



**Identifying the Opportunities for County Durham and
North Yorkshire Presented by a Tees Valley City
Region**

Executive Summary

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Introduction and Context

i) This report presents the findings of a study commissioned by LSC North East to explore the Opportunities for County Durham and North Yorkshire presented by a Tees Valley City Region. The research was undertaken during the Spring of 2008. It resulted from the desire of the city region partners to ensure that stakeholders in County Durham and North Yorkshire are fully engaged with the city region and aware of the opportunities it presents for residents in their areas.

ii) The study builds on a number of earlier pieces of work and has been undertaken as the structures being put in place to deliver the economic opportunities identified in the City Region Development Programme are being finalised. It therefore provides an important input to the development and improvement of cross-boundary working, policy co-ordination and governance arrangements, and is intended to raise awareness of the benefits which could be achieved for all the city region's residents if this was maximised.

iii) The development of plans and strategies for the city region has largely been driven to date by the five Tees Valley authorities: Darlington; Hartlepool; Stockton-on-Tees; Middlesbrough and Redcar & Cleveland. The impact that the city region will have on the wider hinterland of County Durham and North Yorkshire has been less well-developed, although the city region's sphere of influence stretches from Peterlee in the north to Northallerton in the south and from Richmond in the west to Whitby in the east.

iv) In recent years the economy of the Tees Valley City Region has experienced significant growth, although GVA per head in Tees Valley is only 76% of the UK average and, since 2000, has also fallen below the regional average. Whilst the numbers in employment have increased recently, the decline in manufacturing jobs since the 1970s has yet to be fully replaced by the growth in service sector employment¹. Despite the recent re-structuring of the economy, the city region still has a higher proportion of manufacturing employment and a lower proportion of employment in the service sector than either the region or Great Britain as a whole and continues to have a very strong chemicals and pharmaceutical industry which is amongst the most productive in the UK and makes a major contribution to national exports.

v) The city region faces a number of economic challenges, including maintaining the increase in employment, growing the higher value service sector, including financial and business services and raising the proportion of the workforce with higher level skills. Raising productivity and innovation in the manufacturing sector would also contribute to closing the gap in levels of GVA per head.

¹ The Tees Valley City Region Development Programme, 2006

Existing Linkages within the Tees Valley City Region

Population

vi) The population of the Tees Valley City Region (using the definition of the five Tees Valley authorities plus Sedgefield BC) was estimated to be just under 750,000 in 2006². In addition to this core population, the Tees Valley City Region labour market draws on workers from County Durham, North Yorkshire and beyond. However, both County Durham and North Yorkshire are rural in nature and relatively sparsely populated. Compared to city regions such as those centred on Manchester and Leeds, the Tees Valley has a considerably smaller population to draw on for employment and to support a thriving market for local businesses. There is overlap between the housing markets in Tees Valley, North Yorkshire and County Durham, with North Yorkshire acting as the location of choice for some of the city region's most highly paid employees, and Tees Valley providing more affordable housing for those employed on lower wages in North Yorkshire.

Employment and Travel to Work Patterns

vii) Nearly 300,000 people are employed in the Tees Valley City Region (including Sedgefield), 90% of whom also live in the city region. Just under 15,500 workers travel in from County Durham and nearly 10,000 from North Yorkshire, together representing nearly 9% of the city region's total workforce. Travel to work patterns reflect both proximity and transport links, with Middlesbrough attracting the highest number of in-commuters (including from other parts of the Tees Valley) and Hartlepool relatively few. Twenty-eight per cent of in-commuters are employed in the manufacturing and energy industries, indicating the importance of the labour force in the wider city region hinterland to these key sectors. Over half of those travelling into the city region to work are employed in managerial, professional and associate professional occupations, which demonstrates the importance of the city region as a source of higher level jobs.

viii) Over 290,000 Tees Valley residents are in employment, 88% of whom work within the Tees Valley City Region. Over 35,000 are employed outside the city region, including nearly 13,000 in County Durham, particularly Durham City, Wear Valley and Easington, and over 7,000 in North Yorkshire, the vast majority of whom are employed in Hambleton. In many cases out-commuters are travelling to access employment in the public administration and defence sector, including with the Passport Agency, and Durham and North Yorkshire County Councils.

ix) Travel to work patterns are determined by the dislocation between the location of employment and the location of housing; the transport infrastructure and historical and cultural ties. The limited housing choice in Middlesbrough and Stockton-on-Tees, particularly

