



*The North East Strategic Economic Plan
Progress review March 2014 - March 2016*

Delivering more and better jobs





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1. Introduction and purpose

Our Strategic Economic Plan (SEP) was published in March 2014. It builds on an evidence base established in 2012 for the policy environment of the time and focuses on defining how we will create more and better jobs for the North East LEP area. Since then, the economy has changed and new challenges and opportunities have emerged. We have agreed with the North East Combined Authority that now is the right time to look again and refresh parts of the SEP, taking into account new evidence on the region's economic position and evolving public policy environment. We aim to have a refreshed SEP by December 2016 to ensure that we are maximising our opportunities to support economic growth and employment in the North East LEP area.

This report aims to support the SEP refresh process by providing an update on delivery against the original document, looking across leadership and governance structures, programme development, resource acquisition and investment. As such it complements, but is distinct from, our recently published annual review.

This is one of three documents published to support the SEP refresh process. The other two are an **economic analysis paper**, which aims to update and seek input on the current economic position of the area, and an **engagement paper**, which frames a discussion about the next steps we need to take. These documents can be found on our [website](#) along with more information about the SEP refresh process.

Helen Golightly
Chief Operating Officer

1.1 The North East Strategic Economic Plan

The SEP was prepared as a 10 year plan covering the period 2014 to 2024, but also with a longer timescale in mind. It combines long term goals and aspirations over that period, with plans and targets for the delivery of two specific funding programmes, the [2014 Local Growth Fund \(LGF\)](#) allocation, confirmed in the Government's Growth Deal, and the notional allocation of [2014-2020 European Structural and Investment Funds \(ESIF\)](#).

This report aims to consider progress against delivering our economic plans and strategic investment, with consideration given to the short, medium and long term ambitions for our area. There is also a discussion on how we plan to evaluate our performance and understand longer term impacts on our economy.



Helen Golightly
Chief Operating Officer

Delivery of the North East Strategic Economic Plan - an overview

March 2014 – March 2016

Finance and investment

European Structural and Investment Funds

€559.5m notional investment into the North East LEP area
Development of ESIF strategy

North East Growth Deal

£329.9m secured
Over £132m committed to capital projects

North East Investment Fund

£55m loans fully committed
Supporting 21 projects
£4.5m allocated to extend current Finance for Business fund (JEREMIE)

Enterprise Zone Investment

Infrastructure investment agreed to support development on EZ sites

Progress highlights by theme

Innovation

10 large capital schemes delivering over £100m of external funding
First LEP in the UK to appoint an Innovation Director
An innovation ecosystem supporting leading business initiatives Venturefest and the Innovation SuperNetwork
Science and Innovation audit proposal to Government in line with Devolution Agreement
Strong relationships with national innovation agencies; e.g. Innovate UK and Knowledge Transfer Network

Business growth and access to finance

Secured control of £120m Finance for Business to remain in the North East (successor to current JEREMIE fund).
Development of the first fully digital Growth Hub in England; one single point of access for business support and advice
Local Growth Fund investment of £6.2m for the Rural Growth Network

Skills

Transformative career benchmarks pilot launched into 16 regional schools and colleges in a UK first
Enterprise Advisor programme rolled out to connect school pupils with work opportunities
Higher than national average take-up of apprenticeships, with the North East LEP leading the drive

Employability and inclusion

Successful development of £2m Mental Health Trailblazer, which will support 1,500 ESA claimants
Generation North East will invest £4.5m to help 16-24 year olds into employment; to date 950 young people have found work

Economic assets and infrastructure

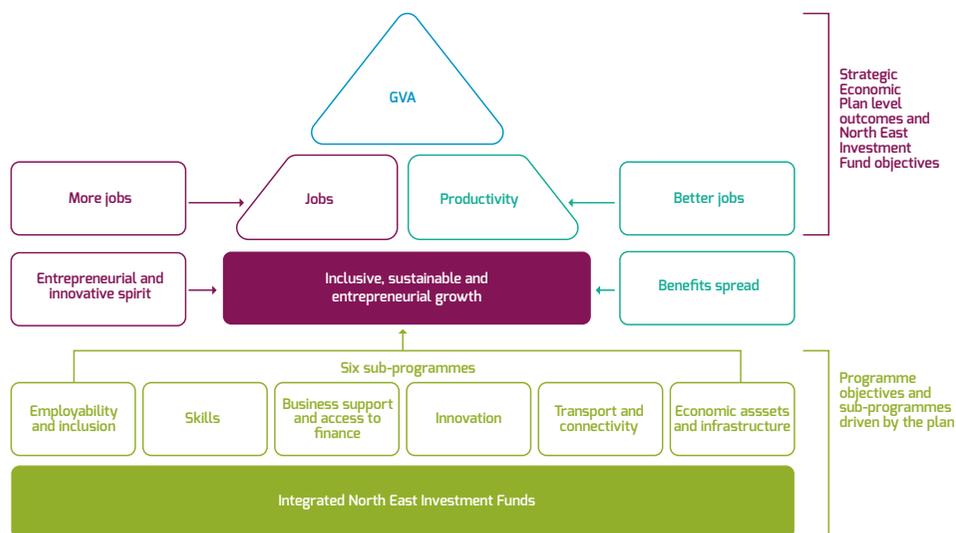
£44m of Local Growth Fund will be invested across five major infrastructure capital projects worth over £75m
2015/16 saw 95 inward investment projects secured, bringing 3,322 jobs.
Invest North East England established to champion inward investment into the North East
A second Enterprise Zone secured with 10 sites across the area

Transport and digital connectivity

£241m investment secured for 23 transport projects
Highways England collaboration underway to attract over £900m of investment in the strategic road network
The Connection Voucher Scheme provided £1.9m of vouchers to over 1,700 businesses to help them get connected to Superfast Broadband
Transatlantic flight to New York secured

1.2 Delivery of our SEP

The SEP is structured across six themed programmes: innovation; business support and access to finance; skills; employability and inclusion; economic assets and infrastructure; and transport and digital connectivity.



These programmes provided the framework for the development of detailed plans for the Local Growth Fund (LGF) and European funding (ESIF) programmes. They also provide a focus for more long term thinking including for leadership and advisory structures for the North East LEP Board, and North East Combined Authority.

These two bodies play different but complementary roles supporting delivery. The North East LEP focuses on three key areas of work:

- **Policy and strategy:** providing leadership on regional economic policy and strategic development, and oversight of the delivery of the SEP
- **Ecosystem development:** working with partners to develop an 'intelligent business focused ecosystem' that supports open innovation and accelerates business growth
- **Investment for growth:** influencing, facilitating and enabling investment to maximise opportunities for economic growth.

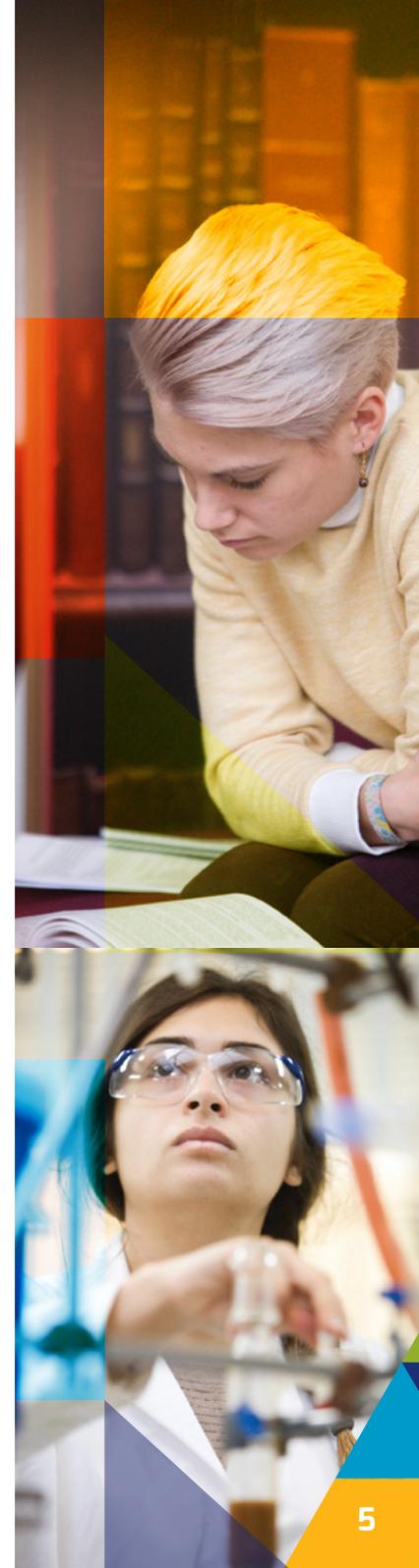
The North East LEP has a particular responsibility for leading on the innovation, business growth and skills themes as well as managing the Growth Deal/Local Growth Fund, Enterprise Zone programme and the North East Investment Fund.

The North East Combined Authority leads on those elements dealing with infrastructure, employability and inclusion, and is the local transport authority. As a legally constituted body, the North East Combined Authority is the accountable body for the LEP.

The SEP was developed, and is being delivered, during a period of ongoing administrative and institutional change, with implications for the availability of resources and sources of investment.

The report refers to other programmes, initiatives and activities that have been supported by the North East LEP, North East Combined Authority and other partners in pursuit of the longer term goals set out in the SEP. These are also included in this report where they have contributed to achieving more and better jobs. Some of these relate to the alignment of processes such as the City Deals secured by partners in the region, and others refer to specific projects secured through other routes to help deliver on regional priorities.

Throughout, this is a partial view of support to the North East economy in the period in question. The contributions of individual businesses, business networks, schools, colleges, universities, public bodies at all levels and people in work all contribute to the figures that feature in the associated economic analysis. It is intended, however, that this report explains the specific contribution of delivery against the SEP and provides a basis for discussion of how a refreshed SEP will continue to add value by informing investment decisions.



1.3 Policy changes that have impacted delivery of the SEP

European Structural and Investment Funds 2014 and 2020.

