny on the Economic Strategy Annual Monitoring Report.
 - (b) To seek members views on the 2015/2016 Economic Strategy Action Plan. A copy of the Monitoring report and action plan document is attached at **Appendix 1.**

Summary

2. The Economic Strategy for Darlington was developed in 2012 by Darlington Partnership and the Council through consultation with local employers, business support organisations, trade bodies, education providers, investors and local entrepreneurs
3. 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 LEP (Tees Valley Unlimited) 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.
4. The proposal for a Tees Valley Combined Authority, focusing on economic development, transport, infrastructure and skills will facilitate further collaboration across the Tees Valley, with increased democratic accountability underpinned by collaboration between the private, public and civil sectors.
5. Agreed with Government in July 2014 the Tees Valley Strategic Economic Plan (SEP) sets out ambitions to generate an increase of £1Bn in GVA and 25,000 new jobs in the Tees Valley.
6. Darlington has many advantages for businesses, excellent transport links, good quality residential areas, high achieving schools and colleges and relatively low land and premises costs.
7. The scale and rate of investment now happening at our major regeneration site, Central Park (£50M in commercial and £31M in residential development), in the Town Centre (£30M Cinema complex and DfE Offices) and at Lingfield Point is

testament to the confidence investors have in Darlington as a place to do businesses. In the past 12 months we have also seen housing growth pick up with around 400 new housing completions expected in 2014/15.

8. Darlington's Economy is now recovering well from the economic downturn, on most performance measures. In many areas over the last 12 months Darlington's economy has outperformed regional and national growth trends. Darlington has experienced increases in measures relating to the 'cost of living' with Gross disposable household income, median weekly workplace based earnings and median weekly residence based earnings all showing significant growth, though these indices are still below the national average.
9. The Economic Strategy contains a commitment to annually review and assess progress against the performance targets. This is the first Annual Monitoring Report for the Economic Strategy 2012-2026.

Recommendation

10. It is recommended that Members endorse the Economic Strategy Annual Monitoring Report and the 2015/2016 Action Plan.

Reason

11. The recommendation is 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

Owen Wilson: Extn 6305

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	N/A
Diversity	No implications
Wards Affected	All
Groups Affected	All
Budget and Policy Framework	Some of the Priority Actions will have budgetary implications
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 implications

MAIN REPORT

Information and Analysis

12. The Economic Strategy 2012 - 2026 was approved in September 2012 and contains a commitment to annually review and assess progress against the targets.
13. Darlington's Economic Strategy and annual Action Plans are the means by which Darlington will make the case to focus financial support made available through the Tees Valley Local Enterprise Partnership, Government Departments and other funding mechanisms on our priority schemes/programmes/projects designed to facilitate economic growth.

Current and planned investment

14. Darlington has many advantages for businesses, excellent transport links, good quality residential areas, high achieving schools and colleges and relatively low land and premises costs.
15. The scale and rate of investment now happening is testament to the confidence investors have in Darlington as a place to do businesses. Developments taking place and opportunities opening up include:
 - (a) Central Park
 - (i) £2.2M Local Growth funding for opening up access to Central Park from Yarm Road with work due to start in Spring 2015.
 - (ii) Opening in Summer 2015 the £38M National Biologics Manufacturing Centre puts Darlington on the global map as the national centre for the development and commercialisation of bio- pharmaceuticals into the global marketplace.
 - (iii) The new housing development at Vicarage Road is moving forward quickly with construction work completed or in progress on 74 homes new homes.
 - (iv) £17.5M in Local Growth funding has been allocated to support National Horizons Centre, an industry-education-technology partnership aiming to harness the game-changing potential of horizon industries, biologics, industrial biotechnology, subsea engineering and digital manufacturing and design. The Horizon's Centre will provide high-value, integrated support for companies in innovation and commercialization, and training programmes from level 2/3 up to postdoctoral level. Development planned to start in 2016/17.
 - (v) £10.0M in Local Growth funding allocated to Factories for the Future the next stage of the NBMC development, providing dedicated grow on space for bio- pharmaceuticals industries. Development planned to start in 2016/17

- (b) Work in the Town Centre on the £30M Cinema and Leisure complex has started, and is scheduled for completion in March 2016.
- (c) To meet future demand for Town Centre parking construction of a new 650 space multi –storey car park, accessed from Beaumont Street, started in January.
- (d) £300K in LGF released for development of a master plan and business case for investment in the regeneration of Bank Top Station. The future design of, and services at, Darlington Station are integral to the economic ambitions of the Tees Valley, Darlington and the wider area. Access to East Coast Main Line services at Darlington Station is vital for the Tees Valley economy, with the direct route to London providing journey time benefits of £413m, directly supporting £3.4m in GVA benefits and facilitating visitor revenue of £5.4m in the local community per year. Work on the business case is expected to be completed by December 2015.
- (e) £2.2M allocated from 2016/17 to facilitate development of infrastructure at Yarm Road South Development site.
- (f) £1.7M in private sector investment agreed at Faverdale East.
- (g) Development at Yarm Road Interchange Business Park (former Torrington Site) is progressing rapidly with construction of phase 2 of the site underway.