² Mid-Year Population Estimates, ONS, NOMIS

a lack of family and executive type homes, means that many workers, particularly the higher skilled and better paid, choose to live in the hinterland and commute into the urban core for employment. The designation of TVCR as a housing growth point and provision of a wider choice of housing in the centre could act to reduce this type of commuting.

x) Patterns of commuting are also clearly based around the existing transport corridors, with the most remote parts of the city region benefiting from fewer in-commuters. Proposals for an integrated rail and public transport network and additional park and ride stations could act to encourage a greater level of in-commuting to TVCR. Historical and cultural ties also play a part in explaining travel to work patterns. There are close links between Darlington and the northern parts of North Yorkshire and southern parts of County Durham, and Darlington attracts a high number of in-commuters from both areas. Conversely areas such as Hartlepool are more isolated and more self-contained in terms of employment.

Skills and Learning

xi) Demand for highly skilled workers is expected to increase as the economy of the Tees Valley City Region develops. One quarter of economically active people in the city region hold qualifications at level 4 or above. Whilst the numbers can be boosted by drawing on the pools of highly qualified people in both County Durham and North Yorkshire, these people have access to a range of employment opportunities in addition to those in Tees Valley. Whilst there is a clear need to train people to meet the demand for the additional workers that will be required if the Tees Valley economy grows as expected, there will continue to be a high level of replacement demand, particularly in those industries with an ageing population, some of which, such as engineering and the chemicals sector, are of great importance to the city region.

xii) Meeting this demand for skilled workers will be a key challenge for the network of private, FE and adult and community learning providers across the city region and beyond. There is already evidence of a considerable amount of cross-border travel to learn between the five Tees Valley authorities, County Durham and North Yorkshire. The patterns of travel to learn vary greatly depending on the location of the provider and reflect expectations, historical links and transport infrastructure. Darlington has the highest in-flow of learners, with fewer than half of its learners resident in Darlington. Over half (54%) of learners travel from County Durham (15%) and North Yorkshire (39%). Darlington College has a centre at Catterick and many of the North Yorkshire-based learners are Army personnel. Middlesbrough also has a high in-flow of learners, mainly from the other Tees Valley authorities, whilst the majority of learners in Hartlepool, Redcar & Cleveland and Stockton-on-Tees live in the area in which they study.

Key Issues for the Study

xiii) Defining the boundaries of an economic entity such as a city region presents a number of challenges. The actual influence of the city region varies – the labour market, the learning market, housing market and leisure market all have different patterns and different linkages with County Durham and North Yorkshire. In practice the **city region's boundaries are 'fuzzy'**. Rather than focussing on a 'line on a map', the study has taken a flexible approach to the definition of the city region, allowing respondents' own understanding to shape the identification of opportunities and issues.

xiv) The city region and the surrounding areas are interdependent in terms of employment. At the time of the 2001 Census, a larger number of people commuted out of the Tees Valley City Region to work than commuted in. Whilst the recovery of the Tees Valley economy means that this may no longer be the case, it is clear that there are **two-way linkages** between the Tees Valley City Region and parts of County Durham and North Yorkshire, rather than County Durham and North Yorkshire being dependent on the core of the city region for employment. The study therefore considered linkages and opportunities both in terms of how County Durham and North Yorkshire can benefit from development in the city region, but also in terms of the opportunities that each area is generating, and how the city region can benefit from these.

xv) There are clear differences in the city region's relationships with the economies of County Durham and North Yorkshire, reflecting the **different economic issues and challenges** faced by each area. For example, in relation to housing, the development of more higher value homes in the core Tees Valley area may ease pressure on the North Yorkshire housing market, but the concentration of housing development in urban areas is viewed with more concern in County Durham where the priority is to revitalise existing settlements and reverse a long period of population decline. In terms of commuting, North Yorkshire provides a significant proportion of the Tees Valley's higher skilled workforce whilst in County Durham the concerns are with the large numbers who remain out of the labour market despite a long period of national economic growth. There are also clear differences in terms of education and learning, with very limited provision in the northern part of North Yorkshire whilst southern County Durham has a range of post-16 provision but a greater challenge in terms of raising aspirations and motivating learners to travel to access learning.