One of the most significant shifts since the development of the SEP has been around European Structural and Investment Funds (ESIF). At the start of the process in 2012, Government set out a process by which these Funds would be locally driven, forming an integral part of delivering strategic economic plans, and bringing significant investment to deliver local aspirations. This was to be achieved through an aligned ESIF strategy bringing together local needs with European structures and regulations.

Despite some significant changes to the process for delivering ESIF investment from those originally envisaged, European funding remains key for the region. The finalisation of the national operational programme resulted in development of the business process and provided the framework for a revised strategy. The local element of project calls is written, and assessed, in line with the local ESIF strategy, which is underpinned by the SEP.

Subject to the final agreement of the devolution deal, the North East Combined Authority may take on limited Intermediary Body status for ESIF. This provides the Combined Authority with the capability to assess the strategic fit of local projects and ensure they fit with the SEP and local growth plans. This is linked to proposals for the delivery of Sustainable Urban Development (SUD) where a similar approach will be implemented to deliver innovative, integrated sustainable growth.



European Union European Structural and Investment Funds

Devolution

The proposals included in the devolution agreement published in October 2015 represent one of the largest shifts in the policy environment in recent times, enabling us to take forward a number of objectives in the SEP. If agreed they will bring potential access to up to £30m per year to support development in the North East and increased control and discretion over policy and investment in other areas.

The proposals are currently being discussed. If approved, they will be wide-ranging - covering economic development, planning, housing and transport with the election of a Mayor for the North East to work alongside local authority leaders. Devolution also places the North East within the wider context of Northern Powerhouse initiatives. In addition to keystone schemes and

investments announced under the Northern Powerhouse banner, the proposal includes a Northern Powerhouse joint investment team to attract investment to the North of England with close the links developed between this team and Invest North East England team.

While this has not impacted progress to date, it is important to have an awareness in the context of other activities.

Growth Deal/Local Growth Fund

The Growth Deal and 2014 SEP are intrinsically linked. Since the initial announcement of £289.3m to support the 22 projects in North East LEP area from the first round of the Growth Deal, supporting 22 projects, a further £40.6m was awarded as part of a second round, reflecting the strength of the North East proposition. A third round of Growth Deal funding is expected and will support the continued delivery of the SEP.



Summary of progress

- As the rest of this document shows, despite the complexities of a fluid policy and funding content, strong progress has been made on delivering our SEP.
- As part of a ten year plan this represents a solid start to addressing the long-term challenges identified and making the most of the opportunities present in the North East. This will support us in achieving more and better jobs benefitting people and businesses and leading to thriving places.
- Throughout the next eight years we will continue to work in a changing context facing new challenges and new opportunities.
- We must not be complacent, but the positive start made to date points to the value of a solid, local, long-term plan delivered through sustainable and reliable funding and strong partnership arrangements. We will build on this to achieve our aspirations.

2. Delivery progress March 2014 - May 2016

The next section of this report is dedicated to updating the delivery progress made in all six of the SEP's priority areas.

2.1 Innovation

Approach

The SEP placed priority on the development of a strong innovation programme that builds on our areas of competitive advantage and addresses long standing challenges of regional competitiveness and productivity deficits.

Inspired by the challenge set by the Adonis Review to become an "international exemplar in smart specialisation and open innovation systems and culture," the plan set out to deliver a step-change in approach to innovation and commercialisation using:

- Smart specialisation, ensuring focus on innovation in areas where we have existing pedigree and/or research strengths that can form the basis for future competitive advantage
- Systematised application of best practice 'open' innovation approaches
- On-going strategic intelligence to understand and build on existing innovation assets, expertise and capability, and to develop market insights creating focus on opportunities for problem-solving within and outside the region.

The strategic approach was built from a review, led by innovation champion Professor Roy Sandbach and published in November 2013, which explored all aspects of innovation, including looking at leading

regions elsewhere in Europe. The work helped identify a number of important aspects of regional innovation systems which were translated into the SEP:

- Creation of innovation leadership
- Development of the innovation ecosystem - with a particular focus on supporting innovation hubs and networks and building a collaborative regional approach committed to open innovation
- Strategic investment to accelerate the performance of the innovation system, including prioritising growth in smart specialisation areas and connectivity between these areas.

Four smart specialisation areas of economic strength were identified, each of which combines strong research capacity, a vibrant business base and supporting infrastructure and networks providing the basis for competitive advantage in the North East. They can deliver long-term economic prosperity and resilience, and drive improvements in the scale and quality of employment across the North East economy. Our smart specialisation areas are:

- **Passenger vehicle manufacturing** – significant foreign inward investments of strategic national importance including Nissan and Hitachi represent opportunities for supply chain innovation business growth, and inward investment. A key building block is the already strong record in automotive

innovation, including through low carbon vehicle delivery

- **Subsea and offshore technology** – the North East presents opportunities for business growth building on a combination of highly innovative local businesses, major investors, and research assets from North East universities and national catapults
- **Life sciences and healthcare** – we have a major manufacturing, employment and export footprint, diverse industrial base and local research and development capabilities, accompanied by a potentially strong translational environment in the local public sector
- **Creative, digital, software and technology based services** – a diverse area of economic activity with global names, a fast growing digital, creative and software community which shares technology and skills bases and provides a key enabling technology capability to other industries, excellent research, knowledge assets and Catapult engagement.

The SEP also identifies four key cross-cutting knowledge and technology areas with great regional innovation potential:

- **Surface sciences**, where the North East has a range of strengths in coatings, paints and other technologies
- **Ageing**, where we have the potential to become an exemplar in applications in

a range of areas in response to global demographic change

- **Energy systems**, our area is a hub for development of a range of technologies including renewable energy systems, smart grids and energy storage
- **Satellite applications**, where the North East has demonstrated significant capacity to deliver satellite applications into a range of key sectors working with the Satellite Applications Catapult.

The North East LEP proposed to take forward a structured innovation programme funded through the Local Growth Fund, by European funding and with the support of the Technology Strategy Board (now Innovate UK) required to achieve key elements of the programme.



Progress at March 2016

In the two years since the SEP was agreed the following actions have been delivered:

Programme leadership and governance

What we said we would do	What we have done
Create the North East Innovation Board	<p>The North East Innovation Board met for the first time on 1 December 2014 and has met quarterly since. Chaired by Professor Roy Sandbach, it boasts a strategic and influential innovation membership and is responsible for:</p> <ul style="list-style-type: none"> • Oversight of implementation of the innovation strategy • Steering, advising and shaping development of the programme and its activities • Supporting the Chair and North East Executive <p>The Board has become the focus for oversight of and advice about the key projects identified in the SEP. It has developed strong relationships with key national departments and agencies including the Department for Business Innovation and Skills (BIS), Innovate UK and Knowledge Transfer Network (KTN).</p>
Develop North East LEP Executive Team capacity to support innovation-led growth	<p>Hans Möller was appointed as the North East LEP's first Innovation Director in March 2015.</p> <p>The team now includes the Innovation Director, Policy and Strategy Lead, Programme Manager, Programme Support Officer and communications support. The team is responsible for driving the programme delivery forward in line with the North East LEP business plan.</p>
Set up an international advisory group	<p>This was not progressed as a formal structure, although international engagement remains a core part of the programme. For example we had senior executives from Apple and Google speaking at Venturefest 2015.</p>
Develop and implement a strategic approach to communications for innovation activities	<p>An innovation communications plan for the North East LEP has been developed that aims to engage with priority sector projects and programmes.</p>
Develop and implement a strategic response to smart specialisation	<p>Four smart specialisation brochures have been produced highlighting the strengths of each area.</p> <p>The Innovation Board has endorsed a development programme for specific strategies for each area of smart specialisation. The first, on health and life sciences, brought together a range of partners, was informed by consultation, and was presented to the Innovation Board in March 2016.</p> <p>Other strategies are to be developed during 2016.</p>

Supporting the development of the innovation eco-system

What we said we would do	What we have done
Establish a cross-network platform (the Innovation SuperNetwork)	<p>The Innovation SuperNetwork proposal has been developed collaboratively by the North East LEP, the North East Business and Innovation Centre (North East BIC) and a wide range of partners. The North East BIC is the accountable body.</p> <p>It provides a platform to bring together cluster and business networks, research partners and innovation hubs to improve networking and build collaborative projects. It delivers a high profile events programme including the annual Venturefest North East, in partnership with the Knowledge Transfer Network and Innovate UK.</p> <p>The proposal to secure European funds was successful in April 2016.</p>
Develop a coordinated innovation intelligence approach	<p>A competition to create a collaborative Innovation Observatory bringing together all four North East universities was launched in January 2016, with Durham University being successful in taking the lead role.</p> <p>The Observatory will become a focus for knowledge and knowledge dissemination about the regional, national and international innovation environment. It will research and report on innovation potential and developments and provide information and guidance to the North East innovation community.</p>
Implement an approach for catalytic competitions	<p>An approach to this activity is being developed to deliver an integrated project, 'Data for Growth', aiming to accelerate digital solutions to the key challenges faced in North East smart specialisation areas.</p> <p>The North East LEP is working with the Digital Catapult, the Centre for Process Innovation (CPI), Newcastle University, Business Durham and other partners to develop the approach, identify and attract funding and establish the programme for launch</p>
Deliver a Health Grand Challenge	<p>A Health Grand Challenge is being taken forward under the brand 'Health Quest North East'. We are working with the Academic Health Science Network in the North East and Cumbria and other partner to prepare a full proposal and seek funding.</p>
Work with the universities to improve research commercialisation	<p>Universities in the North East have submitted a proposal for European funding to support a research proposal for a research commercialisation project, which is at outline approval stage.</p>

Strategic investment

Growth Deal / Local Growth Fund

Six innovation related investments, aligned to our smart specialisation areas, were identified within the SEP for support through the Local Growth Fund (LGF). The Growth Deal secured LGF capital investment into each of these and they are now being supported into delivery:

Project title	Description	LGF allocation £m	Total cost £m	Current position with business case and delivery
NetPark Infrastructure Phase 3a	Phase 3 of the development of the strategic NetPark site, creating serviced plots for up to 11 innovation businesses.	6.83	6.83	Business case approved. All works planned for completion October 2017.
Centre for Innovation in Formulation	To create a new Centre for Process Innovation (CPI)-led Innovation Centre at NetPark to develop new formulation processes in industries including pharmaceuticals.	7.4	14.4	Business case approved and planning approval received. Completion expected September 2017.
Low Carbon Energy Centre at Science Central, Newcastle	To create an Energy Centre and associated heat network providing low carbon energy to the Science Central development site.	2.8	5.50	Business case approved. Practical completion targeted for March 2017.
Newcastle Laboratory and Life Sciences Incubation Hub	To create an incubator facility for life sciences businesses on the Science Central site.	8.6	17.26	Business case approved. Project programmed to be complete fourth quarter 2017/18.
Sunderland Enterprise & Innovation Growth Hub	To create a city centre Enterprise and Innovation Centre linked to Sunderland University and incorporating a fabrication laboratory.	4.9	9.1	Business case approved. Construction work commenced in September 2015 with opening planned for January 2017.
National Centre for Healthcare Photonics, Netpark	Photonics is identified by the European Commission as one of six key futures technologies. Led by CPI, the project will create an open access innovation facility to accelerate innovation and commercialisation of photonics - based therapies and diagnostics for healthcare applications.	10	10	This funding was allocated in the second round of LGF and the detailed project development began later. Work continues on business case and approval has been given to first phase funding. Completion likely in 2018/19.