Tees Valley LEP / Combined Authority

- 16. 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 LEP (Tees Valley Unlimited) 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.
- 17. The proposal for a Tees Valley Combined Authority, focusing on economic development, transport, infrastructure and skills will facilitate further collaboration across the Tees Valley, with increased democratic accountability underpinned by collaboration between the private, public and civil sectors.
- 18. Through our partnership with Tees Valley Unlimited the Council, along with public and private sector partners has played a key role in shaping coherent evidence based strategies for the Tees Valley, setting our shared ambitions for economic growth, for spatial planning, transport and housing.
- 16. Agreed with Government in July 2014 the Tees Valley Strategic Economic Plan (SEP) sets out ambitions to generate an increase of £1Bn in GVA and 25,000 new jobs in the Tees Valley. With a growth of around 6,250 net new jobs expected in Darlington.

17. Based on an independent analysis of future market trends TVU have provided an estimate of future jobs growth by sector, see table 1, below.

Table 1 – Forecast jobs Growth in the Tees Valley and in Darlington

Sector	Net Job Creation in Tees Valley	Net Job Creation in Darlington
Low Carbon	+2,500	+500
Advanced Manufacturing	+2,500	+500
Other Manufacturing	-5,000	-500
Construction	+4,000	+800
Finance and Business Services	+8,000	+1600
Logistics	+2,000	+400
Digital/Creative	+2,000	+400
Higher Education	+1,000	+200
Healthcare	+4,000	+200
Other Services	+4,000	+800

18. It is important to note that these figures are estimates and will be subject to external influences, such as changing UK and global market trends. Nevertheless this work provides a useful guide as to where to focus investment on supporting infrastructure (e.g. sites, premises, transport, utilities and broadband) and on future workforce skills requirements.

19. The Council is working closely with TVU on securing investment and influencing others to invest in Darlington and the Tees Valley, key sources of funding and activities are:

- (a) Local Growth fund – Darlington projects have been allocated £xM
- (b) Next round of European Social Funding (ESF) - £69.4M allocated to Tees Valley
- (c) Next rounds of European Regional Development Fund (ERDF) - £104.1M allocated to Tees Valley
- (d) HCA -
- (e) Influencing national agencies to plan for investment in strategic transport infrastructure. E.g. Bank Top Station, A1(M) and A66.

20. The focus for investment of the European Funding is:

- (a) ESF – Supporting access to employment, improving workforce skills and reducing social inclusion.
- (b) ERDF – Supporting small and medium enterprises, Low carbon projects, Research, Development & Innovation.

21. Protracted negotiations between National Government and the European commission on the governance of the next rounds of European funding has delayed the start of the programme, with the process of commissioning delivery of the programme now expected to start in June 2015.

Darlington's Economic Strategy

22. Darlington's Economic Strategy is composed around four key themes, summary of activities below:-
- (a) **Place** - promoting Darlington as an outstanding business destination in terms of its location, quality of life, skilled workforce and business environment; Sharpening up our sector propositions, marketing material and in partnership with TVU targeting of key sectors so that we substantially increase the UK wide and international profile of Darlington as a place to invest and do business.
 - (b) **People** - education, skills and employability initiatives that match the needs of the local economy, including continuing delivery of the successful Foundation for Jobs initiative, the ongoing promotion of Science, Technology, Engineering and Mathematics (STEM) subjects, whilst also best supporting those who need help in accessing employment opportunities;
 - (c) **Infrastructure** - taking forward the economic case and lobbying for an integrated transport network including improvements in road, rail and air connectivity. Infrastructure also includes the River Skerne flood alleviation scheme, releasing Town Centre development land; delivering the first phase of the Central Park spine road including a new junction with Yarm Road; bringing forward plans for improved infrastructure at key strategic employment sites at Faverdale and Yarm Road South and the further delivery of superfast broadband to key employment sites
 - (d) **Business Growth** - targeting Darlington's high growth SMEs, whilst also building on existing sector strengths in advanced manufacturing/engineering, logistics/distribution and the digital creative sectors, whilst supporting emerging growth sectors such as sub-sea and biologics. To make the case to focus financial support made available through the LEP, Government Departments and other funding mechanisms on our priority measures designed to facilitate Darlington's economic growth.

