



TEES VALLEY  
COMBINED  
AUTHORITY

TEES VALLEY MAYOR

# UKSPF Evidence Base



# Introduction

Tees Valley Combined Authority as Lead Authority for UKSPF in Tees Valley has been working closely with partners through a new UKSPF Local Partnership Group and our existing networks and advisory groups, to develop the UKSPF Investment Plan for 2022-2025.

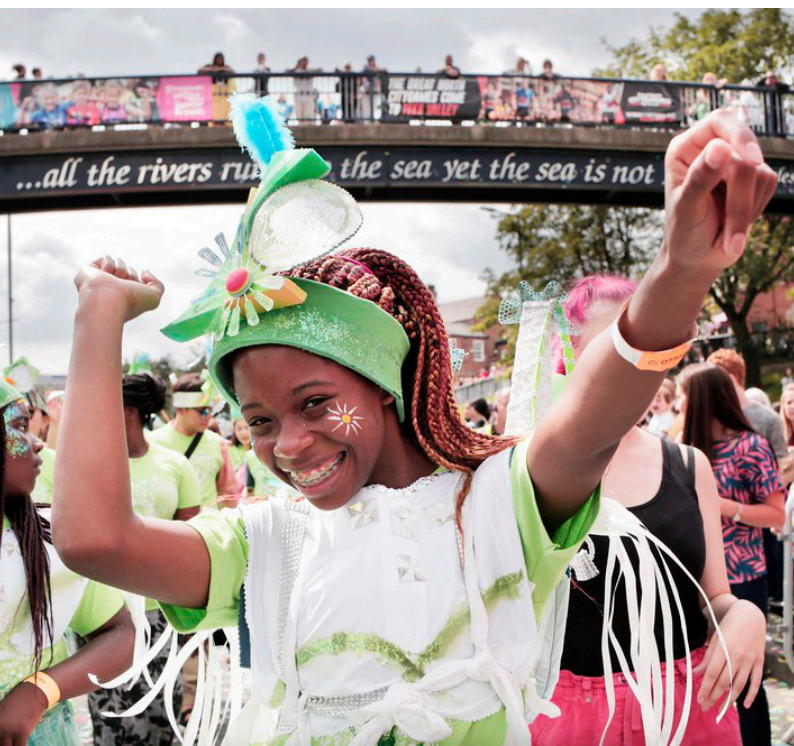
This document sets out the evidence of Tees Valley Challenges & Opportunities that informed the prioritisation of funding under the three UKSPF priority areas:

- Communities & Place
- People & Skills
- Supporting Local Business

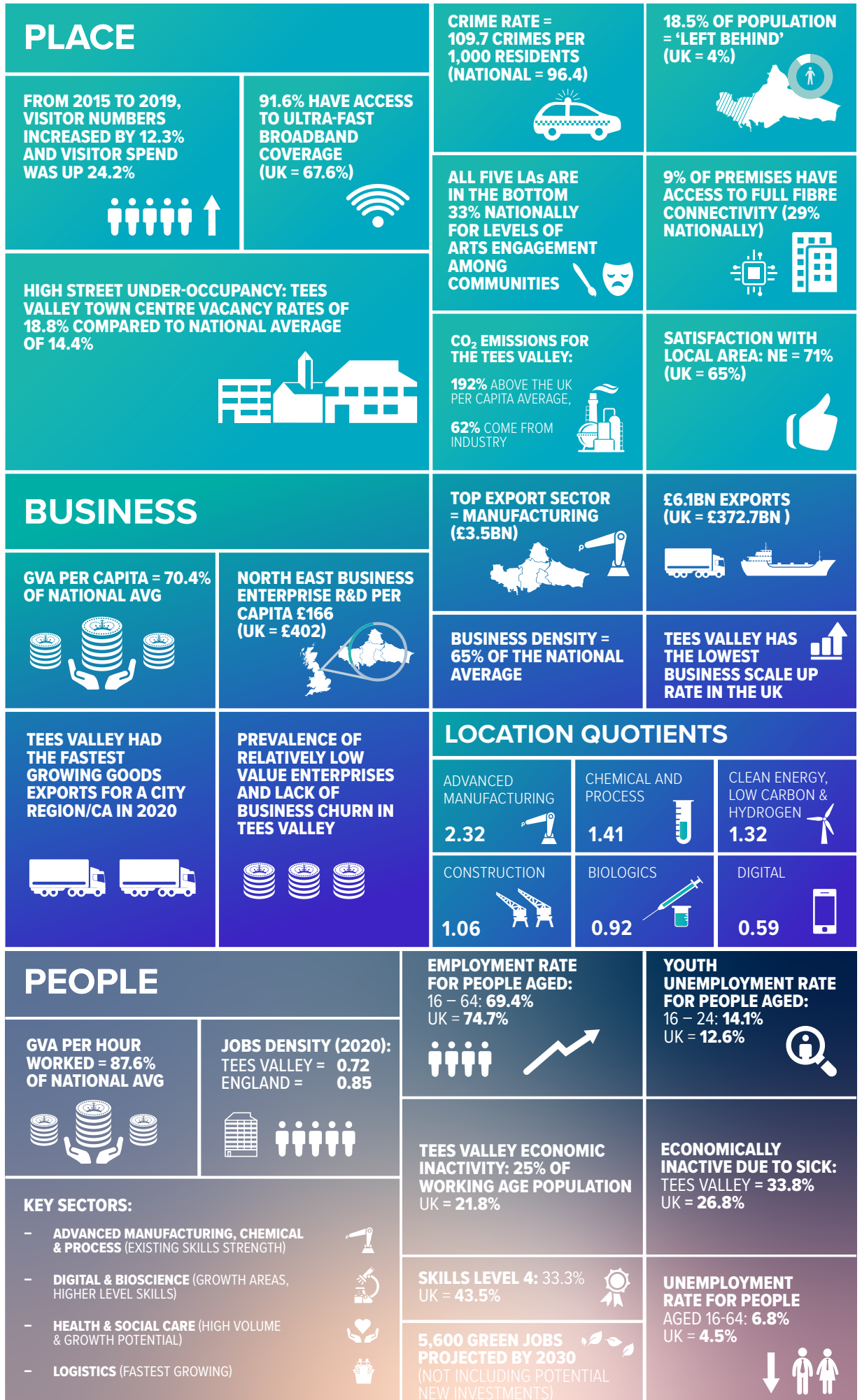
Tees Valley has taken a strategic approach to prioritisation and activity within all three areas is interlinked. We have targeted funding where there are gaps in current activity to not duplicate but complement other funding sources and invest where we can have the biggest impact in this 3-year period.

We will continue to work closely with partners to develop our local evidence base and develop a strong pipeline of activity.

You can access more economic data using our data insights tool [here](#).