Projects with alternative funding sources

We have worked with a number of strategic partners to support the development of a series of key projects delivering on the SEP's ambition to build our innovation ecosystem.

Key projects - developing our innovation ecosystem	What we have done
Durham University/Procter and Gamble Innovation Centre	<p>In 2013, a consortium led by Procter and Gamble Ltd and involving Durham University, Peerless Systems and CPI was awarded a £5.3m Regional Growth Fund (RGF) grant as part of a £14m project to establish a Centre of Excellence in Methods and New Technologies for Surface Modification and Cleaning in the North East of England.</p> <p>The Centre provides a strategic hub for technology transfer and research bringing together partners to develop new cleaning and surface modification technologies, by building research projects and technology transfer initiatives in the North East and the UK.</p>
Neptune Centre	<p>The Neptune National Centre for Subsea and Offshore Engineering is a £7m centre of excellence that brings together business and Newcastle University to create a leading engineering research facility focused on subsea and offshore technologies.</p>
Digital Catapult Centre	<p>Based in Sunderland and launched in March 2015, the Digital Catapult Centre North East & Tees Valley is a partnership consortium co-ordinated by Sunderland Software City on behalf of the North East LEP, Tees Valley Unlimited and the five North East universities.</p> <p>The consortium won a national competition for regionally located centres of excellence and will help innovators bring digital services and products to market with a particular focus on projects around the controlled delivery and security of data.</p>
Satellite Applications Catapult Centre	<p>The North East Satellite Applications Catapult Centre of Excellence is one of three regional Centres of Excellence across the UK, operating with support from the Satellite Applications Catapult based in Harwell.</p> <p>The North East Satellite Applications Catapult Centre of Excellence is based at Business Durham and is supported by a regional consortium including North East LEP, Tees Valley Unlimited and the five North East universities. It will help North East companies exploit new opportunities in a sector that has grown by an average of 7% since 2008.</p>
National Centre for Ageing Science and Innovation	<p>In November 2014, the UK Government announced a £20million investment in Newcastle University to part-fund the establishment of a £40million National Centre for Ageing Science and Innovation (NASI).</p> <p>NASI brings scientists, industry, the NHS and the public together in one place to develop, test and bring to market products which promote healthy ageing.</p>
Incubator Support Programme	<p>The North East LEP has created an incubator support programme to address the deficit in incubator facilities in the North East by providing a peer support mechanism to establish or develop innovation focused incubator programmes and facilities.</p>
National Institute for Smart Data Innovation	<p>In March 2016, Government announced financial support for the National Institute for Smart Data Innovation (NISDI) to bring together industry, the public sector and world-leading academics to develop the skills, ideas and resources needed to exploit the opportunities offered by the explosion in digital data.</p> <p>Led by industry and benefiting from Newcastle University's internationally-renowned research in computing science and engaged across the North East digital community, NISDI will enable businesses to extract value from smart data and increase competitiveness with a national and international focus.</p>

2.2 Business growth and access to finance

Approach

The SEP identified three areas to deliver and promote proactive, streamlined and coordinated support to businesses that:

- Supports existing business to grow, and inspires entrepreneurs to start and build new business ventures
- Breaks down the barriers faced by SME businesses in understanding and obtaining investment finance
- Effectively promotes the North East as a place to invest, trade and visit.

In this context, through strategic leadership and governance, the SEP identified key aims for each of these areas:

- **Business support** - to support business growth and increase entrepreneurial activity by providing regionally-based services that enable local businesses to improve productivity and increase employment and trade
- **Access to finance** - to ensure the right blend of financial products are available to support business formation and growth, generating additional employment and Gross Value Added (GVA) in the North East economy
- **Inward investment, trade and tourism** - increase inward investment, the number of businesses exporting and our presence in key international markets.

Progress at March 2016

In the two years since the SEP was published, the following actions have been delivered:

Programme leadership and governance

What we said we would do	What we have done
Create the North East Business Growth Board	The North East Business Growth Board met for the first time on 24 November 2014 and met bimonthly until March 2016, and on a quarterly basis since. Chaired by North East LEP Board Member Paul Varley, it founded its membership from businesses, Further Education, Higher Education and government and is responsible for: <ul style="list-style-type: none"> - Oversight of implementation of the Business Growth Programme - Steering, advisory and development of the programme and its activities - Supporting the Chair and the North East LEP Executive Team.
Develop the North East LEP Executive Team's capacity to support business growth	Colin Bell was appointed as the Business Growth Director in November 2015. The team now includes a Programme Manager, Programme Support Officer, and communications lead. The team is responsible for delivering the business support programme in line with the North East LEP business plan.
Develop and implement a strategic approach to communications for business support activities	A business support communications plan for the North East LEP has been developed that aims at promoting engagement with the North East Growth Hub, access to finance offer and priority projects and programmes.

Business support

What we said we would do	What we have done
<p>Introduce a North East Growth Hub that provides easy access to a coordinated and focused business support offer targeted at the fastest growing businesses in the area</p> 	<p>The Growth Hub secured investment from the Local Growth Fund for 2015/16 as part of the North East Growth Deal. A further allocation was made in the 2015 Autumn Statement for the 2016 - 2018 financial years.</p> <p>The North East Growth Hub is an entirely digital platform and was initially launched in November 2015 for use by a group of 200 users in an experimental period, with full launch completed in April 2016.</p> <p>The Growth Hub is now live as a single point of access to the support and finance businesses need to grow and improve. For the first time ever The North East's business community now has a comprehensive and real time resource that provides access to the support that is available across the North East.</p>
<p>Support development and delivery of a locally commissioned business support programme that builds on existing programmes</p>	<p>The SEP envisaged creation of a range of services supported by European funding and matched with significant contributions from Central Government programmes including Growth Accelerator, the Manufacturing Advisory Service, both through the Business Growth Service, and UKTI Export programmes.</p> <p>The Government closed the business growth service in the 2015 Spending Review and this decision, combined with the changing management arrangements for European funding, have meant that overall activities have changed significantly since the SEP was agreed.</p> <p>To address the impact of the closure of the Business Growth Service, the North East LEP's Business Growth Board has developed a range of programmes that focus on driving productivity and growth across the business life cycle. The fiscal environment is challenging and funding to invest in business support is incredibly limited hence the Business Growth Board is adopting a different approach that is designed to better leverage participation and resources from the private sector. This includes:</p> <ul style="list-style-type: none"> • Promoting a growth mindset – Campaigning through the Growth Hub to promote an entrepreneurial and growth-orientated mindset that encourages greater levels of innovation and trade outside of the North East • Supporting business scale-up – We have begun working with partners to provide targeted support for businesses that have the aspiration to grow but which face barriers in making the transition from a developmental to a growth phase (from working 'in' to working 'on' the business) • Manufacturing Growth Programme – Targeted support for manufacturers based within the North East's areas of smart specialisation and which also demonstrate high growth potential. A supplier is soon to be appointed to deliver a pilot programme; the service will support the growth of 80 manufacturing businesses through the pilot programme • Stimulating demand for and better access to enterprise mentoring – We are developing an approach with partners to establish the best approach to enabling peer-to-peer support through the Growth Hub community, working with membership organisations and encouraging participation in and increased demand for enterprise mentoring • Business support network – Launched at the Growth Hub Goes Live launch event on Thursday 28 April, the provider network is creating an environment where there is 'no wrong door' for businesses and individuals looking to start a business. The network is focused on developing awareness of the North East's collective business growth offer, to develop trust between providers and to encourage innovation and the adoption of best practice.
<p>Rural Growth Network</p>	<p>Over £1.5m LGF funding has been allocated to the Rural Growth Network (RGN), with a further £6m allocated over the next four years.</p> <p>The network's activity is concentrated around Northumberland, Durham and the Tyne and Wear hinterland and is aimed at stimulating business growth through funding for businesses located outside our larger towns and cities. Around 200 new businesses have been established, more than 1,000 businesses have been assisted with either financial support or business advice, and there are now over 100 new enterprise spaces at 13 business hub sites across the rural North East.</p>

Access to finance

The SEP set out an aim to ensure the right blend of financial products is available to support business formation and growth, generating additional employment and GVA in the North East economy.

