

OVERVIEW AND SCRUTINY BOARD

27 MAY 2014

**FINAL REPORT OF THE ECONOMIC
REGENERATION AND TRANSPORT
SCRUTINY PANEL -
BUSINESS AND JOB CREATION**

PURPOSE OF THE REPORT

1. To present the Economic Regeneration and Transport Scrutiny Panel's findings, conclusions and recommendations following its investigation of business and job creation, including the role of the local enterprise partnership.

BACKGROUND

2. In the context of the existing difficult economic climate, the scrutiny panel initially sought to examine the position in Middlesbrough in respect of support that is available to individuals wishing to set up a business. Having considered an overview of the topic area, the panel determined to broaden the scope of its investigation to encompass business support in general, including the role of Middlesbrough Council; the position concerning local training and apprenticeship provision and the current position in respect of the Local Enterprise Partnership.

TERMS OF REFERENCE

3. The scrutiny panel agreed the following terms of reference as the basis of its investigations:
 - a) To examine Middlesbrough Council's role in business support and job creation.
 - b) To investigate other support available to individuals wishing to establish a business in Middlesbrough.
 - c) To consider the role of the local education system and the Council in promoting employability skills among young people.
 - d) To hear from a local apprenticeship provider/trainer in terms of their role, including their requirements in respect of young people undertaking apprenticeships and how these can be best met.
 - e) To examine the role of the Local Enterprise Partnership (LEP) in job creation and business support, including links with Middlesbrough Council.

METHODS OF INVESTIGATION

4. The scrutiny panel investigated this topic over the course of five meetings held between 7 November 2013 and 27 March 2013. A final panel meeting was held on 24 April 2014 to consider the panel's final report. A Scrutiny Support Officer from Legal and Democratic Services co-ordinated and arranged the submission of written and oral evidence and arranged witnesses for the investigation. Meetings administration, including preparation of agenda and minutes, was undertaken by a Governance Officer from Legal and Democratic Services.
5. A record of discussions at panel meetings, including agenda, minutes and reports, is available from the Council's Eagenda committee management system, which can be accessed via the Council's website at www.middlesbrough.gov.uk.
6. This report has been compiled on the basis of information submitted to the scrutiny panel by Council Officers and relevant outside bodies/organisations.

MEMBERSHIP OF THE PANEL

7. The membership of the scrutiny panel was as follows:

Councillors P Sharrocks (Chair), BE Taylor (Vice-Chair), R Arundale, S Biswas, R Brady, P Khan, R Lowes, H Rehman and M B Williams.

THE SCRUTINY PANEL'S FINDINGS

8. The scrutiny panel's findings are set out below in respect of each of the agreed terms of reference.

**TERM OF REFERENCE: *"To examine Middlesbrough Council's role in business support and job creation" AND:
"To investigate other support available to individuals wishing to establish a business in Middlesbrough."***

9. Owing to areas of overlap, the above terms of reference are dealt with together in the following sections of the report. Information was submitted regarding:
 - Local business creation
 - Local business support
 - The role of Middlesbrough Council
 - Enterprise Made Simple

Local Business Creation

10. The scrutiny panel heard that there is a historical perception that the North East of England has a poor record of enterprise/new business creation. It has been found that - compared to the national average - there is a lack of entrepreneurial culture in Middlesbrough/Tees Valley and the region. For example, in 2013, for every 10,000 of the adult population, there were 214 enterprises in Middlesbrough, 254 in the Tees Valley and 264 in the North East. This compared to a national average of 418 at that time.

11. In terms of the creation of new businesses or ¹*enterprise births* per 10,000 of the adult population, in 2011 there were 32.6 new businesses created in Middlesbrough; 36.2 in the Tees Valley; and 33.1 in the North East. This compared to the national average of 51.6.

12. On first sight, these figures relating to the number of new businesses created do not appear to be positive. However, the figures for *enterprise deaths* (ie businesses closing down) per 10,000 adult population in 2011 present a much more positive picture. This figure was 23.1 for Middlesbrough, 29.0 for the Tees Valley and 29.3 for the North East. This compared to the national average of 45.0 and indicates that businesses established locally tend to be sustainable. Also, the number of additional businesses in existence at the end of 2011 compared to the previous year (expressed as per 10,000 of population) was 9.5 in Middlesbrough, 7.2 in the Tees Valley and 3.8 in the North East compared to the national average of 6.6.