# Challenges and Opportunities



# Logic Model

## Communities & Place (£24.7m allocated):



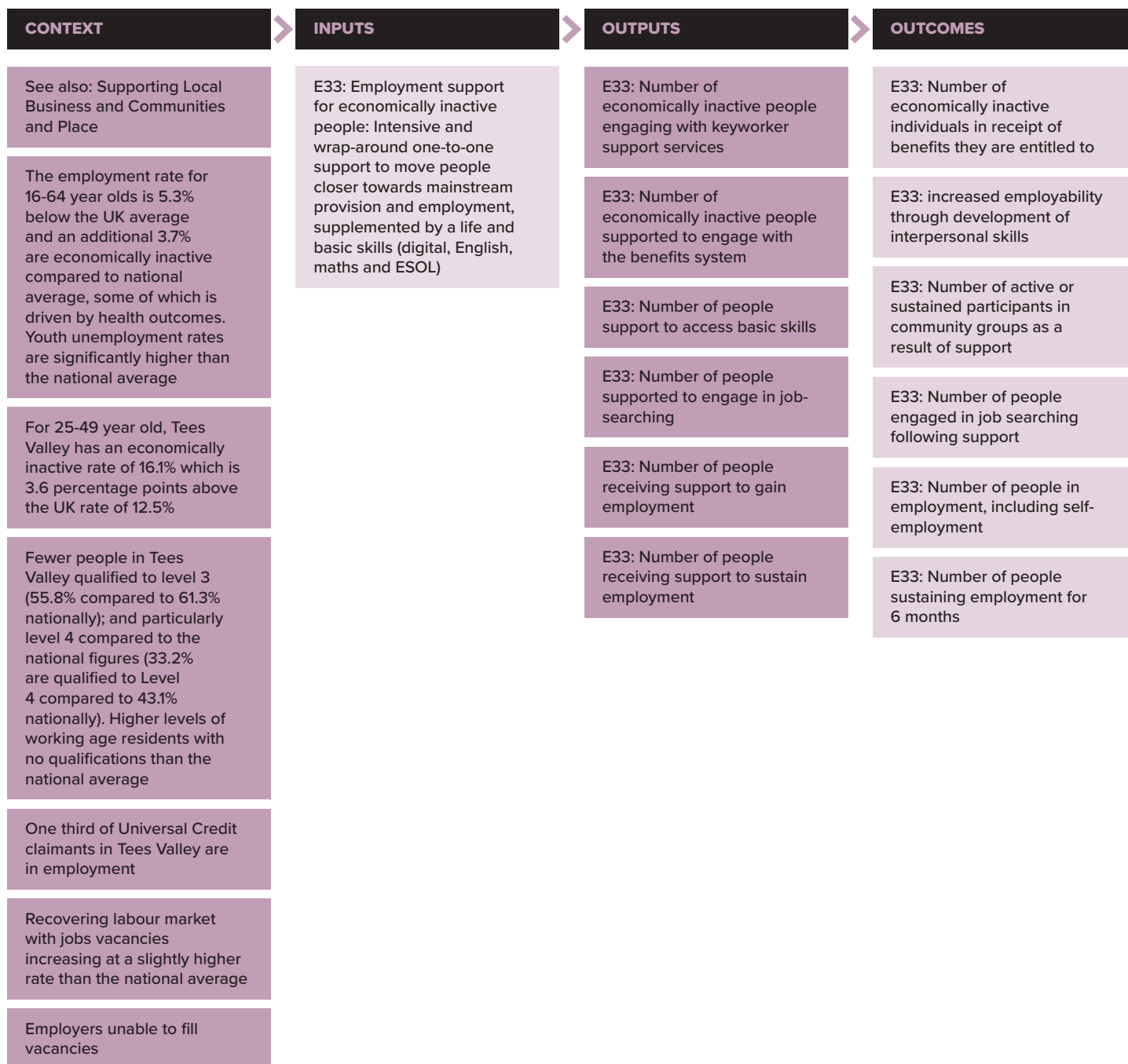
\*Duplication with Supporting Local Business: E4, E6, E8, E17 development and promotion of visitor economy

# Supporting Local Business (£13m allocated):



\*Duplication with Communities & Place E4, E6, E8, E17 development and promotion of visitor economy

# People & Skills (£5m allocated plus £3.6m covered under Multiply):



\*Duplication with Supporting Local Business:  
E4, E6, E8, E17 development and promotion of visitor economy



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A photograph of a young woman with a joyful expression, wearing a white and green costume with a star-shaped face paint on her cheek. She is surrounded by other people in similar costumes, suggesting a festival or parade. The background is slightly blurred, showing a crowd and a banner with text.

# UKSPF Evidence Communities & Place

## Communities & Place

Tees Valley Combined Authority has a 10-year Investment Plan, developed with partners and agreed by Cabinet in 2019. To ensure a fully integrated approach, UKSPF priority setting has taken place in the context of this longer-term Investment Plan, which included income assumptions from UKSPF to deliver wider place-based ambitions to transform the Tees Valley economy.

**The UKSPF Investment Plan builds on recent progress and successes, including:**

- Cabinet agreement of a £20m Growth Programme for Creative and Visitor Economies and £160m for a number of strategic place-based projects across the Tees Valley.
- A £1m covid recovery programme for Cultural Industries and the Visitor Economy. This included: Welcome Back Fund to support businesses with the cost of reopening; Development & Innovation Grant Fund; Reconnecting Communities (commissions for cultural freelancers / businesses to support venues to re-establish community Inks despite ongoing restrictions and uncertainty); Tees Valley Young Creatives: The Class of 2020 (a programme to support emerging graduates and college leavers to gain experience and develop professionally despite sector fragility).

We have made a great start, yet Tees Valley still faces challenges we must address to truly level up our communities and place.

## Challenges

Long-term economic restructuring – in particular the decline of heavy industry – has left a legacy of above average economic inactivity, high levels of deprivation and social exclusion in the Tees Valley, leading to below average health outcomes, low levels of engagement in cultural activity and above average rates of crime and perception of crime. These factors contribute to negative external perceptions, can inhibit the vibrancy of local urban centres and the scale of the local cultural offer, whilst also contributing to a sense among young people that they must move away from the region to maximise their life chances.

Addressing these challenges will play a key role in delivering the Government's levelling-up ambition to increase pride in place, including people's satisfaction with their town centre and engagement in local culture and community, with the gap between the top performing and other areas closing.

- **18.5% of population living in left behind areas**
- **Above average crime levels**
- **High street under-occupancy**
- **Below average health outcomes**
- **Impact of Covid-19 on the visitor economy**
- **National under-investment in arts**
- **Low levels of engagement in cultural activity and undeveloped creative sector**
- **Poor transport connectivity**
- **Above average – and rising - levels of child poverty**



- **Low digital inclusion**

- **Left behind areas:** A survey of residents commissioned as part of a baselining of the local creative and cultural sector highlighted a sense that Tees Valley is not delivering its full potential as a visitor location due to “a low profile and dated perceptions”. Residents’ feedback also highlighted gaps in the quality of the local offer – particularly relating to town centres and public transport provision.

This sense is reflected in official figures, with 18.5% of the local population classified as living in “left behind areas” compared to 4% nationally. Residents are also left behind digitally, with only 9% of premises having access to full fibre connectivity, compared to 29% nationally. It potentially also contributes to the evidence that younger residents leave the area to maximise their life chances - four of the five of the Tees Valley local authorities saw net outflows of younger people in the year to June 2020. Overall, Tees Valley lost 0.25% of residents aged 15-29 over the period.

- **Above average crime levels:** Crime – and perception of crime – is undoubtedly holding the area back as a place to do business and visit, both internally and externally. The Cleveland Police Force Area, which serves most of the Tees Valley area, has a crime rate of 109.7 crimes per 1,000 residents compared to a national average of 96.4 and 47.5 in neighbouring North Yorkshire.

The force’s own analysis recognises that Cleveland has the third highest violent crime rate in the country (41.1 per 1,000 population compared to the national rate of 29.1). The force notes, “unlike ‘most similar’ forces, the rate of most serious violence in Cleveland is following an increasing trend and has recorded a 23% increase year-on-year”.

In terms of public order offences, Cleveland records 14.2 crimes per 1,000 residents compared to a national average of 9.7, and for criminal damage the force area records 16.6 crimes per 1,000 compared to a national average of 8.6.

These figures contribute to regional perceptions of crime, with 22% of residents reporting feeling fairly or very unsafe in busy public spaces such as high streets or public transport hubs during the day (compared to 19% of people nationally) rising to 34% at night. 12% of residents feel unsafe on public transport during the day (9% nationally) and 40% feel unsafe at night. As a result, 19% of residents report avoiding busy public spaces, and 26% report avoiding other places where they feel unsafe. 27% of regional residents feel unsafe during the day in open spaces such as parks.

- **High street under-occupancy:** These factors – alongside a universal shift towards online retail – are likely to have contributed to regional town centre vacancy rates of 18.8%, compared to national averages of 14.4%. Job density in urban centres is 0.33 compared to a national average of 0.39 – falling to as low as 0.12 in some areas.
- **Below average health outcomes:** Local life expectancies and healthy life expectancies lag behind national averages. Tees Valley residents have a life expectancy of 79.4 years, compared to a national average of 81.1 years. This falls to 77.4 years for Tees Valley men only - a difference of over 4 years. In terms of healthy life expectancy, Tees Valley residents can expect to enjoy 59.6 years of health, compared to 62.5 years for the typical UK resident.

The Tees Valley has an ageing population. Tees Valley residents aged 65 and over presently make up around one fifth (19.5%) of the total population. By 2040 this is projected to be over

one quarter (25.7%). This is coupled with a decline in the working age population, leading to challenges of increasing demand.

7.8% of the Tees Valley's working age population is unemployed due to long-term ill-health – 32,200 residents - compared to a UK average of 5.3%. Of Tees Valley's economically inactive residents, 31.2% are economically inactive due to long-term ill-health, compared to a national rate of 24.8%.

- **Impact of Covid-19 on the visitor economy:** The pandemic impacted severely on the local visitor economy, with a 58% drop in visitor numbers, a 61% drop on visitor expenditure contributing to a 59% fall in the number of people directly employed in tourism in Tees Valley. However, despite this, data from pre-pandemic showed a steady growth in visitor numbers and visitor spend, suggesting an increasingly strong platform from which to build.