What we said we would do	What we have done
<p>Develop an integrated investment fund approach</p>	<p>An integrated approach to funding has been developed enabling easier access to different complementary funding streams. These are accessible and searchable via the Growth Hub, and platforms such as Rangewell will improve market comparison and success for those businesses that can access mainstream finance.</p> <p>Work is ongoing to develop ways of signposting small and medium enterprise (SME) not eligible for European or other public sector finance initiatives.</p>
<p>Improve the availability of local and national venture capital funds and create the best venture capital industry outside London</p>	<p>Details of national and regional sources of finance for business have been updated and made accessible via the Growth Hub.</p> <p>The availability of regional sources of finance has ensured an increase in the amount of venture capital accessed by local businesses supporting growth and to attracting external investors to the region.</p>
<p>Be the best place for small venture capital sub £2.5m by retaining and enhancing existing financial instruments</p>	<p>The North East LEP has been instrumental in the extension of the Finance for Business North East Fund (FBNE) by a further £17M, allowing continued deal-flow for SME businesses and the investment community.</p> <p>Additionally, the North East LEP has secured continued local control over the £120million North East LEP Area Investment Fund (the successor to the current JEREMIE fund) working with Central Government, the European Investment Bank and regional partners. The fund will continue to work alongside and share best practice with, but is separate to, the Northern Powerhouse Investment Fund.</p>
<p>Improve access to angel and mentor networks</p>	<p>Integrated with the mentor programme, a scheme has been developed in partnership with regional mentoring providers and made accessible via the Growth Hub. Angel investors and investment networks are encouraged to invest in North East SMEs and are able to co-invest alongside initiatives such as FBNE.</p>
<p>Support competition and new entrants to the banking market, including through a regional business bank</p>	<p>The North East LEP and partners continue to work with regional banking partners, including new market entrants, supporting and encouraging greater competition and market choice for our business base.</p>

Inward investment, trade and tourism

Making the most of international opportunities is important to the region's economic growth. This area of the SEP is the responsibility of the Economic Development and Regeneration Board of the North East Combined Authority. In 2015/16, 95 inward investment projects (both Foreign and UK origin) were secured, bringing 3,322 jobs Progress has been made in the following areas of this priority:

What we said we would do	What we have done
Develop and operate a single point of contact for inward investment enquiries	The North East Combined Authority has created a single investment gateway for inward investment into the area. Working under the brand Invest North East England (INEE), the small INEE team, led by the Director, leads the regional inward investment programme and co-ordinates regional investment enquiries on behalf of the seven local authorities and the North East LEP. The team has access to a developed and extensive partnership network of support agencies, sector specialists, universities, colleges, knowledge networks and business organisations throughout the region.
Work with strategic partners to attract investment in key growth sectors	INEE works with a wide variety of strategic partners including UKTI, local authorities, North East LEP, business cluster organisations, the private sector and education institutions. INEE's strategic partners assist the team in developing a package of support for inward investors which highlight the full potential of the North East, for example, through the development of bespoke value propositions and organising comprehensive client visits which involve introductions to key academic institutions, existing businesses, business support organisations etc.
Attract direct investment by promoting our local assets	<p>INEE is designing a suite of web-based and electronic marketing collateral based on the information contained in the sector toolkits. The marketing collateral will promote the key assets of the region and for each sector will include the promotion of assets such as:</p> <ul style="list-style-type: none"> • Skills and the North East talent pool • Competitive cost benefits • Business clusters • Universities and world class research centres • Access to key markets • Site and property options • Innovation assets (including incubator hubs and centres of excellence) • Quality of life benefits. <p>INEE is also developing a new website that will have enhanced functionality and interactive elements to promote the North East. The website will focus on the key sectors highlighted in the sector propositions and additional marketing collateral produced for the website. One key aspect of the website is the 'Locate North East' property search. This is a database of commercial property and land for sale or lease across the North East LEP area. It brings together up to date, real time information on strategic commercial property and land in to a single central resource. Using the interactive map an investor can search by location, type and size as well as being able to view transport links, business clusters, and universities within close proximity.</p>
Produce and promote a set of key sector propositions that outline a set of detailed offers to investors	<p>Consultants were appointed to prepare eight sector propositions, completed in February 2016. Each sector proposition is in the form of a 'toolkit' (a report plus data sets and case studies). The key sectors that were identified as having real potential for attracting new inward investment to the North East and so were developed by the consultants are:</p> <ul style="list-style-type: none"> • Automotive • Financial, professional and business service • Life sciences • Space and satellite applications • Software/IT • Energy (including oil and gas and offshore wind) • Creative and digital (gaming and virtual reality) • Rail <p>In addition, a further toolkit covering advanced manufacturing more generally (to cover additional North East sectors such as aerospace, food and drink, chemicals) was commissioned in May 2016.</p>
Develop a package of business support that meets the specific needs of businesses exporting and involving UKTI opt ins (where appropriate)	Initial work is underway with UK Trade and Export (UKTI) to enhance existing trade support programmes, including at North of England scale given proposals in the budget.
Invest in tourism, heritage and cultural assets that add value to the areas offer	We have invested £1m via the Rural Growth Network (RGN) in the The Sil, a landscape discovery centre by Northumberland National Park Authority on Hadrian's Wall.
Develop a business and academic tourism strategy	We have allocated funds in our Rural Development Programme for England (RDPE) budget under the European programme to bring forward tourism action plans in the rural North East. Progress is dependent upon the European Agricultural Fund for Rural Development call timetable being confirmed by Defra. The two Destination Management Organisations, Northumberland Tourism and Visit Durham, now sit on the RGN Executive Group which is helping strengthen partnership working. Our capital bid for LGF funding for the convention centre, which would improve business and academic tourism, was unsuccessful but remains a priority.

2.3 Skills

Approach

The SEP highlighted the critical importance of a skilled workforce in supporting private sector led growth. Three strategic objectives were identified to direct the skills work programme:

- Address the current and future skills need, strategically investing European Social Fund (ESF) and Skills Funding Agency (SFA) resources and expertise to provide a reformed skills approach that meets the needs of employers and learners and complements or stimulates private and individual investment
- Ensure young people are equipped and qualified to access opportunities that will be available in a successful modern economy through a schools challenge
- Ensure that high quality training facilities, which help engage employers and learners, are available to support a higher skilled workforce.

In this context, through strategic leadership and governance, the SEP identified three priority areas for action:

- Strengthening the skills system – improving the infrastructure for delivering skills funding through demand-side activities, including greater employer engagement, and complementary supply-side activities relating to tackling barriers to employment
- Improving the quality of education provided to young people in the area to ensure a consistent high quality education offer that is linked to business need
- Investing in facilities for vocational education, increasing levels of participation and achievement among young people and adults with a particular emphasis on the delivery of higher level skills, skills provision to enable unemployed people back into work, and to enable those in work to retrain or up-skill.

Progress at March 2016

In the two years since the SEP was published, the following actions have been delivered:

Programme leadership and governance

What we said we would do	What we have done
Establish a North East Employment and Skills Board	The North East Employment and Skills Board met for the first time in March 2015 and meets every other month. The Employment and Skills Board provides leadership for this programme of activity and will continue to be the strategic lead for skills in support of growth objectives. The Board has clear sight on its economic priorities and is highly engaged in programme activities.
Develop capacity within the North East LEP Executive Team to deliver our skills aspirations	The team dedicated to skills now includes a Programme Manager, Programme Support Officer, and communications lead. The team is responsible for delivering the skills programme in line with the North East LEP business plan.
Develop and implement a strategic approach to communications for skills activities	A skills communications plan for the North East LEP has been developed aimed at promoting engagement with each of the priority projects and programmes.

Strengthening the skills system

City Skills Fund monies were granted to the area in 2012 as part of the Newcastle City Deal to support the North East LEP labour market area to develop a strategic approach to skills development.

The principle aim of the Fund was to provide capacity in the North East LEP area to create a strategic approach to skills and improve the connection between supply and demand in the area. It also supported the North East approach to tackling youth unemployment through a demand-led model, the Generation North East programme, led by Newcastle City Council on behalf of a wider group of partners.

Throughout the funding programme there has been strong employer engagement and direct support has been given to key sector groupings.

Key projects that have been delivered within this priority area are:

What we said we would do	What we have done
Develop a North East Skills Pilot	<p>Work with providers in the North East LEP area to create a more responsive approach to skills delivery including an innovative approach to measuring local impact of provision against local outcome priorities.</p> <p>Key initiatives:</p> <ul style="list-style-type: none"> • The North East Economic Model (NEEM) • The Skills evidence base produced by Glasgow University's Training and Employment Research Unit
Engage the provider network in discussion around the skills programme	<p>We have established regular liaison and links to the North East learning provider network and Further Education college principals.</p> <p>Key initiatives:</p> <ul style="list-style-type: none"> • Pilot approach to measuring outcomes delivered by local providers • Programme of events and strategic dialogue to support providers in meeting contractual obligations.
Engage businesses in discussions around the skills programme and delivery	<p>To bring a stronger employer dimension to the Employment and Skills Board, a recruitment exercise was undertaken in early 2015 appointing five additional employers to the Board and establishing good links into the smart specialisation sectors.</p> <p>Key initiatives:</p> <ul style="list-style-type: none"> • Recruitment of employers to programmes and strategic boards and engagement with key sector groupings • Business focused networking events • A digital pre-apprenticeship development pilot.
Support the establishment of a locally relevant ESF programme	<p>We have worked with partners to develop local input into the specification for ESF calls and for £25m worth of skills activity through the Skills Funding Agency opt-in.</p>

Young people

We have a strong partnership that continues to develop the challenge approach, including establishing a robust investment plan.

In order to ensure that we create the change in schools required to achieve our overall skills objectives, we are working with schools in particular and other key stakeholders to deliver specific programmes of activity. This work will continue whether the original notional allocation of funding comes to fruition or not, and demonstrates our commitment to improving skills at all levels.

In line with our commitment to the over-arching strategy of ensuring that young people in our region have meaningful encounters with businesses, the North East has been at the forefront of national development in careers education, information and guidance (CEIAG) policy through the delivery of the Good Career Guidance Benchmarks pilot, which will inform the future approach to provision.

We also managed and delivered an apprenticeship research project for the North East LEP and North East Combined Authority. Following the research the Apprenticeship Growth Partnership for the North East LEP area was formed to support the delivery of an Apprenticeship Growth Plan.