13. The scrutiny panel was also informed that:

- Middlesbrough had one of the highest business start-up rates in England between the period 2008 and 2012 - information published by The Municipal Journal ranked the town as second highest in the country in terms of growth in the number of new businesses.
- A study by Experian (a global services information company) showed that Middlesbrough was ranked fourth in the country for the numbers of "business champions" capable of driving economic growth.
- According to information from Royal Mail, Middlesbrough was ranked in the top five nationally for generating business growth and new start-up businesses based on the number of new accounts generated.
- 95% of businesses set up in Middlesbrough would still be trading after one year, compared to a national average of 60%. However, only 30% of those businesses continue to trade in year two and 20% in year three - illustrating the importance of support for new businesses.

14. Particular reference was made to the positive impact of the establishment of Digital City. Digital City was established as a partnership between Middlesbrough Council and Teesside University and has become the UK's most vibrant digital hub, built on Teesside University's world-renowned expertise and reputation in digital media and digital technology.

- *Digital City Innovation - Teesside University* is the home of ideas, graduate talent and academic expertise. It has generated exciting new digital businesses, connecting business to the university's research and development base and addressing the digital challenges and solutions of the future.
- *Digital City Business - Middlesbrough Council* is the digital, creative and business hub of the Tees Valley. It is dedicated to offering world-class professional support to digital and creative businesses from across the North East region.

¹ Defined as a new business that is registering for the first time for VAT and PAYE.

15. Since 2008 Digital City has helped to create 203 new businesses (some with a turnover of £500k to £1m) and 228 new jobs in digital industries

Local Business Support

16. High unemployment rates in Middlesbrough have encouraged a growing number of people to start their own businesses, although there has been a tendency for these to be lifestyle-related businesses such as hairdressing. In addition to new starts, it was highlighted that many existing businesses that decide to expand choose to remain in Middlesbrough because of the extensive active private sector support network available and the availability of business premises.

17. In terms of national policy, it was explained that for a number of years, the Government invested in Business Link as the principal agency to support businesses in becoming established and accessing funding and training. Business Link was established in 1992 as a 'one stop shop.' At that time, the Government was of the view that small businesses were reluctant to invest in growth, that they failed to plan ahead and invest in training, that they were swamped with paperwork and relied on too few customers. These barriers to growth were the driving forces behind the establishment of Business Link.

18. Business Link's network of local/regional advisors was abolished in 2011 as part of changes that also abolished Regional development Agencies. Business Link's online portal, along with the Government advice/information website Directgov, was replaced by the new Gov.uk website in October 2012. The move was part of the Government's efforts to streamline and reduce the number of official websites. The Gov.uk website contains advice and information on financing, starting, running and growing a business.

19. Although Middlesbrough Council received funding in the past (for example from the Regional Development Agency) for local enterprise support, this is no longer the case. Government research has indicated that policies of providing regional funding are not the most effective means of supporting new business creation. It was highlighted that current Government policy now appears to focus on investing in and supporting the private sector and on-line businesses rather than providing public sector funding for business support.

The Role of Middlesbrough Council

20. Following on from the position outlined above, Middlesbrough Council, in common with most other local authorities has moved away from directly supporting new business start ups. This is partly due to the public sector funding position but also due to a realisation that, over the longer term, it is more cost effective to use funding to "grow" entrepreneurs, rather than providing support to enable people to become entrepreneurs. As a result, the authority now directs individuals and businesses to external sources of support and funding, as opposed to providing (for example) enterprise coaching for entrepreneurs, as has been the case in the past.