There is an identified lack of visibility for the region as a destination, with the above research reporting that “Tees Valley as a destination is largely invisible in online searches. Some persistence is required to find it”

- **National under-investment in arts:** There have also been historically low levels of public funding into the culture and creative sector in comparison with other regions – partially an outcome of an undeveloped sector which has lacked critical mass and capacity to submit compelling and competitive bids. Total Arts Council investment in Tees Valley in 2019-20 was £2.9m. If levelled up to the all-England average using a per capita spend this would almost double to £5.9m. National Lottery funding into Tees Valley averaged £754,250 across 2017-18 and 2018-19. If levelled up to the England average per capita this would increase to £1.9m, again more than double the current level of funding. Reinforcing the impact of this, four out of five boroughs in Tees Valley are in the bottom 20% nationally for levels of arts engagement among communities, and all five boroughs are in the bottom 33%
- **Undeveloped creative sector:** Official figures suggest Tees Valley has the lowest level of cultural employment of any Combined Authority area and is “lacking in scale and visibility” with Office of National Statistics figures suggesting “little or no growth” in the local cultural and creative industries sector between 2015 and 2021 with a net gain of just 65 businesses over this period, growing from 885 to 950 businesses (7%), of which 915 were micro-enterprises.
- **Poor transport connectivity:** Road congestion and areas with poor levels of health/deprivation that are poorly served by options for active travel are a challenge for Tees Valley. This is negatively impacting people's ability to access places of work, learning and leisure, whilst also affecting physical and mental health. Areas underserved by travel options are also less attractive as places to live and invest, contributing to these areas being left behind. Resilient and reliable connectivity across the region is required to address some of the challenges faced. Active travel is a priority in Tees Valley with £53.6m of funding already secured to address the identified need and improve infrastructure and facilities.
- **Above average – and rising – levels of child poverty:** in 2014/15, every one of the five Tees Valley local authorities had a child poverty rate below or comparable to the national average, however by 2019/20 rates were significantly above UK averages. In 2014/15 the percentage of children living in absolute poverty was 19.8%, rising to 28.9% in 2020/21. In the same period the UK rate fell by 0.5%. The North East Child Poverty Commission suggests that steep increases in child poverty in Tees Valley “are accounted for by the region consistently having the UK's highest rate of unemployment...the prevalence of low paid work... and a higher proportion of people in ‘lower paid routine’ occupations’ which make progressing out of poverty challenging”.

- **Digital Inclusion** - The pandemic has demonstrated the vital role of digital technologies, and the need for good internet connectivity, appropriate digital tools and digital skills to use those tools has surfaced rapidly. A large number of activities related to work, education, leisure and access to public services, moved from the physical to the virtual world and are expected to remain. The North East has a higher rate of non-internet users than all other English regions with 10.5% of Tees Valley residents aged 16+ having not used the internet in the last three months, compared to 7.8% nationally. When the pandemic hit in March 2020 only 51% of households earning between £6,000 to £10,000 had home internet access, compared with 99% of households with an income over £40,000. Even when poorer households had access to equipment and the internet, they were then less likely to have the skills to utilise it. This challenge is exacerbated locally by Tees Valley residents having some of the lowest wages in the country, with 13% of Tees Valley residents earning less than £10,000 per annum in 2020.

## Opportunities:

Tees Valley has a strong and distinctive sense of place. It reflects our industrial heritage as a globally recognised centre of the steel and chemicals industries – which has left Tees Valley with a legacy of a highly developed and established industrial pipeline network and world-leading skills and research strengths. Our geographical location offers ready access to deep-water ports, North Sea offshore wind facilities and undersea caves capable of storing carbon dioxide and hydrogen, and we have natural assets such as our coastline and countryside which offer a significant opportunity to position Tees Valley as an attractive location that delivers a high quality of life. Together this provides a major opportunity to build on our heritage, our natural and industrial assets to drive forward a net zero future for our communities.

It is important to acknowledge that local opportunities under the Communities and Place investment priority do not stand alone, they are intrinsically linked to opportunities under both the Supporting local business and People and Skills investment priorities.

- **High levels of life satisfaction (71% compared to a national average of 65%).**
  - **Focus on place-based development and Tees Valley becoming clean, green, and safe through future developments and investment.**
  - **Building on natural and industrial assets to create a diverse, inclusive economy and contribute significantly to Net Zero agenda globally.**
  - **Designated as Arts Council Priority Place.**
  - **Creative & visitor economy growth potential through developing the local cultural offer.**
  - **Over £250m of investment in our Towns and High Streets through Town Deals, Future High Street Fund, Levelling Up and TVCA.**
  - **Tees Valley has secured significant private sector investment in digital infrastructure providing opportunities for business and public services, as well as increasing digital Inclusion.**
- **Focus on place-based development** - Local infrastructure, or 'Place' is recognised in Tees Valley as being central to the creation of a diverse and inclusive economy, with vibrant town centres that attract and retain young people and families aligning to wider economic ambitions to ensure Tees Valley is a place where people want to live, work, visit and invest. This is demonstrated through significant levels of commitment to capital investment in our town centres, including £36.5m through Future High Streets Fund; £118.m through Towns Deals; and

the TVCA £12m Indigenous Growth funding. Key to the Tees Valley's ambitions is the development of our local culture and leisure offer, designed to improve our sense of place and enhance awareness and perceptions of the Tees Valley offer. This in turn will help to create employment opportunities at all skill levels – both within the culture and leisure sectors, but also across the economy more broadly by strengthening our inward investment proposition. An improved culture and leisure offer will also help us to attract and retain more talented people, offer rich volunteering opportunities and act as a pathway to raise aspirations amongst our population.

- **Building on industrial assets - In 2019 the Tees Valley set itself the ambition of becoming a global leader in clean energy, low carbon and hydrogen** - providing good jobs with long-term prospects that local people can access. As the UK transitions to a greener economy, the Tees Valley has unrivalled potential to deliver on vital aspects of government strategies such as the Net Zero Strategy, Energy Security Strategy, and the Prime Minister's 10 Point Plan for Green Industrial Revolution. We can drive forward the Levelling Up Agenda and take up position at the forefront of a confident Global Britain by exporting our technologies and services around the world. Existing and proposed clean energy projects across the region are on track to produce a combined 4.2GW of clean energy by 2030, powering millions of homes, industry, and transport nationwide

The government recognises the potential of hydrogen as a zero-emission fuel for homes industry and transport and has set a national ambition of 10GW of low carbon hydrogen production capacity by 2030. Tees Valley produces over half of the UK's available hydrogen already, and with major projects being developed in the region such as bp's 1GW H2 Teesside Blue Hydrogen project Tees Valley is on target to meet a significant proportion of that national target single-handily.

Regional economic strengths include sectors that are fundamental to the net zero agenda, including the chemicals and processing industry (which has a sectoral GVA per employee of £79,800 per annum compared to a national average of £58,600) and a logistics and freight sector which is growing at a faster rate than the national average (11.8% growth in employment compared to a national fall of 1.3%). These two sectors come together in net zero transport, in the region's role as the national Hydrogen Transport Hub, developing technologies for zero emission HGVs, public transport and fleet and maritime technologies. The Combined Authority's ownership of Teesside International Airport not only builds local pride and confidence, but also offers a vital test bed for net zero technologies, such as a hydrogen refuelling centre pilot, hydrogen-powered operations machinery and research projects into sustainable fuels.

The net zero agenda is fundamental to the Tees Valley Combined Authority's vision of the area becoming net zero carbon industrial cluster by 2040, providing good jobs with long-term prospects that local people can access.

### **Alongside our strong industrial strengths and heritage, our creative and cultural potential offers significant opportunities for Communities and Place.**

- Tees Valley has been confirmed as a **Priority Place in Art's Council England's 10-year strategy** - The Council's investment principles include arts organisations using their activities to "connect, mobilise and inspire places and communities, and champion cultural leadership" with regards to achieving Net Zero, and we will utilise our funding and support programmes to support this.
- **Creative & visitor economy growth potential** - Prior to Covid-19 there was evidence of a

growing awareness of the Tees Valley's offer outside of the region – with a 5-year upward trend of day visitors to Tees Valley of 13%, and a 9% rise in overnight visitors. These visits generated a visitor economy made up of 20m visits, £1bn of spending and 12,400 jobs with 'friendly', 'undiscovered' and 'welcoming' the top three words used to describe the Tees Valley.