Progress of key projects related to this priority area are detailed on the following table:

What we said we would do	What we have done
Lead national transformative pilot for CEIAG provision - Good Career Guidance Benchmarks	<p>The North East LEP was selected by The Gatsby Foundation in June 2015 to pilot the national Good Career Guidance Benchmarks.</p> <p>The eight benchmarks are widely seen as having transformational potential and the outcomes, best practice and case studies from the pilot have been shared with the Departments for Education (DfE) and Business Innovation and Skills (BIS) and will in all probability form the basis of a new national careers strategy. The pilot is the opportunity to test the Benchmarks in action.</p> <p>We have appointed a facilitator, which is a vital role within the pilot, supporting both schools and colleges with their action plans, looking for innovative ways to solve some of the barriers they face.</p> <p>The Information and Guidance Advisory Group, chaired by the Confederation of British Industry (CBI) is also now operational, setting tasks to widen the engagement of schools and businesses and improving communications on the key North East LEP CEIAG activities.</p>
Link business to education by creating a network of Enterprise Advisers	<p>A key Government-backed initiative rolled-out in September 2015, the Careers & Enterprise Company (CEC), is an employer-led organisation that has been set up to inspire and prepare young people for the fast-changing world of work. The North East LEP has taken the opportunity to shape and adapt the original CEC model to enhance the opportunities for school and business engagement. The initiative will embed senior business leaders within schools as 'Enterprise Advisers', and is a key enabler in the delivery of at least two of the Good Career Guidance Benchmarks. It has been warmly welcomed by businesses, schools and colleges.</p> <p>Enterprise Advisers are volunteers from the world of work - businesses and the public sector, organisations of all sizes including the self-employed. Working directly with school leaders, they are responsible for helping them to build employer engagement plans, drawing on their own local business networks and accessing local, regional and national provision of CEIAG support services.</p> <p>Our Enterprise Co-ordinator was employed in November 2015 and we now have 24 participant schools and a target of 70 Enterprise Advisers to be in place by May 2016.</p>
Drive an increase in the quality, number and take-up of apprenticeships	<p>An Apprenticeship Growth Partnership (AGP) for the North East LEP area is in place to support the delivery of an Apprenticeship Growth Plan.</p> <p>Further work has been done to significantly grow the number of Higher Apprenticeship starts over the next five years. A survey was undertaken with colleges, private providers and universities to understand current delivery, planned developments, issues and barriers and interest in collaborative delivery.</p> <p>The City Skills Fund sponsored the North East Apprenticeship Awards for the last two years. The North East LEP and Combined Authority were represented on the judging panel for the awards.</p> <p>Advice and guidance has been provided to individual universities, colleges and trainers providers delivering in the LEP area on regional priorities as directed by the Skills Funding Agency.</p> <p>The LEP is currently finding ways to support businesses, providers and young people in the context of reforms announced by Government in 2015, in particular the 2020 Vision and the implementation of the Apprenticeship Levy.</p>
Deliver a North East Schools Challenge	<p>The SEP envisaged that substantial funding would be available to deliver a Schools Challenge but this has not come into fruition. However, the activity detailed above contributes to delivery of the aims and objectives the challenge was set to do. We are actively looking for ways to address other areas within the schools challenge on an ongoing basis.</p>

Strategic investment - Further Education capital projects

The SEP recognised the need for educational facilities for young people and adults that are fit for the 21st Century. Within this context we regard the ten Further Education colleges located in the area as a valuable economic and community asset. However we are also aware that relative to other parts of England the overall condition of the college estate is poor.

Seven skills capital investments were identified within the SEP for support through the Local Growth Fund competition announced in the 2013 Autumn Statement. The Growth Deal announced in 2014 secured LGF capital investment into each of these. Two have subsequently been withdrawn and the North East LEP is now supporting five projects to move into delivery as follows:

Project title	Description	LGF allocation £m	Total cost £m	Current position
STEM and Innovation Centre, Tyne Met College	Creation of new STEM engineering facilities in a refurbished building.	1	1.2	Business case approved and project completed in December 2015.
Facilities for Marine and Offshore Engineering, South Tyneside College	Refurbishment of category 'C' space into modern facilities to increase the number of trainees in the offshore renewable energy sector.	1.12	3.35	The project was completed on time towards the end of March 2016.
Rural Skills development, Houghall College	Major refurbishment and development of facilities to support land-based industries.	10	11.8	Business case approved and planned for physical completion August 2016.
BEACH, Port of Blyth	Partnership project to create an offshore and wind energy training centre.	0.4	1.7	Business case approved and completed in March 2016.
Ashington STEM Centre, Northumberland College	New build STEM centre serving Northumberland.	2.25	2.5	Project has received planning permission and business case approval, work on site is planned to commence in the fourth quarter of 2016/17.

2.4 Employability and inclusion

Approach

In seeking to ensure that the benefits of economic growth are spread and no one is left behind, and in recognition of the fact that employment is the key route to combating poverty and exclusion, the SEP placed a particular priority on providing targeted and tailored support to neighbourhoods and groups facing major challenges in accessing training and employment opportunities.

Three strategic objectives are directing this area of work:

- Increasing the economic participation rate, assisting people to take up education, training and employment to increase life chances and economic wellbeing
- Providing support to those most distant from the labour market and, where necessary, assisting people to overcome disadvantage and poverty
- Tailoring support to meet the specific needs and circumstances of individuals through targeted intensive support and monitoring.

Two 'umbrella' programmes were identified as the basis for delivering these strategic objectives:

1. A North East Labour Market Agreement which aims to enable the provision of strategic leadership and accountability for employability and welfare to work support through the North East Combined Authority and provide a platform for a negotiation with Government to find new ways of working in key areas
2. Inclusive North East which aims to support the move to a high skills equilibrium by providing progression routes into our key sectors, opening up opportunities for unemployed people and eliminating all gender, race, age and cultural gaps in employment and entrepreneurship between the North East and national averages by 2025.

Progress at May 2016

In the two years since the SEP was agreed, the following actions have been delivered:

Programme leadership and governance

What we said we would do	What we have done
Enhance local leadership for employability and inclusion	The Combined Authority provides the strategic leadership and accountability for employability and inclusion in the North East through a portfolio lead, enabling leadership and technical support to deliver the programme. It also develops solutions and addresses gaps in delivery. This programme is delivered and overseen by the North East Combined Authority executive.
Establish a North East Employment and Skills Board	The North East Combined Authority is supported by the North East Employment and Skills Board, which oversees the implementation of the employability, inclusion and skills programmes within the SEP. It provides an effective channel of communication, consultation and review with a wide range of stakeholders across different sectors, networks and employer representative bodies.

North East Labour Market Agreement

What we said we would do	What we have done
<p>Put a North East Labour Market Agreement in place</p>	<p>The key strategy for delivering our aspirations for employability and skills has been based around ensuring appropriate local influence and control of programmes to match provision with real, local requirements. To achieve this, the agreement of proposals for devolution around labour markets and employability has been a crucial development.</p> <p>The devolution agreement for the North East, signed in October 2015, provides the platform for creating an integrated employment and skills system tailored to the specific needs of the area, capable of raising labour market participation and skills at all levels. The goals are to increase productivity, improve the life chances of young people, help people into work and meet the skills shortages experienced by North East employers.</p>



Inclusive North East

What we said we would do	What we have done
<p>Establish a North East Youth Employment Programme</p>	<p>Branded Generation North East, the Youth Employment Programme is locally designed and managed, with Cabinet Office funding, to support 18-24 year old Job Seekers Allowance (JSA) claimants into work.</p> <p>Newcastle City Council as lead accountable body, for this programme, secured funding through the Newcastle City Deal.</p>
<p>Develop the Youth Contract</p>	<p>The Youth Contract is investing £126m (Cabinet Office, BIS and DWP) to support 16-17-year-olds not in education, employment or training (NEET) who are at risk of long-term disengagement into education, apprenticeships or employment with training.</p> <p>Government commissioned a dual model of delivery: the first nationally commissioned through a prime provider-subcontractor approach on a payment-by-results basis; the other devolved funding to three core city areas, including NewcastleGateshead, allowing it to determine the scope and nature of service delivery and eligibility criteria.</p> <p>An evaluation completed in June 2014 found devolved delivery performed favorably against nationally commissioned delivery.</p>
<p>Deliver the Mental Health Trailblazer</p>	<p>This was one of four projects nationally to secure support through the Cabinet Office Transformation Challenge Award (TCA) in December 2014. Each pilot area designed its own delivery model and determined eligible cohorts.</p> <p>The North East model will support Employment Support Allowance (ESA) claimants with common mental health conditions into employment through integrating employment support with psychological therapy.</p> <p>The pilot will invest approximately £2m to support around 1,500 claimants over two years from June 2016 with ESF match and ESF.</p>
<p>Design and implement a Work and Health Programme</p>	<p>The co-design of the new Work and Health Programme, announced as part of the Comprehensive Spending Review, has commenced with a view to the Programme starting to be delivered from October 2017.</p>
<p>Support the establishment of a locally relevant ESF programme</p>	<p>We have worked with partners to develop the local input to ESF calls including SFA (£15m), DWP (£6m) and Big Lottery (£9.5m) opt-ins worth a total of £30.5m.</p>

2.5 Economic assets and infrastructure

Approach

Taking into account a complex and diverse economic geography, two key principles were at the core of the approach to economic infrastructure in the SEP:

- Increased co-ordination and integration to enhance physical assets including key sites for employment and housing, so called 'green and blue' infrastructure and physical and digital connectivity. Recognition of the role of softer economic infrastructure like the promotion of culture and heritage assets
- Enhanced capacity and investment in the quality of these assets to ensure that growth ambitions are enabled effectively and that the North East provides an attractive location for investors, workers and residents.

In this context the SEP identified four strategic priorities for economic infrastructure and assets as part of a framework underpinning its wider objectives:

- To unlock the potential of employment sites and regeneration priorities that directly contribute to economic growth
- To provide new solutions for maximising investment in tourism, heritage and culture and their economic contribution to the North East economy
- To support a housing market that provides an appropriate range of housing, including affordable housing and housing for rent

- To invest transport resources in a way that supports economic and employment growth, connects businesses with markets and suppliers, and increases the accessibility of local people to employment locations. Please see section 2.6 for more information.