Economic Opportunities for the City Region

xvi) In recent years the Tees Valley economy has shown clear signs of revival. The local authorities have developed a strategy which is based on building on the city region's existing economic assets and simultaneously improving the urban competitiveness of the Tees Valley including the business environment, skill base and physical, social and cultural infrastructure, in order to develop a city region with a sustainable economy and community.

xvii) The economic assets which will underlie the future growth of the Tees Valley economy include the petrochemical industry, Teesport (the second largest by volume in the UK), the CATS gas pipeline which brings in North Sea gas to be processed on Teesside and the energy sector which accounts for 10% of the UK's energy generation. The Tees Valley is also well-positioned to develop a number of key sectors to strengthen the overall economic base.

xviii) Advanced engineering is already a key element of the Tees Valley economy and links closely to the chemical, energy and steel sectors. Despite the specialist engineering provision within schools, colleges and the University of Teesside, the sector faces a continuing difficulty in recruiting appropriately skilled workers. There is a significant logistics cluster developing, based on the region's good transport links and development plans for the airport and Teesport. The tourism sector has grown significantly in recent years and has the potential to contribute to re-shaping the Tees Valley as an attractive place to invest. The high value services sector, including finance, business and professional services, has traditionally been under-represented in the Tees Valley. However, the development of high quality modern office space is expected to attract businesses and create employment in the future.

xix) In the wider city region, key catalytic projects include the development of NETPark, a regional science / technology park in Sedgefield. Phase 1 is already home to a research institute, incubator space and the Plastic Electronics Technology Centre. One thousand jobs are expected to be accommodated over the next five years and NETPark will act as a beacon for the knowledge economy within the city region. The re-development of Catterick Garrison in Richmondshire also has the potential to have a significant impact on the city region. Although the exact nature of the plans has not been finalised, the existing army base is expected to be transformed through the development of additional military facilities, housing units and shopping and leisure facilities, supporting a town of up to 25,000 people.

xx) A key element of the strategy for the city region is to transform its urban competitiveness to create a place where people want to live, work and visit, developing the environment which will attract and retain the skilled and entrepreneurial people needed to make the city region a success and develop the sustainable communities to allow all its residents to benefit from the opportunities being created. Investment to develop an environment conducive to a diverse economy is focussed on three spatial priorities – the Stockton Middlesbrough Initiative, the Darlington Gateway and the Coastal Arc – where key regeneration sites provide a focus for future employment opportunities.

xxi) These proposed development and economic opportunities provide an optimistic outlook for the Tees Valley economy, but there are a number of uncertainties relating to development timetables and the degree to which employment created would be additional, transferred from elsewhere, replacement demand to replace existing workers or temporary

during the construction phase. Each has a different impact on the labour market and different implications for organisations involved in the provision of learning, training and employment support activities. There is also a need to understand the distribution of jobs between sectors and at different levels within the sectors, so that appropriate skills training can be provided.

Responding to Opportunities – the Challenges for Supply Side Organisations

xxii) There is a need for a programme of awareness-raising and information provision to explain more fully the city region concept and the opportunities arising from the investments being made in the Tees Valley City Region. However, there is general enthusiasm amongst supply side agencies for close collaboration and more joint working across city region boundaries. This could cover a range of issues including progression routes into higher levels of learning across the city region, the alignment of planned activity, a coherent approach to delivery and a partnership approach to addressing the issues arising from the re-organisation of provision for 14-19 year olds.

xxiii) To achieve a more integrated city regional labour market, which will provide individuals with a greater range of employment opportunities and employers with a larger pool of labour to draw on, there is a need for economic development organisations and supply side agencies to work together to:

- provide better information on what opportunities are available and are expected to be created in future years;
- provide improved access to opportunities across the city region (including through transport improvements); and
- identify how on-going support can be provided to those moving (back) into employment throughout the city region.

xxiv) In general, the development of city region level working provides an opportunity for supply side agencies from the Tees Valley, County Durham and North Yorkshire to come together to identify the barriers which act to hinder the effective working of the labour market. A joint approach to tackling these issues, and identifying the freedoms and flexibilities from government and funding body rules and regulations which would help to address them, would provide significant weight of evidence if the city region were to pursue a Multi Area Agreement relating to skills and learning. Whilst the wider partnerships in County Durham and North Yorkshire might not choose to participate in such a Tees Valley City Region MAA, their engagement and support for the requests made to government would lend additional weight to any approach from the Tees Valley partners.