Significant opportunities have been identified in the local cultural and creative sector. An independent study commissioned by the Combined Authority into the size and characteristic of the local creative and cultural sector, highlighted:

***“A flourishing scene of independent visual and performing artists, producing diverse work of international quality both through a programme of festivals and events and at visual arts showcases across the region. This represents an opportunity to stimulate regeneration of key locations in towns across the region and in the process to promote a more contemporary and diverse identity that builds upon the Tees Valley's heritage of innovation without being in thrall to its industrial past”***

This report noted not only that local creative employment is “much larger than represented in official statistics and more diverse and inclusive than the general population” but that Tees Valley has an “emergent and growing independent sector spanning both culture and a burgeoning commercial creative sector” with “significant ambition” with emerging micro clusters across the region including:

- Darlington: Digital companies and content producers surrounding town's distinct cultural quarter centred on pioneering children's theatre company Theatre Hullabaloo.
- Hartlepool: Emerging performing arts micro cluster around Church Street driven by Northern School of Art. Exciting new ventures include Northern Studios - a new film production facility.
- Middlesbrough: Boho Zone includes leading digital businesses such as animation, interactive display and holograms developer Anmersion and games developers Double Eleven and Sock Monkey.
- Redcar & Cleveland: Increasing numbers of creative business in the Palace Hub, leisure, sports and music centred at Coatham and creative enterprises in Saltburn.
- Stockton: Performing arts scene emanating from ARC and now supported by The Globe. Stockton International Riverside Festival presents long held commitments to outdoor arts.

Tees Valley also has a burgeoning **Screen Industry**, with a growing reputation and expertise in creative industries. £25m confirmed investment into the North East by the BBC (secured as a result of cross-boundary partnership working) is being enhanced with £4.5m of investment by the Combined Authority into a collective sector development programme (total value of £11.4m) with the other North East authorities. The North East Screen Industries Development Programme will scale-up the regional screen agency; establish a regional production fund; provide support to hundreds of screen enterprises; strengthen and extend skills development pathways to nurture and retain talent and offer production office support. Infrastructure development will be critical to the success of the programme and TVCA has recently partnered with the Northern School of Art to develop the only dedicated large-scale film and TV studios in the North East. Teesside University continues to be one of the best globally performing universities for screen specialisms, including VFX, AR, VR, and games development.

**Building on our natural assets** - There is an intrinsic link between health and the natural environment, and the role of natural assets in delivering a sustainable economy and supporting the achievement of net zero ambitions is increasingly recognised. The natural environment - with outstanding and easily accessible coast and countryside complimenting the area's emerging cultural offer, a clean air value of £235m a year, and sequestering 84,000 tonnes of carbon dioxide annually -

is a huge potential resource in terms of carbon sequestration, supporting health and wellbeing, securing biodiversity net gains and contributing to sustainable economic growth.

In Tees Valley the monetary value of quantifiable benefits from natural capital is in excess of £100m p.a. with a capital asset value of £2.8bn. ONS figures suggest strong regional performance in this area compared to other Mayoral Combined Authority areas such as Greater Manchester (annual value £16.9m, asset value £823m) and Liverpool (annual value £9.9m, asset value £479m). The vast majority of this benefit arises from recreational visits. The Tees Valley Net Zero Strategy sets out proposals for improving the natural environment to improve the health and liveability of our communities, including proposals for the planting of 1million trees.

**Digital Inclusion** - to realise our ambitions for Communities and Place, it is important to ensure that no Tees Valley residents are left behind through digital exclusion, and that the benefits of the internet and digital technologies are available to everyone. The Tees Valley Digital Strategy provides a strategic approach to digital inclusion, including ambitions to:

- Expand existing digital inclusion activities across Tees Valley providing strategic coordination across the region to reflect local need
- Support Tees Valley residents to access low-cost connectivity options



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# UKSPF Evidence Supporting Local Business



## Supporting Local Businesses:

The Tees Valley Combined Authority Cabinet approved a 10-year Investment Plan in 2019. To ensure a fully integrated approach, UKSPF priority setting has taken place in the context of this longer-term Investment Plan, which included income assumptions from UKSPF to deliver wider place-based ambitions to transform the Tees Valley economy.

**The UKSPF Investment Plan builds on recent progress and successes, including:**

- Tees Valley had the fastest growing Goods Exports for a City Region/Combined Authority in the UK during 2020.
- Since Tees Valley Business was established in July 2020, it has supported over 9,300 Tees Valley SMEs. We have made a great start, yet Tees Valley still faces challenges we must address to truly to level up our communities and place.

## Challenges

Tees Valley currently performs below the national average on business density (64.9% of the UK national average<sup>1</sup>), GVA (GVA per hour worked (£31.0 in 2019<sup>2</sup>) at 88.2% of the national average (£35.2 in 2019) and labour market participation (Tees Valley quarterly Unemployment rate is 6.6% - year ending December 2021).

A thriving and sustainable business sector will increase the area's productivity, creating good jobs with long term opportunities that local people can access.

The Tees Valley faces a number of local challenges both in relation to the local economy and in the local business support eco system. Our challenges for the region include supporting the creation, scale-up and growth of businesses to redress the imbalance.

Addressing these challenges will support achievement of the Government's levelling up ambition for pay, employment and productivity to rise in every area of the UK, with the gap between top performing and other areas closing.

- **Below national average business density**
- **Lowest scale up rate in the UK**
- **Low labour market participation**
- **Low GVA per hour worked**
- **A greater prevalence of relatively low value enterprises and business churn**
- **Low levels of business engagement in R&D and Innovation**



- **Business Density:** Tees Valley’s business density rate – the number of enterprises per 10,000 adult population – remains significantly below many other areas of the country. Tees Valley has 17,715 businesses (2021)<sup>3</sup>, 64.9% of the UK national average.

From the current business base (17,715 businesses) Tees Valley would need 27,293 businesses to level-up with the UK national average, which equates to an additional 9,578 businesses.

Comparing to England excluding London, the Tees Valley business density is 33.1% below the England average requiring an additional 8,771 additional businesses.

Tees Valley business density is 20.9% lower than the NP11 average, levelling up to this would require 4,690 additional businesses.

Tees Valley’s business density was 39.4% lower than the area with the highest business density (Cambridgeshire & Peterborough), representing a numerical shortfall of 11,525 businesses.

- **Business Creation:** Tees Valley business birth rates are slightly 0.3% above the national average at 2,335 new businesses in 2020. However, this is based on current numbers of business, which are well below national levels. Adjusted for a Tees Valley business density at the national average, the birth rate is only 8.6%, well below the UK national average of 12.9%. Coupled with a need to increase productivity, Tees Valley will prioritise the creation of businesses in high growth, value adding sectors, including: Digital, Clean Energy, Advanced Manufacturing and Bio-sciences.
- **Scale-Up:** Tees Valley has the lowest business scale up rate in the UK. Scale up businesses are defined as companies who have increased their turnover and/or employee numbers annually by more than 20 per cent over a three-year period. Tees Valley was home to 220 scaleups in 2019 and there were 15,640 micro enterprises (employing fewer than ten people) in Tees Valley in 2021 - 62.9% of UK average. The Scaleup Institute’s Scaleup Annual Review 2021 records Tees Valley as the LEP/devolved nation with the smallest number of scaleups per 100,000 population in 2019 (32.5) and the area with second slowest growth rate between 2013 and 2019 (-0.1).
- **Productivity:** GVA per hour worked indicator as a measure of an economy’s underlying productivity shows Tees Valley lower than the national average, with GVA per hour worked (£31.0 in 2019) at 88.2% of the national average (£35.2 in 2019). In 2019, Tees Valley GVA per hour worked was £31.0, up from £30.9 in 2018. However, UK GVA per hour worked increased from £34.8 to £35.2 over the same period. This meant that the Tees Valley GVA per hour worked index fell from 88.7 to 88.2
- A greater prevalence of relatively low value enterprises combined with a lack of business churn negatively impacts on the region’s productivity, creates barriers to entry and constrains market opportunity for new start-up firms.
- In terms of GVA per capita, Tees Valley is 70.4% of the UK rate. Demographic, employment, and labour market participation issues contribute significantly to the area’s relatively low GVA per capita. These factors account for around one half of the output gap with the other half explained by productivity issues relating to: company profitability; resource allocation and absorptive capacity; skills mismatches and wage rate differentials; workforce wellbeing and occupational and industrial employment structures.