Progress at May 2016

In the two years since the SEP was published the following actions have been delivered:

Leadership and co-ordination

What we said we would do	What we have done
Establish leadership mechanisms for Economic Assets and Infrastructure - North East Combined Authority Economic Development and Regeneration Advisory Board	A joint committee of the North East Combined Authority and the seven local authorities, that advises the North East Combined Authority Leadership Board on economic strategy, project pipelines and funding, future priorities, and monitors and oversees collaborative initiatives to promote inward investment has been established.
Establish the advisory capacity to coordinate and deliver the economic assets and infrastructure theme - North East Combined Authority Economic Directors Group and North East Combined Authority Planning and Housing Group	These groups support the development of an investment approach that will enable the appropriate quantity and quality of development in the right places to meet demand and aspirations, building on the region's well connected infrastructure, cities, settlement patterns and areas of opportunity. Groups established to support and advise the Economic Development and Advisory Board.

Unlocking potential employment sites

What we said we would do	What we have done
Support the delivery of a strong asset base through urban core development	Both Newcastle and Sunderland have benefitted directly from City Deal arrangements with Government (the former in partnership with Gateshead and the latter in partnership with South Tyneside).
Support the development of a strong asset base through delivery of the North East Enterprise Zone	Since 2012, the ten round one Enterprise Zone sites have been developed and marketed, drawing in £116m of private investment, attracting 27 businesses and supporting the creation of 1,700 jobs. In 2015 we successfully put forward an additional ten sites as part of a round two Enterprise Zone bid which will launch in April 2017.
Support the development of a strong asset base delivering key projects - International Advanced Manufacturing Park	The development of this 100ha site has progressed well. An area action plan to extract the land from Green Belt is underway and a development consent order to secure planning permission is being prepared. The site has been designated a Nationally Significant Infrastructure Project by the Secretary of State.
Support the delivery of a strong asset base, making the most of enhanced current assets - Team Valley and Aycliffe Industrial Estates	Forrest Park, at Aycliffe Business Park will realise an additional 48 hectares of development land with the potential to accommodate serviced and accessible commercial industrial properties and a road to rail freight terminal multimodal interchange.

Supporting housing market and employment sites

What we said we would do	What we have done
Develop a regional investment pipeline – economic assets	A pipeline of employment and housing sites has been developed during 2015/16, in readiness for future Government funding rounds and the strategic allocation of any resources devolved to the area.

Strategic investment

Local Growth Fund

Nine proposed investments across key employment, regeneration and development sites were identified within the SEP for support through the Local Growth Fund (LGF) competition announced in the 2013 Autumn Statement. The Growth Deal announced in 2014 secured capital investment into five of these. The North East LEP is now supporting these projects to move into delivery as follows:

Project title	Description	LGF allocation £m	Total cost £m	Current position
River Tyne Economic Development	Investment to tackle sources of contamination in the river bed sediments that threaten the viability of Riverside employment sites due to costs of dredging.	6	9.04	Business case approved and work commenced on sites in Walker. Works in head waters are programmed through to 2020/21.
Forrest Park, Newton Aycliffe	Provision of highway access and electricity substation facility to open up access to this new strategic employment site.	13	13	Business case approved. Work to be fully completed by 1st April 2018.
Swans, Wallsend	Infilling of a wet berth and site leveling at former Swan Hunter shipyard to create sites for the development of large scale manufacturing and fabrication units.	8	18	Business case approved. Some delays in this project linked to licensing but site preparation will continue to April 2017 with units being created from 2017/18 to 2018/19.
North East Rural Growth Network	Provision of Strategic Economic Infrastructure Funds (SEIF) and business growth support in rural economy through a number of projects.	6.2	22.5	Several SEIF projects have been approved and implemented including The Sill National Landscape Discovery Centre on Hadrian's Wall. The programme will run for four years with completion in March 2020
Sunderland Central Business District	Major redevelopment of a brownfield city centre development at the former Vaux brewery site.	10.8	12.8	Business case approved March 2016. Detailed planning permission for phase one approved April 2016. Phase one due for completion Dec 2017.

2.6 Transport and digital connectivity

Approach

The strategic approach set out in the SEP acknowledged that, to make the maximum impact on productivity, job creation and GVA, through strategic leadership and investment, transport had to:

- Improve the area's strategic connectivity – providing fast, reliable and resilient connectivity by road, rail, air and sea to external markets
- Improve access from all parts of the area to priority locations for economic growth, so people can get to jobs and training.

It also acknowledged the commitment to reducing the carbon emitted by transport and drew attention to the poor public health in the North East, including high obesity and inactivity rates and lower life expectancy.

To achieve the aspiration set out in the SEP for physical connectivity, a series of transport investments were proposed across:

- Roads – ongoing investment in a reliable, strategic network, with reduced congestion, key priorities being known bottle necks on the A1 and A19, river crossing points and their approaches and radial routes into the main urban centres.
- Local public transport – continuing to develop a public transport system that meets the needs of new and existing customers through investment in infrastructure and a step change in ticketing and information provision
- Regional and national rail - with northern partners to achieve specific improvements to regional services including national freight routes and that the for freight and to ensure the benefits of HS2 are realised for the North East.
- Ports, rivers and airports – support for stronger links from Newcastle International Airport to major air hubs and distant British cities. Investment in port infrastructure, which takes advantage of opportunities such as port centred logistics and renewable energy. Creation of more integrated approach to the development, promotion and environmental management of the River Tyne as set out in the SEP.

Progress at May 2016

In the two years since the SEP was published the following actions have been delivered:

Strategic leadership and governance

What we said we would do	What we have done
Establish appropriate leadership and governance arrangements - Transport for the North East Committee	<p>Set up in 2014, the Transport North East Committee meets four times a year. It comprises 14 members, two from each Local Authority within the North East Combined Authority.</p> <p>The Transport North East Committee is a significant body within the North East Combined Authority. The role of the committee is to advise the Combined Authority and oversee the delivery of transport functions across the north east. A number of Tyne and Wear specific transport functions have been delegated to the Tyne and Wear Sub-Committee.</p>
Establish appropriate leadership and governance arrangements - Transport North East (Tyne and Wear) Sub-committee	<p>Set up in 2014, the Transport North East Sub-committee meets six times a year. It comprises five Members, one from each of the Tyne and Wear Councils.</p>
Develop capacity at the regional level to deliver on transport priorities - Regional Transport Team	<p>Functions include</p> <ul style="list-style-type: none"> • Providing support for the above Committees • Preparing the North East Transport Plan (and its precursor the Transport Manifesto) • Writing funding bids for projects • Ensuring the timely and satisfactory progress of existing projects • Representing the North East on national and sub-national bodies.

Strategic investment

15 transport schemes were identified within the SEP for support through the Local Growth Fund competition announced in the Growth Deal. The programme of major schemes are shown on the map opposite:



The Growth Deal announced in 2014 secured LGF capital investment into each of the 15 transport schemes and progress to date is detailed in the table below:

Project Title	Description	LGF allocation £m	Total cost £m	Current Position
Horden (Peterlee) Rail Station	Construction of a new two platform station at Horden, Peterlee on the Durham Coast Line between Hartlepool and Sunderland.	3.34	7.1	Business case currently in development and approach to modeling agreed. Scheme put back into 2016/17 due to issues with initial site options and economic assessment.
A1058 Coast Road	Norham Road Bridge replacement and access improvements along the Coast Road corridor.	6.52	8.7	Approved. Agreed additional LGF contribution towards additional costs. Scheme approved and works have started.
Sunderland Low Carbon Zone Infrastructure	Improved highway access to Enterprise Zone sites.	5.95	13.5	Approved and works underway.
South Shields Transport Hub	The scheme will consolidate Metro and bus terminals in the heart of South Shields.	9.4	16.1	Outline business plan has been approved, with the full business case expected in 2017.
Northern Access Corridor Phase 2 (Cowhill to Osborne Road)	The scheme will put signals on the roundabout and upgrade the Cowgate junction to reduce levels of congestion and address issues of severance for non motorised modes.	4.09	8.1	Outline business plan has been approved. Full business case scheduled for 2017.
A167 Park and Ride Corridor	450 space park and ride site at Eighton Lodge, with potential for eventual expansion to 900 spaces.	4.99	7.46	Outline business case has been submitted with full business case expected autumn 2016. Start date expected 2017/18.
Central Metro Station Refurbishment	Major upgrade and improved amenities to enhance the public experience and improve energy efficiency.	2.51	7.88	Approved and works underway.
Northern Access Corridor Phase 3 (Osborne Road to Haddricks Mill)	The scheme will put signals on the roundabout and grade the Blue House junction to reduce levels of congestion and address issues of severance for non-motorised modes.	4.43	17.93	Outline business plan has been approved. Full business case scheduled for summer 2016.
A19/A194/A1300 Lindisfarne Roundabout, South Tyneside.	Carriageway improvement scheme that will improve traffic movements at providing improved connectivity to Port and town centre.	6.1	7.55	Approved and works underway.
Scotswood Bridgehead Improvements	Improved access to Scotswood Bridge from the north, west and east to reduce congestion and road accidents.	3.7	4.2	Outline business plan has been approved. Full business case scheduled for summer 2016.
A1056-A189 Weetslade Roundabout and Corridor Improvements	Creates improved access to strategic employment site and widening access to junctions to reduce congestion.	4.33	4.8	Approved and works underway.
Direct link from Newcastle Central Station to the Stephenson Quarter	Creates a new pedestrian footbridge link direct from Stephenson Quarter employment zone to Central Rail station.	6.0	10.0	First phase approved and underway. Second phase in development.
A191 junctions including Coach Lane and Tyne View Park	Scheme provides journey time benefits for westbound traffic and removes current capacity restrictions on this stretch of A191 including access to Quorum Business Park.	1.5	1.5	Approved and works underway.
A19 employment corridor access improvements	A package of improvements to support the continued growth of Cobalt Business Park including bus, walking and junction improvements.	4.7	4.7	Approved and works underway.
LSTF Capital Package (16 projects)	Mix of cycle schemes, rail station gateway improvements, scooter loan schemes and two urban traffic control systems.	7.5	7.52	Approved and works underway.