21. The Council now focuses on investment in sector-specific activity, such as retail or digital, and ensures that businesses have the right support in place to enable them to grow. For example, reference was made to the Council's involvement in the promotion of local retailing opportunities. The Emporium, which was established in the Cleveland Centre in late 2013, provided an opportunity for unemployed people to test a business idea for self-employment for a limited time period while continuing to receive unemployment benefit. This scheme proved to be a success, with 32 people setting up new businesses. Of these, 23 are still trading and nine have moved into new retail units in Middlesbrough town centre.
22. In terms of support for new businesses, the authority's website includes a comprehensive section on ²business advice. This includes information on starting and running a business; finding premises; and finance/ funding. As outlined above, explained that the Council no longer provides finance/grants itself but directs businesses to external funding sources and private sector business support. For example, the website includes a detailed Access to Finance Guide that gives an overview of grants/loans that are currently available.
23. Support from the private sector can include assistance such as:
- Banks and accountants;
 - Enterprise agencies and enterprise providers;
 - Charities;
 - Assistance in winning Government contracts, such as from the Department of Work and Pensions and the Department of Business Innovation and Skills.
24. In addition, the Council's Enterprise Centres offer a range of accommodation for business start-ups and expanding businesses. These are situated throughout Middlesbrough and provide a range of accommodation for differing business needs. The provision ranges from high quality town centre offices through to light industrial premises and includes out-of-town premises at very competitive rates for new businesses.
25. The scrutiny panel heard that, locally, Tees Valley Unlimited (TVU) is also involved in supporting new business creation through the management of funding programmes. TVU is looking to develop a *growth hub*. This will involve developing a collective that will work together under a common branding to enable businesses to access support. TVU's overall role is to secure investment to support sector development, economic development and enterprise across the Tees Valley area.
26. Middlesbrough Council currently contributes £500k per annum towards the running costs of TVU. Each of the Tees Valley local authorities makes a financial contribution which is calculated on the basis of population.

² see <http://www.middlesbrough.gov.uk/index.aspx?articleid=1657>

Enterprise Made Simple

27. Having ascertained that the Council is no longer directly involved in supporting new business creation, the scrutiny panel heard from a representative of Enterprise Made Simple. Enterprise Made Simple is one of the main organisations that supports business start-ups locally.
28. The Panel was informed that Enterprise Made Simple (EMS) is a Middlesbrough-based company that has been operating for eight years. Prior to the establishment of EMS, its directors were all involved in running business start-up companies. The directors had identified a gap in the business start-up market and established the company as a result. EMS is currently responsible for delivering the National Enterprise Allowance Scheme (NEAS) on behalf of the Government's Department of Work and Pensions. EMS does not receive any commercial funding but is paid to deliver the National Enterprise Allowance Scheme and has also been in receipt of funding from the European Regional Development Fund (ERDF) to support businesses.
29. Any individual wishing to set up a new business is required to produce a business plan. Once a business plan is approved, the applicant can access financial support from the NEAS once they have ceased claiming unemployment-related benefits. The sum of £65 per week is then payable for a period of 13 weeks. After this time the payment reduces to £33.00 per week, payable for a further 13 weeks.
30. Changes to the National Enterprise Allowance Scheme have made a positive improvement in opportunities for individuals to start up their own business. Previously, a person could only qualify for NEA when they had been in receipt of job seekers allowance for at least six months. However, this is no longer the case.
31. Business mentors are available to provide advice and assistance during the first six months of trading of a new business. It was highlighted that any ideas for new business ventures must be viable for the business to become sustainable and for it to receive support through the NEAS.
32. Under the scheme, unsecured loans of up to £1000 over three years are available for individuals wanting to start up their own business. These loans are to assist with start-up costs, such as the purchase of equipment. The loan service is administered by the Five Lamps Organisation in Thornaby.
33. Originally the age limit for an NEA start up loan was 18 - 30. However this limit has now been removed. An individual can apply for up to £20,000 with an interest rate of 6% per annum. The start up loans are financed through Community Development Finance Institutions (CDFIs). These are social enterprises that support communities by providing affordable finance that would otherwise not be available.
34. The Panel was advised that, to date, over 550 businesses have been formed in Middlesbrough under the National Enterprise Allowance Scheme. New business start-ups are monitored weekly during the first six months that they are in receipt of the allowance and then monthly for a further 18 months. EMS also has offices in Newcastle, Redcar and Stockton and has assisted 6,462 new businesses to start up across the north east region.