Section 1 of the Economic Strategy Annual Monitoring report, attached as **Appendix 1** provides further detailed information on activities delivered and planned under each theme.

Economic Performance indicators

23. Table 1, page 7 of the Economic Strategy Annual Monitoring Report summaries the current state of Darlington's Economy.
24. On most indices Darlington's economy has outperformed regional and national growth trends. Darlington has experienced increases in measures relating to the

'cost of living' with gross disposable household income, median weekly workplace based earnings and median weekly residence based earnings all showing significant growth, though these indices are still below the national average.

25. Gross disposable household income per head in 2012 has risen to £14,017; this is 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). Darlington's rate of household income growth over the period 2008 to 2013, at 13.8% is higher than the national growth for the same period of 12.6%. However the total gross disposable household income per head is still lower than that for the North East as a whole, £14,393 per head and the national figure of £16,791.
26. The productivity of jobs within the borough (measured by GVA per hour worked) has decreased by 5.96%, over the period 2008 - 2013, however Darlington's GVA is still higher than many of our counterparts nationally. This suggests that either (or a combination of both), people are working longer, less productive hours and/or that the jobs lost within the local economy represented higher value added employment.
27. The most recent data on jobs by sector shows that in 2013, 32.6% of all jobs in Darlington were within the Public Administration, Education and Health sector, which equates to 15,200 jobs. The financial and other business services sector is the second largest, accounting for 20.3% of all jobs (9,500). Wholesale and retail, including motor trades (7,000) and Manufacturing (3000) sectors account for 15% and 7.4% of jobs. The Agricultural sector accounts for only 0.1% of all jobs in the borough.
28. Recent trends (2008 -2013) show an improving picture regarding the skills and productivity of Darlington's residents with arise in the employment rate and an upsurge in the number of residents with an NVQ4 or above. Darlington has a higher proportion of residents with an NVQ4 than all other Tees Valley authorities; Darlington also has the third highest percentage of residents with NVQ3 of all 12 North East authorities. This coupled with a 10.6% reduction in JSA claimants showcase the success of the Borough's focus on developing higher level skills required for economic and business success.
29. The employment rate in the borough at 73.5% is now higher than the pre-recession rate of 71.1% and higher than the national employment rate of 71.9%. The unemployment rate for 2014 now stands at 8.1% compared to 10.7% figure of 2013 however this is still much higher than the pre-recession rate of 5.3 or the current national rate of 7%. This equates to 4,600 economically active people seeking work. Note that the unemployment rate has not fallen at the same rate as growth in employment, this is because the proportion of residents classed as economically inactive has increased however the working age population which these figures are based from has decreased over the 2013 – 2014 period.
30. The number of VAT and/or PAYE registered enterprises decreased by 30 between 2008 and 2014, although between 2011 and 2012 an increase of 155 VAT and/or PAYE registered enterprises was posted. 85.1% of enterprises in Darlington are categorised as micro (0 – 9 employees); 11.9% are classified as small (10 – 59

employees), 2% are classified as medium sized (50 – 259 employees) and 0.7% are classified as large (250+ employees). Note that this data does not include sole traders and other small companies not VAT and/or PAYE registered.

31. Overall, good progress has been made in the first year of implementing the Economic Strategy. It is important to note that in some instances there is a significant time lag for publication of some of the economic data which we use to measure progress, with sub national data released more slowly/less frequently, and therefore it is difficult to measure the success of a particular intervention so immediately. Nonetheless we are confident that a positive difference is being made which will be built on through the revised 2014/2015 Action Plan.

Action plan 2015/16

32. Section 2 of the Economic Strategy Annual Monitoring report details proposed action under each theme for the coming year. Key projects include:
- (a) Launch of the 'Ingenious' Darlington brand and invest in Darlington website
 - (b) Targeted communications and marketing aimed at attracting inward investment, for example work in partnership with TVU, PD Ports and logistics sector to promote Darlington as a port-centric base for logistics operations.
 - (c) Building on partnerships with the Education and business sectors, further develop the Foundation for Jobs programme.
 - (d) In partnership with TVU, the education and business sectors develop new employability and skills programmes supported by European funding.
 - (e) Deliver Masterplan and Business Case for investment at Darlington Bank Top station.
 - (f) Complete a Masterplan and development framework document for key development sites, owned by the Council.
 - (g) Lobby government/other key partners to prioritise investment in improving strategic road and rail connectivity.
 - (h) In partnership with TVU and other key agencies support SME's to grow (particularly fast growth companies and priority groups) through securing funding, for example from TVU Growth Compass, RGF Let's Grow programme, ERDF and other sources.
33. Further detail is provided in the 2015/2016 Action Plan, attached as **Appendix 1**