Projects with alternative funding sources

A range of additional projects and programmes aligned with the SEP have been brought forward which will contribute to the delivery of aspirations set out in the SEP. These include:

Deliverable	Current status
Improved air connectivity to key global hubs	A direct air link to New York was introduced October 2014
Support for regeneration development around airports	The Newcastle International Airport Masterplan sets out regeneration proposals to 2030. The Newcastle International Airport Enterprise Zone is a Round 2 Enterprise Zone.
Improve port connectivity to Scandinavia	Government announced £300,000 investment in 2015 for a new marketing campaign to promote tourism links between the North East and Scandinavia, and welcomes talks to reinstate the ferry between Norway and Newcastle.
Improve port connectivity linked to growth in offshore wind	The Blyth Offshore Wind Demonstration project is in development and each of the other ports are undertaking developments.
National Roads network – project A1 connectivity	Highways England's programme for the A1 Newcastle Gateshead Western bypass is: <ol style="list-style-type: none"> 1. A1 Coalhouse to Metro Centre scheme – scheduled completion June 2016 2. A1 Birtley to Coalhouse – recommendations on preferred route 2017 3. A1 Scotswood to North Brunton – feasibility study 2014, scheme now being developed
National Roads network – project A19 connectivity	Highways England's programme for the A19 is: <ol style="list-style-type: none"> 1. A1/A19 Seaton Burn Interchange & Fisher Lane Junction Improvement – completed 2. A19/A1058 Coast Road Junction Improvement – construction expected to start 2016 3. A19 Testos and Downhill Lane Junction Improvements – expected to start in 2019
National Roads network - A1 connectivity north of Newcastle	Highways England's programme is: <ol style="list-style-type: none"> 1. A1 Morpeth to Ellingham – upgrade existing single carriageway to dual carriageway to create a continuous dual carriageway from Newcastle to Ellingham - construction to start 2020 2. A1 north of Ellingham – enhance the performance and safety including overtaking opportunities, junction improvements and pedestrian and cyclist crossings – to be announced
Tyne & Wear Metro enhancement	Nexus "Metro Strategy 2030" shows the three- phase Metro Reinvigoration programme <p>Phase 1 – new ticket machines and gates (complete)</p> <p>Phase 2 – fleet refurbishment (complete) plus renewal of track, stations and other infrastructure (to 2020/21)</p> <p>Phase 3 – fleet renewal (2025) and extensions to the system</p>
National Rail network – capacity and speed improvements between Newcastle and Northallerton including Leamside Line	Options included in Network Rail East Coast Route Study published for consultation December 2016. These include the possible reopening of the Leamside Line to provide increased capacity for both passenger and freight services, and increased speed for passenger services. NECA is currently exploring these options with Network Rail
National Rail network – HS2	Northern Transport Strategy Update published March 2016 envisages improved journey times as part of HS2 and Northern Powerhouse Rail
Northern Transpennine Routes (NTPR) Study – upgrading either A66 or A69 or both	NECA is participating in the strategic study process with Highways England and helping to progress the Business Case
Reopening the Ashington, Blyth & Tyne rail line to passengers	There was a commitment for Government to examine the Business Case in the October 2015 Devolution Deal and Northumberland County Council are progressing development work in conjunction with Network Rail

Digital connectivity

The North East has more new technology start-ups that anywhere else in the UK outside of London; a key success highlighted in the SEP. The SEP recognized the delivery of superfast broadband and the wider digital infrastructure as essential to further supporting growth and competitiveness. It noted that economic growth is increasingly synonymous with digital connectivity and that raising awareness of the benefits of superfast broadband and driving demand are essential.

The digital connectivity priorities identified in the SEP were all related to the investment, roll out and promotion of Superfast Broadband, public Wi-Fi and improving digital skills, and we have been working to achieve these through strategic leadership.

Strategic leadership and governance

What we said we would do	What we have done
Establish appropriate leadership and governance mechanisms - Economic Development and Regeneration Advisory Board	A joint committee of the North East Combined Authority and the seven local authorities which advises the North East Combined Authority Leadership Board on economic strategy, project pipelines and funding, future priorities, and monitors and oversees collaborative initiatives.
Establish appropriate advisory capacity - North East Combined Authority Digital Leads Group	This group meets on a monthly basis with strategic digital representation from all seven local authorities and the North East LEP.

Project delivery update

Deliverable	Current status
Prepare and deliver a joint investment plan to secure 99% access to superfast broadband	<p>Plans are in place to achieve this as part of the national Broadband Delivery UK (BDUK) programme. Currently, Phase 2 rollout of Superfast Broadband UK programme is delivering the following coverage by June 2019:</p> <p>Gateshead 98.9%, Durham 97.7%, Sunderland 98.95%, North Tyneside 99.8%, South Tyneside 99.15%</p> <p>In Northumberland - Phase 1 BDUK programme - contract with BT to connect approx. 90% of premises by Dec 2015. Phase 2 BDUK programme initial response suggests this will connect a further 3000 premises throughout Northumberland by Sept 2017. There are on-going discussions with wireless and satellite providers to seek solutions for around 10,000 premises that will still not be connected by the end of 2017</p> <p>In Newcastle – 98.6% coverage delivered in BDUK Phase 1. There are still significant gaps in coverage in the urban core which we continue to try and address by working closely with suppliers to identify demand to encourage commercial investment.</p>
Take steps to resolve state aid complications to enable the Super Connected Cities Programme	<p>Connection vouchers worth up to £3,000 each were made available for SMEs to get connected to Superfast Broadband. Demand for connection vouchers was still present at the closure of the national scheme, however no funding is currently available to continue the offer.</p> <p>There is no current national plan to address the State Aid issues surrounding investment in city centres, resulting in patchy coverage of adequate broadband provision.</p> <p>Work is taking place with the Cloud Innovation Centre to identify SMEs that can benefit from assistance to develop project ideas for products and services using new technologies.</p>
Develop and implement an approach to raise digital skills in the North East working with the GO ON UK Pathfinder	<p>All local authorities delivered activity through the GO ON UK pathfinder to increase digital skills in communities.</p> <p>A further pilot to increase digital skills in business is now being explored. Go ON UK has merged with Doteveryone. Talks are underway with Doteveryone about the future of the Small Business National Digital Skills Hub and the pilot project to which we remain committed.</p> <p>Newcastle City Library is hosting the Google Digital Garage from the 22 April 2016 until the end of June 2016. This is a pop-up facility that will provide one-to-one training and digital masterclasses to help deliver digital skills to people in the region.</p>
Pursue innovative approaches enabled by continuously improving digital infrastructure, e.g. engagement in real-time data analysis and decision making – Smart Grids; urban traffic management and control	<p>Funding for a Smart Data Institute announced in Budget 2016 which has objectives of:</p> <ul style="list-style-type: none"> Delivering “impact” through excellence in smart data innovation and research Creating productive new networks and collaborations focussed on smart data at a regional, national and international level Supplying next generation skills and capabilities in smart data. <p>Further funding secured for Digital Economy Research Centre – with themed research areas of:</p> <ul style="list-style-type: none"> Digital local democracy Digital community learning Public health and positive health communities Digital social care Participatory media.

3. Financial programmes

3.1 The Growth Deal and Local Growth Fund Capital Investment

The SEP is supported by a number of funding programmes, in particular the allocation secured from the 2015/16 Local Growth Fund (LGF), the allocation of European Structural and Investment Funds (ESIF), and investment through the North East Investment loan fund.

In addition the North East LEP and North East Combined Authority and other partners have been able to secure investment from a range of other sources in support of delivery including:

- Enterprise Zones receipts
- Regional Growth fund
- Growing Places Fund
- Private sector investment
- Other public sources including national government and executive agency resources
- Foundations and trusts.

The North East Local Growth Deal was initially agreed in July 2014 following the local policy framework and 'bid' for the North East allocation of national £2 billion of Local Growth Fund (LGF) identified by the Chancellor of the Exchequer in the 2013 Autumn Statement. This funding represented a significant step forward in localisation bringing together national capital funding from a number of sources in response to the Heseltine Review, in particular transport and skills capital funding.

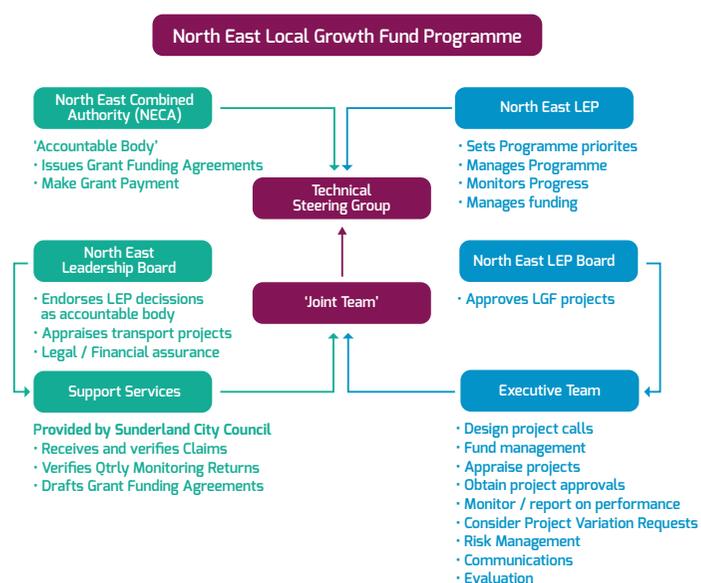
The North East LEP worked with partners to develop the local proposition, identify projects across the six SEP programme themes as contributing to local economic growth and matching the national guidance. These were all capital projects that would start spend in 2015/16 and will deliver economic and employment growth. Out of this competitive process the North East LEP secured a total investment of £220m, one of the highest deals of the 39 LEPs. An extension to the programme (Growth Deal 2) brought further projects and £40.6m was added to the fund in January 2015. This brought the total Growth Deals funding in the North East to £260.6m with the two elements managed as an integrated programme, ensuring maximum flexibility to manage the inevitable challenges to delivery and spend profiles. This figure included a transport project funded directly to Sunderland City Council.