35. The organisation is involved in providing guidance and training on how to progress with a new business and how to ensure that it remains sustainable. Assistance can also be provided for business expansions. In addition, a network of businesses has been developed which meets regularly and offers support and mentoring to other businesses. The Panel was advised that Enterprise Made Simple is always candid with individuals in terms of assessing business viability and sustainability. However, EMS would not decide to close a business - it is always up to individual business owners to make such a decision.
36. It was commented that previously, people had been more cautious about setting up new businesses because they were afraid to take a risk. However with the current economic climate and increased job insecurity; more people were willing to take a chance on setting up a new business. In terms of the current trend, it was highlighted that more new businesses had been assisted via the NEAS in January/February 2014 than in the first six months of 2013.
37. In terms of funding, it was explained that EMS approached businesses that it has assisted to ask if they would be prepared to make a financial contribution towards supporting the work of the organisation. Over £180k was received, including a contribution of £100k from one Teesside business.
38. As a result, it was decided to form a board that would make decisions on how the funding that was generated would be spent in supporting local businesses. In addition, many of the businesses that have received assistance from EMS to start up have provided services such as advice, experience and legal services on a quid pro quo basis to other organisations. EMS has generally directed funding at providing one to one support for businesses rather than on other areas such as marketing.
39. EMS has also been involved in assisting businesses to bid for contracts by submitting regional bids through the National Enterprise Network. This is a network of enterprise-support organisations like Enterprise Made Simple that meets on a monthly basis.
40. The Panel was advised that EMS has also organised workshops with schools in the Middlesbrough area to engage with children and highlight how entrepreneurship/enterprise can be used to help young people who are not academically inclined.
41. During the scrutiny panel's discussion, reference was also made to the work of Enterprise Revolution, which is a not for profit community enterprise that is linked to Enterprise Made Simple. Enterprise Revolution delivers enterprise training courses and has worked with the Universities of Teesside, Durham and Stockton to assist students to support businesses. All monies received are reinvested in supporting local enterprise.

TERMS OF REFERENCE: *“To consider the role of the local education system and the Council in promoting employability skills among young people;”*

42. In respect of this term of reference, the scrutiny panel considered information regarding:
- Middlesbrough Council's involvement in apprenticeship provision.
 - Middlesbrough College's involvement in training and apprenticeship provision.
 - The Council's approach to addressing youth unemployment.

43. The scrutiny panel heard from the Middlesbrough Council's Young People's Support Manager from the authority's Integrated Youth Support Service and the Assistant Director of Children's Trust & Performance.
44. The Managing Director of Middlesbrough College also attended the scrutiny panel to provide information on the college's involvement with local apprenticeship training.
45. In terms of Middlesbrough Council, the Panel was advised that the authority currently provides apprenticeships in business administration, customer support and horticulture. Although, historically, apprenticeships have been aimed at young people, the Government has recently changed the funding regime and there is no longer an upper age limit for apprentices. The Panel was advised that an increasing number of companies in the Tees Valley area employ apprentices that are aged 50 or more.
46. The proportion of young people in learning in Middlesbrough is currently 93.7%, which is 0.2% below the national average. The proportion of young people in apprenticeships is 4%, which is considered to be relatively high compared to the percentage of people in learning. Middlesbrough Council is a significant provider of apprenticeships but has not yet been able to offer apprenticeship opportunities to older people.
47. The Panel was advised that the Council has recognised that action is needed in terms of addressing youth unemployment and supporting those young people who are not in education, employment or training (NEET). It is also aimed to support and encourage learners and school leavers to raise aspirations and confidence and enhance their employability.
48. It was highlighted that current indications are that, in future, schools will be measured on how well students progress after they have left school. As part of Ofsted requirements, schools will also be expected to provide work experience for pupils. In this regard, reference was made to work that has been undertaken with a local construction company, with the company providing pupils with an introduction to work. Pupils are also taught employability skills to enhance their opportunities in entering the jobs market.
49. The company, which has an employee dedicated to working with young people in schools, has worked with Trinity school for over one year and Ormesby school for over three years. Work experience placements have been provided and people from industry have visited the schools to provide an insight into the world of work.
50. Reference was made to multi-agency working which is facilitated between schools, colleges and other partners including Middlesbrough Council to improve skills, attainment level and employability skills. This provides opportunities for work experience and can be used to highlight basic but important areas such as the need to get up early in the morning and remain at work for the whole day. Pupils can also receive advice and guidance on appropriate dress and how to act in the work place.
51. This has helped to prepare young people for the world of work and to ensure that opportunities to access employment are maximised.