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<sup>1</sup> Tees Valley Economic Assessment 2021

<sup>2</sup> Tees Valley Economic Assessment 2021

<sup>3</sup> Tees Valley Economic Assessment 2021

- Tees Valley's Creative, Culture & Leisure sector displays both relatively low productivity and relatively low employment concentration and GVA per employee rates are relatively lower than both North of England and nationally.
- **Employment and Skills:** Low levels of participation in the labour market and underperformance in relation to education and skills impact on the region's economic performance. Tees Valley has consistently recorded some of the highest economic inactivity and low levels of employment - the Tees Valley employment rate for 16-64 is 5.3% behind the UK national average and an additional 3.7% of Tees Valley 16–64-year-olds are economically inactive compared to national levels. In addition, the number of high skilled jobs are 10.8% less than the national average and people in the region with L4+ skills are 10.2% below the national average. Further details relating to economic activity and skills challenges are provided in the People and Skills section below.
- **Low levels of business engagement in R&D and Innovation** – Companies that engage in R&D and Innovation are more productive, however numerous sources highlight those levels of innovation activity in Tees Valley fall below levels seen in other parts of the country. Local analysis undertaken in relation to Levelling-up Capitals, highlighted a particular challenge in relation to Intangible Capital in Tees Valley. Higher Education Research & Development data shows that Tees Valley is ranked lowest of all LEP areas for the percentage of firms with both produce and process innovations. While Tees Valley ranks second lowest for 'blue-skies' innovation with just 4.7% of firms. Data from the 2020 UK Innovation Survey shows that the commercialisation of new innovations in Tees Valley also lags national averages, with just 7% of turnover coming from new to market innovations (compared to a UK average of 9.6%) and 12.5% of turnover coming from new to business innovations (UK average: 12.9%). Without innovation and increased advancements, output gaps in the region will continue to widen.

## Local Business Support Eco-System Challenges

**A strong local business support eco-system is fundamental to redress the economic imbalances and enable the creation, scale-up and growth of business across Tees Valley. Addressing the challenges of low business density, low business birth rates, lagging productivity, access to the right skills and creating employment opportunities requires a clear, accessible, and impactful business support eco-system.**

**The challenges currently faced in supporting local businesses include:**

- **Complexity Challenge:** The current business support eco-system is complex and difficult for the business community to navigate. There are many different support offers being provided by various organisations at a local, regional, and national level, which businesses can find overwhelming. The challenge is to simplify and streamline the business support offer available, ensuring clarity and straightforward access for the local business community.
- **Longevity Challenge:** The support that businesses receive is often short term and sporadic. Feedback from businesses is that they need ongoing support throughout their journey of start-up to scale-up to growth. The challenge is to develop a business support ecosystem that provides longevity of support through an end-to-end account management model, building trust and understanding and enabling a much more impactful relationship over time as

opposed to dipping in and out of unconnected programmes.

- **Sector Challenge:** Businesses require different support offers and a one size approach does not fit all. A key challenge is to ensure a business support eco-system that recognises the different needs and priorities of different sectors, tailoring approaches as appropriate. The Tees Valley sector profile is shown below:

**Sector: Number of Businesses (2021)**

- Advanced Manufacturing: 2,445
- Biologics: 25
- Chemical and Process: 80
- Clean Energy: 430
- Construction: 2,435
- Creative, Culture, and Leisure: 2,700
- Digital: 660
- Health and Social Care: 790
- Logistics: 1,105
- Professional and Business Services: 2,915
- Raw Materials and Agriculture: 460
- Other Manufacturing: 432
- Other Private Services: 2,925
- Other Public Services: 320

- **Existing Support Challenge:** A significant proportion of the current business support offer is EU funded or funded via other funding streams on a short-term basis. This support includes business start-up, innovation, digital adoption, securing investment, people and skills, energy efficiency and supply chain. A local mapping exercise has identified that many of the current business support programmes will end in 2023. The challenge will be to ensure a comprehensive programme of business support continues to be available both through the prioritisation of UKSPF investment and alignment with programmes that will continue to be funded via other sources.
- **Entrepreneurship Challenge:** Tees Valley has relatively low levels of business churn and a stagnant business base. (Business births fell by 250 to 2,335 in 2020 whilst business deaths fell by 190 to 2,150). Whilst existing business support provides practical advice to those taking steps to start a business there is a key challenge facing the region is to ensure that there is effective and impactful support in place to drive entrepreneurship and the creation of more businesses.
- **Scale-Up Challenge:** The Tees Valley business base is under-developed relative to the size of the population and scale-up performance is weak. In 2021 there were 15,640 micro businesses in Tees Valley, as shown below. To ensure more micro-business are able to scale operations and maximise market opportunities it is necessary to provide a clear and comprehensive support offer that deals with the challenges micro-businesses are facing including in relation to innovation, digitalisation, international trade, securing investment, people, supply chain and net zero.

**Sector: Number of Micro Businesses (2021)**

- Advanced Manufacturing: 2,310
- Biologics: 15

- Chemical and Process: 45
  - Clean Energy: 375
  - Construction: 2,260
  - Creative, Culture and Leisure: 2,265
  - Digital: 610
  - Health and Social Care: 510
  - Logistics: 935
  - Professional and Business Services: 2,660
  - Raw Materials and Agriculture: 440
  - Other Manufacturing: 345
  - Other Private Services: 2,630
  - Other Public Services: 230
- **Growth Challenge:** There were 325 medium enterprises (between 50 and 249 employees) in Tees Valley in 2021 (78.1% of UK average). To ensure more medium sized businesses are able to grow, increase productivity and maximise market opportunities a key challenge is to provide a clear and comprehensive support offer that deals with the challenges medium-sized businesses are facing including with innovation, digitalisation, international trade, securing investment, people, supply chain and net zero.
- **Net Zero Challenge:** Tees Valley has an ambition to be a global leader in clean energy, low carbon and hydrogen and has built a national and international reputation as the go-to location for clean energy and low carbon technology. The area will achieve a net zero carbon industrial cluster by 2040 through full scale decarbonisation, working directly with the largest emitters in the region to develop bespoke plans to decarbonise their operations. Attracting investment, future proofing our major businesses and securing good jobs with long-term prospects that local people can access will contribute to delivering our ambition. A business support offer is required to ensure all businesses are equipped with the tools to drive energy efficiency and work towards net zero.

## Opportunities:

**Tees Valley is a £13.1bn economy, with a £206m trade in goods surplus. Although the region is relatively small, we have economic assets of national significance: we are home to the UK’s largest chemical complex, the UK’s largest port for outward tonnage and one of the UK’s leading higher education institutions for working with business (Teesside University). We have global strengths in the process chemicals and advanced manufacturing sectors, and our productivity performance exceeds national averages in process chemicals and digital. In many respects, the scale of our economic impact and influence is disproportionately large. Our established industrial strengths are supported by:**

- Internationally excellent industrial innovation and research institutions.
- A well-established, geographically concentrated, and highly integrated industrial ecosystem.
- Teesworks – the first Mayoral Development Corporation outside of London and Europe’s largest brownfield site.
- A strong export-facing transport infrastructure, including the Port of Tees & Hartlepool; and Teesside International Airport.

Whilst the Tees Valley economy provides a strong platform for growth, a number of economic challenges exist. It is critical that we maximise our assets and opportunities whilst addressing our challenges to realise our ambitions for success and retain the competitiveness of our key sectors in the future. Teesside Freeport and Teesworks particularly are catalysts for growth, with unprecedented opportunities for business to grow, create supply chain opportunities and jobs.

There are several local opportunities, both within the context of the local economy and the local business support eco-system - supporting the creation, scale-up and growth of businesses, particularly those in high value sectors, which provide the opportunity to level-up the economy to the national average and to simplify and streamline business support.

It is important to acknowledge that local opportunities under the Supporting Local Business investment priority do not stand alone, they are intrinsically linked to opportunities under both the Communities and Place and People and Skills investment priorities.

- **A leader in Clean Growth, Low Carbon and Hydrogen**, Tees Valley has the potential to deliver a national step change in the use of Clean Energy and industrial decarbonisation, supporting the Government's commitment to achieve Net Zero by 2050
- **Receiving Freeport status in March 2021 the Teesside Freeport covers 4,500 acres and is the UK's largest and best connected freeport.** It will create over 18,000 jobs and provide a £3.2bn boost to the local economy. SeAH is investing £400m in a new monopile facility which will provide opportunities for local residents and businesses directly and in the supply chain.
- **Teesworks, Europe's largest brownfield site, offering immediate connectivity to Teesport, the North Sea, Europe and beyond**, unlocking global markets for sustainable innovators and global pioneers.
- **Darlington Economic Campus will see more than 1,500 civil service jobs relocated from Whitehall** and will also support regional growth of business and professional services, with rising interest from professional service companies looking to co-locate.
- **Tees Valley has a number of sectors with high productivity and above national sector productivity rates** and the majority of key sectors continue to achieve above average productivity, e.g., Clean Energy, Low Carbon and Hydrogen, Chemical and Process, Bioscience, and Digital.
- **Rapidly growing digital sector**, particularly clustered around the Boho area in Middlesbrough, which is projected to play an important role in generating many jobs in the future. Jobs in the Tees Valley digital sector grew by 2,500 or 56% on 2019 to reach 7,000 in 2020.
- **An emerging and growing independent sector spanning both culture and a commercial creative sector.** Detailed analysis of LinkedIn data suggests a creative workforce of 12,850 as opposed to the 3,215 recorded in BRES data. This discrepancy is likely a reflection of the high proportion of freelance / microbusinesses in the sector which are not captured through BRES records. This trend aligns with the wider UK characteristics of the cultural and creative industries where almost a third of creative workers are self-employed – much higher than the national average of 16%. Freelancers have a particularly strong presence in sub-sectors such as music, performing and visual arts (70% freelance), design and designer fashion (60% freelance) and film and video production (50% freelance).