The North East LEP provides leadership and programme management support for the funding, working with the Combined Authority and project sponsors.



Governance and operational management

The governance arrangements for the LGF were set out in an Assurance Framework in March 2015 and agreed with the Department for Business, Innovation and Skills (BIS). This sets out a robust and regular process for reporting to the LEP Board and North East Combined Authority. The sponsor boards with the LEP and Combined Authority retain an overview of the development of the projects and their integration into the North East economy. The capacity and roles are summarized in the diagram below.



First year progress

Delivery of the programme has started in earnest with significant progress in approving and initiating the projects. As shown in the table below, 35 projects, including two funding programmes, have now been formally approved with expenditure of nearly £51m taken place in the first full year of delivery.

	SEP Theme				
	Skills	Innovation	Economic Assets	Transport	Total
Number of projects	5	6	5	19	35
Number approved	5	6	5	13	29
Expenditure (£m)	10.1	4	21.3#	15.5	50.9*

* Excludes capitalised programme management costs of circa £1.07m # Includes contribution towards our Enterprise Zone sites

Contracted performance indicator targets

This investment continues to have a visible impact on the North East economy and is making a start at delivering against the lifetime targets for the programme. The table below provides an overview of key performance indicators for currently approved projects.

KPI	2015/16 (annual)	2016/17 (annual)	Lifetime Total to 2024/25
Jobs created (gross)	14	168	5,138
No of apprenticeship /training opportunities created	30	170	200
Commercial floorspace constructed or refurbished m2	0	7,518	213,930
Area of land developed (hectares)	0	15	71.2
New build or refurbished learning / training floorspace	5,573	2,741	11,216

In addition to these metrics we also collect local relevant indicators covering:

- Number of businesses accommodated on direct employment and impact employment sites – distinguishing between new to the North East LEP area and existing businesses
- Detailed information on jobs to understand 'better jobs' goal of the SEP by measuring information on the salary and NVQ levels of posts established.

3.2 European Structural and Investment Funds

As part of the Government's approach to the 2014-2020 European Structural and Investment Funds (ESIF) programme a notional allocation of £559.5m was identified for the North East LEP area.

At the time of development this represented £460m The North East, alongside other LEPs, submitted our ESIF strategy to Government in 2014 to provide the direction for this funding and support the delivery of the SEP. The Strategy was developed on the basis of wide consultation and a robust evidence base. These local strategies fed into the national negotiations with the European Commission to establish the European Regional Development Fund (ERDF), European Social Fund Programme (ESF) and European Agricultural Fund for Rural Development (EAFRD) operational programmes. These were adopted during 2014 and early 2015.

To minimise the gap in funding, government issued calls for projects in March and July 2015 with a series of locally influenced calls for projects. This resulted in a strong response and high-level of interest.

Following the adoption of the national operational programmes and an updated valuation in light of the exchange rate, Local Enterprise Partnerships were requested to refresh local ESIF strategies on a number of occasions with the final versions submitted in spring 2016. The exchange rate will continue to fluctuate throughout the programme. This will be managed through allocation updates. For the refresh the revised allocation represented approximately a £72m reduction.

Due to this reduced value of allocation there have been a number of challenges in delivering the funds, particularly in newer areas of funding such as the low carbon economy. However despite this there has been a strong take-up and interest in the funding and will continue to support the delivery of SEP objectives including through two specific tools:

- A continuation of the finance for business programme through a £120m fund (of which £53.5m is from the 2014-2020 ERDF programme) building on the success of the current JEREMIE scheme to make sure business have the finance they need to grow
- A £41.2m Sustainable Urban Development (SUD) programme, £20.6 of which was allocated from ERDF funding, which will support

innovative and integrated activities enabling the North East to be a living laboratory for data-driven, system and networks-based solutions which address the urban challenges of sustainable energy, transport and health.

The high-level of take-up is demonstrated in the following table:

	TOTAL	ERDF	ESF	EAFRD
Allocation	£437m	£226m	£200m	£10.5m
Potential commitments	£178m	£108m	£70m	£0m
Funding left	£260m	£118m (including SUD)	£130m	£10.5m

Position as at April 2016

The European Agricultural Fund for Rural Development (EAFRD) Operational Programme was agreed earlier in February 2015 supporting rural economic and development projects with first calls expected in 2016.

A significant proportion (£55.5m) of ESF funding will be delivered through opt-in mechanisms that align local and national priorities to access national match funding.

The North East LEP and partners have been working with the SFA, DWP and Big Lottery Fund to develop approaches to the £40m (SFA), £9.5m (Big Lottery) and £6m (DWP) opt-ins and ensure procured activity through this route meets local requirements therefore supporting the skills, employability and inclusion elements of the SEP programme.

3.3 Enterprise Zones

Enterprise Zone sites are a key element in delivering high-quality employment locations and attracting inward investment and supporting business growth. In 2012 a first round of 10 sites were agreed, clustered around:

- the Port of Blyth and Blyth Estuary and
- the North Bank of the Tyne
- A19 Low Carbon corridor.

Businesses locating on these sites within agreed timescales can benefit from either enhanced capital allowances or reduced business rates. The sites themselves have received significant investment to improve the quality of the site and its readiness for business investment drawing investment from the future retained business rates.

Following the success of the North East Enterprise Zone round one sites, having attracted over £116m worth of private sector investment and 27 businesses, supporting 1,700 jobs, a further 10 sites were successful in the round two Enterprise Zone application process.



Progress on infrastructure investment in the round one sites is set out below alongside a map setting out the locations of sites for both rounds of sites.

Area	Site	Progress
A 19 Ultra Low Carbon Vehicles	A19 ULCV Site 1	Site 1 adjoins the A1231 in Washington; this site is partially occupied by the existing Vantec Warehousing facility and a public house. The remaining area of site one is in private ownership and already has infrastructure in place ready for companies to build out their facilities as they are attracted to the area. The new Washington Business Centre is now also open for business, as is the Gateshead College R & D facility.
A 19 Ultra Low Carbon Vehicles	A19 ULCV Site 2	Site two adjoins and is owned by the Nissan car plant; there are currently no identified infrastructure requirements for this site.
A 19 Ultra Low Carbon Vehicles	A19 ULCV Site 3	Site three is currently using North East LEP Growing Places and European funding to fund infrastructure requirements for large footprint sites, the type of which are not currently available in the area. Further highways requirements providing integral linkages around site three are currently being developed and are also to be funded from Local Growth Funding and temporary borrowing to be repaid by future business rate receipts
North Bank of the Tyne	Neptune Yard	Extensively developed with construction continuing. GE Oil and Gas have opened the new Pipeline Innovation Centre last month taking over the former 'Clipper' facility, serving their global operations. Fraser Hydraulics and Bridon are occupying new build premises on the site servicing offshore industries. The Shepherd Offshore speculative development adjacent to the Neptune centre is substantially complete. Construction of Newcastle University's research and testing facility, the Neptune Subsea Centre, is on track to be operational by 2016. Also well advanced is the wet test tank facility. Works to the heavy load route and to the plateau site are also on-going with completion of both anticipated in September 2016.
North Bank of the Tyne	Swan Hunters	Swan Hunters regeneration is progressing as the vital infrastructure works are carried out. Utility, highway and reclamation work continues with North Tyneside Council's partners Kier and Capita. The site partnership is proactively progressing investor enquiries.
North Bank of the Tyne	Port of Tyne	The Port of Tyne continues to invest energy and resources into securing a strategic investor on the Port of Tyne EZ site.
	Dun Cow	Dun Cow Quay is being marketed to attract office or R & D businesses.
	Commissioners Quay	The Blyth Workspace development forms the main phase 1 investment to date on Commissioners Quay. Phase two, a hotel development, is nearly completed and due to open summer 2016.
	East Sleekburn	East Sleekburn's feasibility study is nearing completion, with options and costs being developed by Arch and Northumberland Council to understand the optimum level of pre-investment in the site needed to secure major business investment.
	Bates	Bates site has attracted one investment to date and being marketed for port and offshore industries.

3.4 North East Investment Fund

The North East Investment Fund is a capital, evergreen loan fund available to support projects in the North East that will encourage local economic growth and create new jobs.

The Fund is worth £55m and has been allocated once to support 21 projects with loan repayments enabling us to provide funding for more key, job creating projects.

We have invested over £20m of North East Investment Funds during the 2015/6 financial year.. This included an award of £4.5m to extend the current Finance for Business Fund (JEREMIE) to the end of 2016.



4. Evaluating performance

Monitoring and evaluation

The structure of the SEP and the range of funding programmes that support it create a challenging evaluation environment for the plan overall. Each funding stream has its own evaluation requirements in terms of outputs, outcomes and timetables.

However an overarching evaluation will be delivered to provide an assessment of the impact of both the investments and the wider added value derived from the activities envisaged in the SEP covering the period to 2024. This will cover capital investment programmes, other funding and other activities directly linked to SEP delivery. It will adopt a 'portfolio' approach which builds on the narrower evaluation plans required by programme and project funders. It will be linked to the progress made towards the key SEP targets and the indicators described in this report.

Baseline information, core metrics and monitoring systems are in place to capture both the qualitative and quantitative aspects of investments of those funding streams which have commenced activity and are kept under review. Financial and performance information is provided on a regular basis to Government. An evaluation framework for the non-investment related aspects of the SEP is under development with a process evaluation project planned to commence during the 2016/17 financial year.

Moving forward, it is planned to commission an external impact evaluation study in 2018 and a final impact evaluation report in 2024.

The delivery of the SEP is integral to the work of the North East LEP and local partners. The annual business plan for the LEP frames delivery on an annual basis providing key milestones and achievements across themes to ensure a focus on practical delivery of the SEP.



