

AGENDA ITEM 7

REPORT TO THE TEES VALLEY COMBINED AUTHORITY CABINET

28th September 2018

REPORT OF ECONOMIC STRATEGY AND INTELLIGENCE MANAGER

Process, Chemicals and Energy Sector Action Plan

SUMMARY

At the December 2017 Cabinet Meeting it was agreed that Cabinet would be provided with each of the Sector Action Plans. The attached document contains the third completed Action Plan, which is for the Process, Chemicals and Energy Sector and also contains a foreword by the Sector Champion.

RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet:

- i. Approve the findings of the Process, Chemicals and Energy Sector Action Plan.

DETAIL

1. At the December 2017 Cabinet Meeting, the overview document for the 7 Sector Action Plans¹ was discussed. Although this document provided clear strategic direction across the 7 priority sectors and 1 cross cutting sector, it was agreed that Cabinet would be provided with each of the Sector Action Plans.
2. The attached document (Appendix A) contains the third completed Sector Action Plan, which is for the Process, Chemicals and Energy (PCE) Sector as well as a foreword by the Acting Sector Champion and LEP Chair, Paul Booth.
3. The PCE sector action plan, has been further augmented by additional research from two main sources:

¹ Advanced Manufacturing, Process, chemicals and energy, Logistics, Health and Biologics, Digital and Creative, Culture and Leisure and Business and Professional Services. and cross cutting plan for the circular economy.

- Tees Valley: Low Carbon Industrial Strategy; and
 - Northern Powerhouse: Chemicals and Process Sector Science and Innovation Audit.
4. The Action Plan confirms the continuing importance of the sector to the Tees Valley economy and as our only 'Globally competitive sector' clearly articulates a role at both the Northern Powerhouse level and with the emerging UK Industrial Strategy.
5. The Action Plan identifies a number of potential interventions both at the Tees Valley level and nationally which need to be put in place to maintain this competitive position.
6. The following table identifies those interventions which can be delivered at the Tees Valley level:

Proposed Intervention	Identified Need for PCE sector	Implementation
Workforce Development Programme	<ul style="list-style-type: none"> • Need to address emerging employment and skills gaps within companies; and • Need for technical/ specialist retraining for changing market conditions. 	<ul style="list-style-type: none"> • Future Business Compass programme will be augmented to be able to undertake: <ul style="list-style-type: none"> ○ A skills diagnostic as part of the wider business diagnostic; and ○ Mentoring support to be offered to companies identified as having leadership/ management constraints in the skills diagnostic.
Roll out of Full Fibre Network	<ul style="list-style-type: none"> • Need for enhanced connectivity to facilitate roll out of digitisation. 	<ul style="list-style-type: none"> • Potentially based on anchor tenancy model, Councils currently considering roll out across respective areas, thereby ensuring coverage of all strategic sites.
Collaborative Networks Programme*	<ul style="list-style-type: none"> • Need to strengthen local clusters through enhanced collaboration. 	<ul style="list-style-type: none"> • Programme will augment existing Business Compass and will include: <ul style="list-style-type: none"> ○ support for knowledge transfer of technologies such as Industry 4.0 (Industrial Digitisation); ○ Diversifying supply chains into new/emergent

		sectors such as nuclear/ aerospace /automotive
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* Funding approved in principle at Cabinet in December 2017, subject to due diligence.

7. Due to their scope and scale the following proposed interventions/policy areas will need to be considered with partners) either at the Northern Powerhouse level or as part of the emerging UK Industrial Strategy (through either sector deal or bids to the Industrial Strategy Challenge Fund. Discussions need to be held with the appropriate Northern LEPs (Humber and Liverpool) to consider these proposals:

Proposed intervention	Implementation	Opportunity for Tees Valley:
Northern Powerhouse Chemicals and Process Sector Development Vehicle	<p>Augmenting existing sectoral representative bodies: the Development Vehicle will be tasked with delivering an enhanced business support function across the Northern Powerhouse, including but not limited to:</p> <ul style="list-style-type: none"> supply chain/export diversification and foreign direct investment. 	<ul style="list-style-type: none"> Tees Valley must be at the lead of any emerging Northern Powerhouse inward investment proposition with a real target on ensuring higher value adding functions (Research and development, legal and procurement) choose to relocate to the region. Tees Valley Mayor and LEP Chair to take on mantle of trade ambassador for the sector in the wider region.
<p>Resource efficiency:</p> <p>Develop new feedstock base for chemical industry</p>	<p>Consider the options that (existing and emerging) affordable feedstocks may give the North and Tees Valley in particular.</p> <p>This would require feasibility studies and a roadmap for industry development</p> <p>Develop indigenous energy sources and wider circular economy proposition to mitigate feedstock concerns.</p> <p>Northern chemicals sites could provide a base for new industries and materials. This would require active engagement with the players developing these industries, as well as the</p>	<ul style="list-style-type: none"> Provision of nationally funded demonstration space/test-bed facilities for new technologies and materials such as: District Heating, Hydrogen, Ethanol, Lithium Fuel Cells and wider circular economy agenda. Roll out of demonstration space will be in close proximity to existing: <ul style="list-style-type: none"> innovation ecosystem; enterprises areas; and

	development of a number of pilot/demonstrator projects.	<ul style="list-style-type: none"> ○ mayoral development corporation
Unifying the innovation ecosystem	Establish, an integrated science and technology innovation network (a 'knowledge-based growth hub) which would provide a one stop shop approach to research and development for both local companies and overseas based organisations.	<ul style="list-style-type: none"> • Tees Valley to support local innovation ecosystem to fully avail of emerging opportunities, in particular, encouraging the co-location of test facilities/business support functions within the region.

8. The proposed interventions at the regional/ national level will not involve upfront financial support, rather there is a need for staff engagement with the sector to develop appropriate propositions.

FINANCIAL IMPLICATIONS

9. This is a research report and consequently there are no direct financial implications. £1.7m has already been approved in principle for the Collaborative Network Programme at Cabinet in December 2017, subject to due diligence.

LEGAL IMPLICATIONS

10. This is a research report and consequently there are no direct legal or procurement implications.

RISK ASSESSMENT

11. This is a research report with no direct operational risks attached.
12. This research report is categorised as low risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

CONSULTATION

13. The production of this report has been subject to an extensive consultation exercise with both the public and private sectors, including:
- Survey of 550 companies; and
 - 2 Focus Groups.

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