- **A strong exporting region, with opportunities for further growth.** Trade is dominated by the manufacturing sector, accounting for 56.5% of Tees Valley's total exports, compared to just 30.4% in the UK. Tees Valley also has exporting strengths in Petroleum, Chemicals and Plastics.
- **Levelling Up Business Density:** The majority of Tees Valley's key sectors have relatively high levels of productivity, particularly so in Clean Energy, Low Carbon & Hydrogen. The Tees Valley Digital sector, whilst highly productive, is still relatively small compared to many other parts of the country. However, the sector is growing rapidly, and projections indicate that this sector will play an important role in generating many jobs in the future. Tees Valley also remains a strong exporting region with £6,117m of goods and services exported in 2019. In 2020, the port of Tees and Hartlepool remained the largest English port in terms of outward tonnage with 18.25m tonnes, 9% up on 2019's 16.76m tonnes. Opportunities exist within the region to build on these strengths and level up business density, particularly in high value sectors and regionally significant sectors. Levelling up to the national average equates to an additional 9,578 businesses. This provides opportunities make a significant contribution to the region's economic activity and the potential to create an additional 24,137 jobs (based on the average micro-business employing 2.52 people).
- The region has successfully secured a range government funding to boost town centre regeneration (£>150m) and improve travel (£310m). Supporting local businesses in our towns and high streets through UKSPF investment provides the opportunity to add value to the planned improvements, improving business density and delivering on the government's wider commitment to level up all parts of the UK, targeting funding where it is needed most.
- **Levelling-Up Business Creation and Growth:** Tees Valley has untapped potential to create and grow businesses in key sectors, including Clean Growth, Manufacturing and Digital. Assuming business survival rates are maintained at current levels, which are slightly higher than the national average (90.7% of Tees Valley businesses born in 2019 were still operating in 2020 compared to 88.3% across the UK), levelling up business birth rates is a key opportunity on which to build. By increasing business density, particularly in our priority sectors, we can realise local supply chain opportunities that increase company productivity and support resilience, whilst creating employment opportunities and developing key skills for regional growth.
- Scaleups are particularly crucial for driving job creation, generating inward investment for the UK, and acting as motors for regional economic growth. The building up of locally tailored, segmented and relationship managed scaleup solutions is essential if we are to deliver to our full scaleup potential in the region. However, the Tees Valley had the smallest number of scaleups per 100,000 population of any LEP area in 2019 (32.5) and was also the area with the second slowest growth rate in scaleups between 2013 and 2019, falling by 0.1 over this time. Despite this they still employed over 16,200 people in 2019 alongside a combined turnover of £3 billion.
- The value scaleups contribute to the UK economy is substantial. In 2019, scaleups employed 3.2 million people and generated a total turnover of £1.1trn for the UK economy. Scaleup business leaders value locally rooted resources and services to foster their growth. They are looking for local solutions that are easy to navigate and tailored to their specific needs with wrap around Relationship Management. Action is required at a local level to overcome continuing disparities and we need to act in a targeted manner. Identified challenges for companies in our area include ability to attract and retain talent; awareness of and ability to

access finance and growth capital; access to markets and ability to build capacity through local support.

- **Levelling-Up Productivity:** Tees Valley is an area of significant opportunity with the potential to deliver a national step change in the use of Clean Energy and industrial decarbonisation, supporting the Government's commitment to achieve Net Zero by 2050. The Teesside Freeport represents a significant opportunity for Tees Valley's private sector business and economic growth potential, particularly across our strong Advanced Manufacturing and Clean Energy, Low Carbon and Hydrogen sectors. With the right investments, the scale of our economic impact and influence can be disproportionately large and truly support the national priority to level-up the economy - by addressing regional disparities, increasing productivity, and driving job creation.
- Increasing digital adoption, capital investment, innovation, and workforce development, to ensure businesses have the right skills they need to transition and grow, are all significant opportunities in addressing the Tees Valley productivity gap and in creating well paid jobs in the region. Recent evidence submitted to Government from The Productivity Institute highlighted the underinvestment in human and physical capital as well as in other "missing capitals" such as intangible assets has led to the drag in UK productivity against comparable countries, hence investment is needed in their key growth areas.
- **Levelling-Up Employment and Skills:** Enabling businesses to recruit, retain and develop the talent needed to start, scale and grow is a key opportunity and provides significant potential to create employment and training opportunities. There are also significant opportunities to support the growth and sustainability of existing businesses by entering the supply chains of new inward investors. Attracting major new businesses to Tees Valley can create new jobs and sustain existing ones, enhancing the opportunity to grow apprenticeships and progression for those in work. Aligning additional Business Support capacity and resource with activity focused on people and development of skills will enable a response to inward investors, established indigenous businesses and emerging local supply chains that ensures there is skills provision and a candidate pipeline that meets employer needs. An example of this working in practice is the tailored support being provided to SeAH Wind where we have understood their workforce talent needs and developed a response with local training providers and the Training and Employment Hub to recruit accordingly; in addition linking the local business supply chain at an early stage to SeaH Wind and supporting them to develop their responses to subsequent contracting opportunities has identified future growth potential.
- **A strong local business support eco-system is fundamental if we are to maximise economic opportunities,** improve productivity and accelerate the creation, scale-up and growth of businesses across Tees Valley. Tees Valley has a strong platform, including an integrated business support network and established local leadership from which to build. Opportunities include:
  - **Key sectors and assets:** Building on growth opportunities, including those presented by the Teesside Freeport and government department relocations. A needs driven business support model which can deliver tailored, and sector specific interventions will be instrumental in attracting new business interest and building supply chains. This will provide opportunities to drive the **scale-up** of micro-businesses and to ensure **growth** for more medium sized businesses which will enable them to maximise market opportunities and improve productivity.
  - **Net Zero:** Attracting investment, future proofing our major businesses and securing good jobs

with long-term prospects that local people can access will contribute to delivering our net zero ambition for the region and contribute to government targets. The provision of a business support offer which can ensure all businesses are equipped with the tools needed to drive energy efficiency is essential for decarbonising their operations and delivering on their journey towards net zero.

- **Simplified and Sector Focused support:** Embracing opportunities to simplify and streamline business support will ensure it is accessible, responsive, and relevant to business needs. Tees Valley has a number of sectors with high productivity and above national sector productivity rates, including: Clean Energy, Low Carbon & Hydrogen (Tees Valley GVA per employee £124,300 and England £93,500), Chemical & Process (Tees Valley GVA per employee £79,800 and England £58,600), Digital (Tees Valley GVA per employee £85,200 and England 70,800) and Bioscience (Tees Valley GVA per employee £68,200 and England £62,400). It also has potential for significant growth in emerging higher productivity sectors such as Bioscience and Digital. To support growth in all sectors, a business support eco-system which recognises and responds to their different needs is essential to harness the region's potential and contribute to both business and economic growth. Key to the Tees Valley's growth ambitions is the development of our local culture and leisure offer, designed to improve our sense of place and enhance awareness and perceptions of the Tees Valley offer. Specific sector support will help to create employment opportunities at all skill levels and also across the economy more broadly, strengthening our inward investment proposition.
- **Longevity:** Businesses require ongoing support throughout their journey of start-up to scale-up to growth. Coupled with a simplified support system, the building of long-term relationships with businesses, will support businesses throughout their development journey and deliver productivity improvements and economic growth.
- **Changing Eco System:** The current business support offer is EU funded or funded via other funding streams on a short-term basis. Many support programmes will end in 2023, which presents the opportunity to mitigate the cessation of existing business support with a new, more focused eco-system that builds on UKSPF investment priorities and supports businesses across multiple sectors and aligns to existing offers in a collaborative and complimentary way.