Opportunities and Linkages with County Durham

xxv) Linkages between the Tees Valley City Region and County Durham provide a number of opportunities which have the potential to benefit both areas. These include:

- Ensuring that the unemployed, economically inactive and young people in County Durham can benefit from the employment being created in Tees Valley through a series of measures to improve joint working between organisations in the two areas;
- Working to improve the number of residents with higher level skills, by encouraging employers to see the value of investing in their workforce, building on existing good practice and encouraging greater integration between colleges and higher education providers;
- Improving transport links between the two areas to remove some of the barriers to cross-border travel to learning and employment opportunities;
- Joint working to develop the logistics sector in County Durham and Tees Valley and increase its ability to provide entry level jobs for those who have been out of the labour market;
- Opening up the opportunities being created at NETPark to the workforce in the wider city region and ensuring school and college students in Tees Valley have the opportunity to benefit from the type of educational links being developed with County Durham schools;
- Raising awareness and the engagement of County Durham partners in the development of the city region and promoting a wider understanding of how the city region developments can benefit people and businesses within the county.

Opportunities and Linkages with North Yorkshire

xxvi) The relationship between the Tees Valley City Region and North Yorkshire is very different to that with County Durham and the economic opportunities relevant to the two areas are therefore very different. Opportunities relating to North Yorkshire include:

- Ensuring the benefits of an enlarged Catterick Garrison are captured within the city region, through better integration of the dependants of armed forces personnel into the city region workforce and enhanced support for those leaving the armed forces to retain their skills in the local area;
- Closer joint working between economic development authorities in North Yorkshire and Tees Valley to harness the economic benefits of tourism in the two areas;

- Greater involvement of North Yorkshire partners in the developments at Durham Tees Valley Airport, to maximise local benefits and mitigate against potential damaging impacts, such as increased traffic levels;
- Improved transport linkages and transport planning between North Yorkshire and Tees Valley, to increase access to employment opportunities, and avoid the problem of increased congestion associated with economic growth;
- Improved information sharing and closer joint working in relation to housing developments in the two areas, to ensure that housing market re-development in Tees Valley provides the greatest possible benefits to North Yorkshire.

Conclusions and Recommendations

xxvii) Considerable progress has been made in addressing economic development issues at the appropriate geographical scale since the development of the city region concept. There is now a need to more fully engage with a wider range of partners across both County Durham and North Yorkshire to ensure the benefits of the approach are maximised. Further work is required to understand the labour market implications of the planned developments and explore with employers their skills and training needs. Whilst there is scope to work collaboratively across Tees Valley, County Durham and North Yorkshire on some issues, in other circumstances a bi-lateral approach is required. The city region structures should be flexible enough to accommodate both approaches.

xxviii) An action plan has been developed setting out activity relating to the opportunities identified during the study. In addition to these specific actions, two recommendations relate to issues which cut across the city region as a whole: **structures and organisation** and **awareness raising and data management**:

- Representation on **partnership structures** in the Tees Valley, County Durham and North Yorkshire should be appropriate with representatives feeding back into their own partnership structures to increase levels of engagement with the city region.
- **Raising awareness** of the city region's aims and activities and the implications for the labour market across the TVCR and its hinterland will help partners to re-shape their activities in ways which best meet the needs of the local economy, local businesses and local learners.

The detailed recommendations are set out in the action plan which accompanies the full report. This is designed to offer pragmatic and achievable actions under a set of relevant themes.

Tees Valley City Region Action Plan

Topic Area	Action	Who?	By When?
1. Structures and organisations	Review partnership structures to ensure there is adequate representation of County Durham and North Yorkshire partners on Tees Valley Unlimited Boards, and that there is a reciprocal opportunity for Tees Valley Unlimited representatives to participate in economic development partnerships in County Durham and North Yorkshire	TV Unlimited, County Durham Economic Partnership, York & North Yorkshire Partnership Unit, Hambleton / Richmondshire District Councils	On-going
	Engage strategic bodies in County Durham / North Yorkshire to explore potential benefits / willingness to develop MAA for skills and employability alongside TVJSU	TVJSU, LSC NE, LSC NY, County Durham Learning, Skills and Employment Partnership, Y&NYPU	Longer-term
	Develop closer working relationships between learning partnerships in the 3 areas to guide the development of 14-19 provision	TVCR E&SB, CDLS&EP, Y&NYPU	
	Use LEADER Programme structures as a basis for developing further cross-regional boundary delivery where this is identified as beneficial	n/a	n/a
	Ensure County Durham and North Yorkshire representatives on TVCR structures represent the local partnerships as well as the local authorities and provide feedback into the appropriate partnership network	County Durham Economic Partnership and partners, Y&NYP and partners	By Autumn 2008
2. Awareness Raising and Data Management	Present overview of TVCR regeneration plans and activities to new County Durham Learning, Skills and Employment Partnership once	TVJSU	September 2008