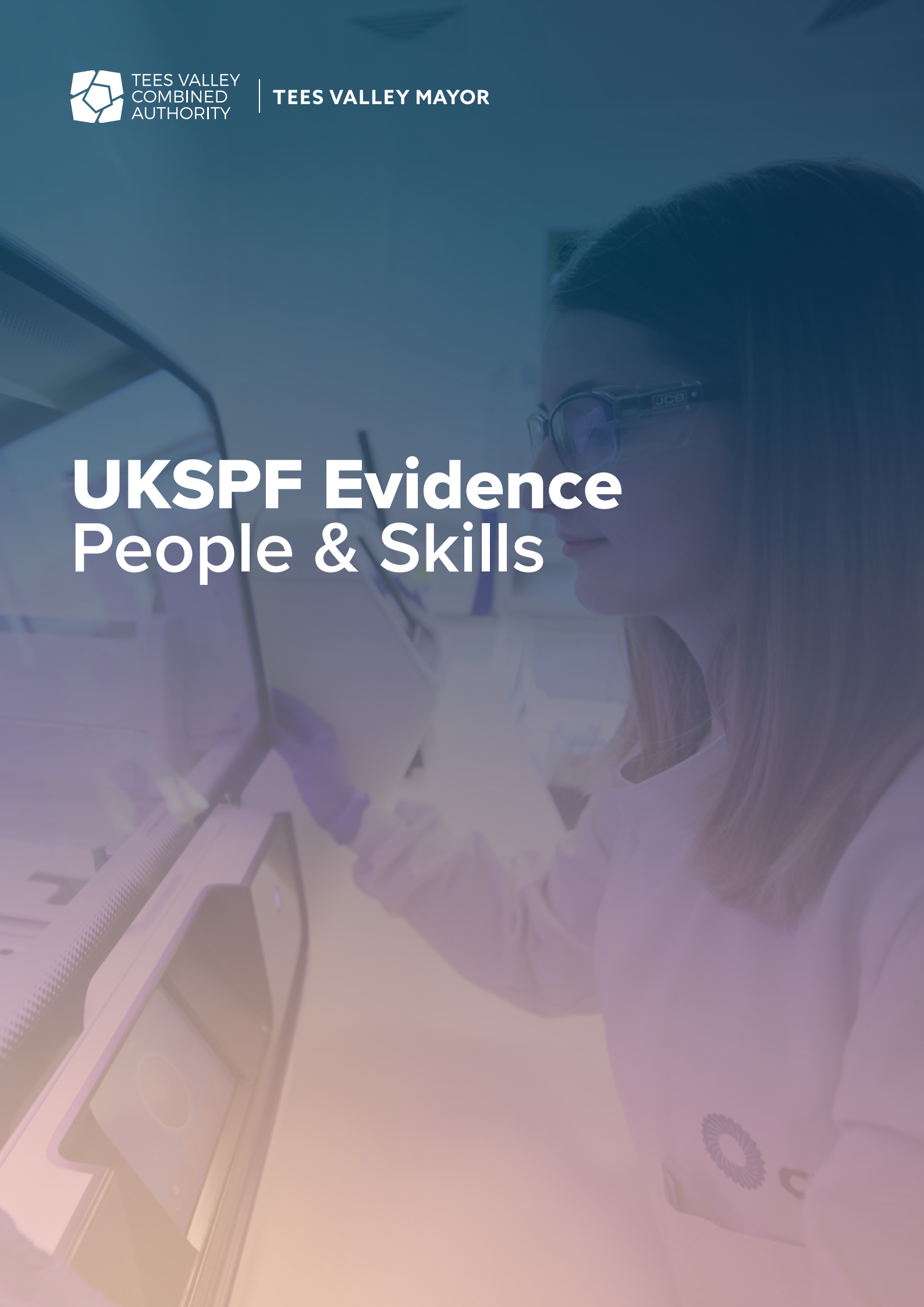




TEES VALLEY  
COMBINED  
AUTHORITY

TEES VALLEY MAYOR

# UKSPF Evidence People & Skills



## People & Skills:

The Tees Valley Combined Authority Cabinet approved a 10-year Investment Plan in 2019. To ensure a fully integrated approach, UKSPF priority setting has taken place in the context of this longer-term Investment Plan, which included income assumptions from UKSPF to deliver wider place-based ambitions to transform the Tees Valley economy.

The UKSPF Investment Plan builds on recent progress and successes, including:

- DWP Innovation Pilot, Tees Valley Routes to Work – supporting residents most distant from the labour market into or closer to sustainable employment. The pilot has engaged 3,908 people and 976 assisted into employment
- Supporting 34,000 adult learners across academic years 2019/20 and 2020/21 through devolution of Adult Education Budget
- Since 2016, we have offered targeted grants enabling the creation of more than 1,600 apprenticeships
- Established the Tees Valley Careers initiative - delivered in all Tees Valley schools and colleges for 11–18-year-olds, supported by over 1,000 businesses.

## Challenges

Tees Valley currently performs below the national average on labour market participation and skill levels of the population. Local analysis undertaken in relation to the Levelling-up capitals highlighted particular challenges in relation to ‘Human Capital’ in Tees Valley. However, the area also performs below the national average on business density, job density and GVA, highlighting that some of the challenges we face under people and skills are not standalone, they are intrinsically linked to challenges which also fall under ‘Supporting Local Business’ and ‘Communities and Place’.

The Tees Valley labour market is recovering strongly, with job vacancies increasing by 18% over the last year. The increase in job vacancies is resulting in increased demand from employers for workers, and yet we are still finding many employers unable to fill vacancies, including apprenticeship vacancies, highlighting a significant mismatch in demand and supply, resulting in some major imbalances.

- **Employment levels**
- **High % of residents with no or low skills levels**
- **Low business and jobs density**
- **Unemployment and higher economic inactivity with 1/3 due to sickness**

## Employment Rate

The Tees Valley employment rate (16-64) was 69.4% in the year to December 2021, which is 5.3% below the UK average. When comparing the employment rate by age, the biggest gaps were in the 25-49 and 50-64 ages. The employment rate for Tees Valley for 25-49 was 78.8% compared to 84.7% in Great Britain (5.9% gap); and the employment rate for 50-64 in Tees Valley was 63.1% compared to 70.8% in Great Britain (7.7% gap).

Lower employment contributes to high levels of local deprivation, resulting in many of our families and children living in poverty. In 2019/20, every one of the five local authority areas in Tees Valley had a child poverty rate significantly above the UK average.

This highlights another challenge we face in Tees Valley under People and Skills which is low paid work. With one third of Universal Credit claimants in Tees Valley in employment, we must address the vicious cycle of low paid work, often with limited routes for progression.

The combination of skills, health, sector and occupational make up, business density and job density are all likely contributing factors to the high unemployment and economic inactivity for working age adults in Tees Valley.

## **Skills Levels of Tees Valley Working Age Population**

Low levels of skills among our working age population, particularly for those that are unemployed or economically inactive remains high - in the year to December 2021 there were 26,600 residents or 6.6% of the working age population in Tees Valley that had no qualifications, of which, 9,100 were in employment.

71,900 working age residents in Tees Valley had no qualifications or were qualified below NVQ level 2, 17.8% of the working age population in Tees Valley, compared to 16.0% nationally, and 45,300 residents or 11.2% were qualified to NVQ Level 1 only. Supporting those that are most disengaged and economically inactive to engage with the skills system to develop their potential to access the labour market is a particular challenge.

29% of the population in the North East have no training in basic digital skills, compared to a UK average of 21%, and the proportion of the population with zero basic digital skills is higher than that of all other English regions. The UK Industrial Strategy Council predicts that, unless action is taken, in 2030 the most widespread under-skilling will be in basic digital skills. Addressing the basic digital skills challenge in Tees Valley will be embedded in our approach, including utilising our devolved adult skills budgets of Adult Education Budget (AEB), Level 3 Courses for Jobs funding and Skills Bootcamps. Furthermore, included in the Tees Valley Multiply Investment Plan is an activity that focusses on digital access to numeracy training.

Although the number of high skilled jobs are 10.8% less than the national average, analysis of jobs in the Tees Valley shows that high qualification and/or high skill occupations are making up an ever-increasing share of total employment. Working Futures 2017-27 predicted that 100,000 jobs (5,000 new and 95,000 replacement) may need filling by 2027 in Tees Valley, with almost three quarters of the projected jobs requiring higher level skills (L4+).