Opportunities Presented by a Tees Valley City Region

Topic Area	Action	Who?	By When?
	established		
	Improve data sharing and collection across County Durham and North Yorkshire, e.g. around forthcoming employment opportunities		On-going
	Identify opportunities for spreading best practice in labour market / skills projects across the regional / sub-regional boundaries, e.g. disseminating the work of the Construction Integrator project in the Tees Valley	LSC to co-ordinate identification of relevant projects, potential dissemination methods to be discussed within the TV E&SB	Autumn 2008
3. Catterick Garrison	Ensure a representative of the Garrison is included on the TVCR Policy Forum to keep CR stakeholders updated on developments and act as a key point of knowledge for potential linkages	TVJSU to ensure that a Garrison representative is included when Policy Forum re-established	Summer 2008
	Map skills of armed forces leavers to the needs of the TVCR and North Yorkshire (build on existing research)	LSC NE and LSC NY, MoD	October 2008
	Link Regional Resettlement Centre at Catterick to employment networks in the TVCR	TVJCP, work via Garrison representative on the TVCR Policy Forum	Initial meeting by September 2008
4. Logistics	Extend planned Tees Valley Logistics sector study to incorporate South West Durham, particularly Newton Aycliffe Ensure coverage includes skills and employability dimensions and scope for sector to provide entry level jobs	TVJSU, Sedgefield BC to lead on behalf of South West Durham	
5. Transport	Identify need for better linkages between County Durham and TVCR, e.g. whether there is a need for transport hubs related to	Integrated Transport Authorities	On-going

Opportunities Presented by a Tees Valley City Region

Topic Area	Action	Who?	By When?
	Travel to Work Areas, such as park and ride facilities, including the potential to extend the proposed metro link to Bishop Auckland		
	Explore possibility of extending FE+ study on access to FE colleges in TV to cover access for residents in County Durham / to colleges in County Durham	FE+, County Durham Learning Providers Network	Summer 2008
	Ensure improved bus services in TV also benefit County Durham and North Yorkshire residents accessing TV for learning and employment	Integrated Transport Authorities	Winter 2009
6. Employability and young people	Explore better ways of working together to help County Durham residents get (back) into work in jobs in the Tees Valley <ul style="list-style-type: none"> - could include use of WNF - could include creative transport solutions - need to consider how to provide support once people have entered employment 	Via TVCR Policy Forum once re-established <i>(NB will need to make sure the correct organisations / partnerships are represented on the Forum for this to be achieved)</i>	
	Develop coherent structure through which to engage actively employers on employability, work placements, LEP etc across the TVCR	Via TVCR E&SB: JCP (all areas), Education Business Partnerships	
	Enable schools and educational organisations in CD to make links to employers in TVCR through closer and cross-boundary working	LSC NE, Education Business Partnerships	November 2008

Opportunities Presented by a Tees Valley City Region

Topic Area	Action	Who?	By When?
7. Tourism	Meet to discuss joint economic opportunities arising from tourism developments in TVCR and North Yorkshire	TVJSU, NYCC, Hambleton DC, Y&NYP	July 2008
	Explore potential to replicate this approach in County Durham building on opportunities such as the shared railway heritage and Durham 20/20 Vision	TVJSU, County Durham Economic Partnership, County Durham Tourism Partnership	Autumn 2008
8. Housing and Regeneration	Include colleagues in North Yorkshire / County Durham in the proposed Housing Forum, and ensure regular updates on the Housing Growth Point and regeneration proposals, and implications for housing development elsewhere are provided to the wider partnership	TV Living	On-going from summer 2008
9. NETPark	Re-visit contacts within local authorities within the TVCR to provide an update on progress and plans at NETPark and identify potential implications for wider TVCR	NETPark, CDDC, local authority economic development units	Autumn 2008
	Revive joint working with SETPOINT at University of Teesside to enthuse young people about science and ensure cross-CR access to NETPark facilities	NETPark, LSC NE, CDDC	Medium-term: Spring 2009
	Develop working links between NETPark and wider educational infrastructure, e.g. TV schools, FE Colleges in CD and TV	NETPark, CDDC, LSC NE, Provider Networks, LEAs	Longer-term