With fewer people in Tees Valley qualified to level 3 (55.8% compared to 61.3% nationally; and particularly level 4 compared to the national figures (33.2% are qualified to Level 4 compared to 43.1% nationally), the challenge for our region is significant – if we are to meet the increased demand for jobs requiring intermediate and higher level skills, we must create a pipeline of supply to progress onto next level learning and stimulate a skills escalator in Tees Valley.

## **Business Density and Job Density**

Tees Valley has 17,715 businesses (2021) and continues to experience comparatively low levels of business density, 64.9% of the UK national average. Furthermore, we continue to experience comparatively low levels of job density of 0.72 (compared to a UK jobs density of 0.84) meaning there are simply not enough jobs in Tees Valley for the total working age population – forcing many Tees Valley residents to find employment outside of the Tees Valley or remain economically inactive.

Job density could also be a significant contributing factor as to why each year, around 10% of our young people move away to study, with the perception that the jobs are not available in Tees Valley. However, of those who study outside of the Tees Valley, around 30% do come back to work in Tees Valley. Furthermore, 29% of Tees Valley graduates in employment claim to be in assumed non-graduate roles, but this figure rises to 34% for those who found employment within Tees Valley.

## Sector and Occupational Make Up

Every job of the future will be directly or indirectly shaped by the transition to net zero and all sectors will go through a transformation on their journey to net zero. As a result, we will see an increase new and replacement demand jobs, including for those in the new clean energy and other green jobs being created.

Coupled with this, Tees Valley has sectoral strengths including Chemical and Process, Health, and Social Care (accounting for 19% of jobs in Tees Valley), Other Public Services, Advanced Manufacturing (accounting for 5% of jobs in Tees Valley), Other Manufacturing, Clean Energy Low Carbon.

A challenge in several of these economically significant sectors and industries, is that of an ageing workforce which is already highlighting potential skills shortages and gaps that employers cannot fill. This issue is even more complex when we consider that the workforce in these sectors is predominantly male – meaning that a further challenge will be to encourage and support more females to work in these sectors.

Our challenge is to ensure more local people, especially those classed as economically inactive can access a pathway and gain the skills they need, either by upskilling or reskilling, to take advantage of the new and replacement demand jobs, including for those in the new clean energy and other green jobs being created – we must support the development of the next generation of workforce for these economically significant sectors and industries in Tees Valley.

## Unemployment and Economic Inactivity

Tees Valley has a higher-than-average number of residents who are unemployed and economically inactive - closely correlated with relatively low levels of health and well-being and high unemployment rates when compared to other areas - one third of all economic inactivity in Tees Valley is due to long term sick or temporary sick.

The latest figures for Tees Valley show 25.5% (103,300) of the working age population (16-64) being economically inactive for the year ending December 2021. This is 3.7 percentage points above the UK level of 21.8% (8,949,800) for the same period.

Tees Valley continues to see high rates of economic inactivity with the 25-49 and 50-64 age groups which have the highest rates of economic inactivity, however, youth unemployment rates also remain significantly higher than the national average, with 17.7% of 16–24-year-olds claiming Universal Credit compared to 10.6% in Great Britain as a whole (May 2022).

Another challenge we face under the People and Skills investment priority relates to a cohort of economically inactive residents who, for several reasons, are not 'in the system' and are therefore not known to Jobcentre Plus - finding this 'not known' cohort in our local communities will be critical if we are to ensure that no-one is 'left-behind'.

Our challenge in Tees Valley is to redress these imbalances and our strategic approach to this is set out in the **Tees Valley Employment & Skills Strategy- 2022 and beyond** and is underpinned by three **pillars of support - Preparation, Intervention and Retention.**

**Preparation:** Support for those still in education and training (our pipeline future workforce)

**Challenge:** To ensure that those still in education and training are equipped to make the right education and career decisions, and that education and training providers and employers regularly engage to ensure emerging training opportunities address current and future businesses skills demands

**Intervention:** Support for those seeking work (our potential future workforce)

**Challenge:** To enhance the employability of those who are close to employment and address the constraints faced by those more distant from the labour market as well as fulfilling that the training and support system meets the needs of local businesses.

**Retention:** Support for those in employment and accessing work; (our new and existing workforce and their employers)

A key challenge within the labour market and skills system is to enable development of the skillset of those in employment to progress to higher level and higher value jobs thus creating entry level opportunities for those currently disengaged from the skills system and the labour market. Addressing the need to support businesses to respond to this, plan their current future workforce needs and identify existing and future skills gaps is identified as a priority in the Tees Valley. The current ESF Skills for Growth programme has begun to develop this support to business and is driving changes in the local skills offer to address these gaps.

## **Opportunities:**

**Tees Valley is an area of significant opportunity, a strong platform on which to build and deliver economic growth. Every job of the future will be directly or indirectly shaped by our transition to net zero. Improving employment and skills provision, alongside digital inclusion, especially in the context of the net zero transition is critical so that none of our residents or businesses get left behind.**

- **Net zero transition**
- **Economic regeneration**
- **Increasing job vacancies 18%**
- **Higher rate of economically inactive that 'want a job' (27.2% compared to UK rate of 18.6%)**
- **Agreed strategic approach - Preparation, Intervention, Retention**

The net zero agenda is fundamental to the Tees Valley Combined Authority's vision of the area becoming a net zero carbon industrial cluster by 2040. 5,600 'green jobs' are projected by 2030 (not including new investment potential) - providing good jobs with long-term prospects that local people can access focused on clean energy, offshore and advanced manufacturing sectors.

In addition, the new Darlington Economic Campus will bring over 1,500 government jobs to the region as they are relocated from Whitehall, creating opportunities to diversify our economy and support wider growth in the Business and Professional Services Sector.

Furthermore, the Tees Valley labour market is recovering strongly, with job vacancies increasing by 18% over the last year. From May 2021 to May 2022, the number of payrolled employees in Tees Valley

has risen by 10,751 from 273,954 to 284,705, which equates to a 3.92% rise. (Source is HMRC Earnings and Employment from PAYE Real Time Information, UK: June 2022)

Providing a local skilled workforce is pivotal to our success and will ensure local people benefit from the investment and the jobs created. This is evidenced in our Strategic Economic Plan, Local Industrial Strategy, Cluster Plans and TVCA Investment Plan. Business cases approved by Government for the first and largest Freeport and Teesworks, the development of the largest industrial zone in Europe, include skills plans as an integral element to develop and provide a local skilled and available workforce for the future.

Despite Tees Valley having higher rates of economic inactivity compared to national, of the 103,300 individuals that are economically inactive in Tees Valley for the year ending December 2021, 27.2% (28,100) want a job compared to a UK rate of 18.6% - this provides us with a local opportunity under People and Skills to work with those who 'want a job', in turn addressing some of the demand and supply challenges we are facing in relation to job vacancies.

As a Mayoral Combined Authority, Tees Valley Combined Authority (TVCA) is driving economic regeneration across our region, maximising our devolved powers and responsibilities, which include adult skills. Devolution provides us with the opportunity to secure and use investment in new ways that enables us to better align and maximise employment and skills programmes, including, but not limited to, Adult Education Budget, the Bespoke Employer Led Skills pilots, Level 3 Adult Offer and Skills Bootcamps.

At the heart of the new **Tees Valley Employment & Skills Strategy – 2022 and beyond**, is our strategic approach, which is to '**connect, simplify and promote**' the multiple national and local employment, training, skills, and economic growth initiatives and funding from DWP, DfE and UKSPF.

Only by better connecting, simplifying, and promoting the multiple national and local employment, training, skills, and economic growth initiatives so they reach more residents and businesses, will we maximise our local opportunities.

The employment and skills eco-system has three core assets: individuals; businesses; and resources and infrastructure. We have the opportunity to facilitate and influence the better integration of these assets to strengthen the overall employment and skills and careers education system in Tees Valley.

It is important to acknowledge that local opportunities under the People and Skills investment priority do not stand alone, they are intrinsically linked to opportunities under both the Communities and Place and Supporting Local Business investment priorities.

Existing programmes of business and employment support, particularly those delivered through ESF, and ERDF have had limited impact. This is due to siloed funding streams, which result in an inability to design integrated programmes that respond in a holistic and co-ordinated way to local People, Place and Business needs. The alignment of interventions under UKSPF investment priorities affords us the opportunity to develop and deliver a joined-up local employment support and skills eco-system that effectively supports engagement and participation, progression to next level learning and/or employment and addresses systemic challenges and seizes opportunities to improve employment and skills outcomes for our residents.

Tees Valley has some of the most ambitious regeneration opportunities in England and through our suite of employment support and skills; and careers education programmes, we want to show our local residents that they can develop skills, access high quality work, succeed in excellent careers in a variety of sectors, and have their career of choice, right here in Tees Valley.

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