52. The scrutiny panel was informed that when Middlesbrough Council's apprenticeship scheme was introduced, some Public Sector Trade Unions expressed concerns as some staff were facing redundancy. It had however been emphasised that although the apprentices would be employed by the local authority, apprentices did not form part of the authority's permanent staffing structure and would not therefore be used to replace existing staff.
53. Following the establishment of the Council's Integrated Youth Support Service, three apprentices were initially recruited by the service. Of these, two have since managed to secure permanent posts with the authority. The panel was advised that the service is currently looking to increase the number of apprenticeships available to six.
54. The panel was informed that the Council currently employs a total of 44 apprentices. The scrutiny panel suggested that, given the size of the local authority, this appears to be a fairly small number. It was questioned whether there are any barriers that exist within the Council that prevent the recruitment of apprentices and suggested that the authority should require managers to support the apprenticeships programme.
55. In response, it was highlighted that Middlesbrough Council does not have an active policy on apprenticeships and that, historically, the authority has not recruited large numbers of apprentices. It is recognised, however, that there is a requirement to provide different levels of apprenticeships, from craft level upwards, to provide opportunities for young people of all educational attainment levels and also to meet the requirements of all potential employers.
56. Reference was also made to the authority's role as a corporate parent for looked after children, where 40% of working-age young people in care are unemployed. It was suggested that there may be merit in exploring action that could be taken with regard to promoting apprenticeships to this group of young people. In terms of other vulnerable groups, reference was made to young people who are not in education, employment or training (NEET). The scrutiny panel noted that the figure for NEETs in Middlesbrough is still relatively high and suggested that continued action is needed in conjunction with bodies such as the Middlesbrough Partnership and Job Centre Plus to make further reductions.
57. It was commented that many young people have low aspirations and a lack of confidence in their ability. Further work is needed with young people with regard to improving skills, interview technique, providing guidance on how to create and present a CV and the provision of mentors to assist young people in their search for suitable employment.
58. Allied to this issue is the fact that a number of young people do not receive support at home with regard to future career aspirations. While this can relate to parents' own aspirations and experience, an issue has been identified concerning the lack of advice and information available to parents. The Panel was advised that the national programme of careers advice and guidance no longer exists and careers guidance is now provided in schools on a discretionary basis. As a result, some schools do not provide any career advice until Year 10, although young people are required to choose their examination options in Year 9.

59. In order to assist local students, officers from Economic Regeneration provide information to schools and colleges regarding the Tees Valley labour market. This includes numbers and types of jobs available.
60. In terms of Council support regarding careers choices, the Young People's Support Manager referred to the Choices event that is organised annually in October for students in in Years 9,10 and 11, This event includes 60 - 70 stands of representatives from education and training providers. The scrutiny panel commented that it could be beneficial to extend participation in the event to employers, such as those seeking apprentices or trainees.
61. The Assistant Director of Children's Trust & Performance advised that the use of digital media is also being explored in respect of assisting young people in making a career choice. One of the Academies based in Middlesbrough has software which allows a young person to select which career they would like to pursue and which then advises on required qualifications.
62. Local levels of youth unemployment have been recognised as an issue by Middlesbrough Council. As a result, the Health and Wellbeing Board has recently set up a working group to address this issue. The working group involves Middlesbrough College, the Young People's Support Manager, the Council's Regeneration Department and a number of local employers. The group is to discuss strategies that will be aimed at improving opportunities for local youth employment.
63. A further issue that has been identified by the Council is that a significant proportion of people travelled into Middlesbrough to take up higher paid jobs. The majority of lower paid jobs in the town were taken up by Middlesbrough residents. The Panel was advised that a report had been submitted to the authority's Management Team in respect of addressing this issue over the longer term. It is proposed to support young people living in Middlesbrough to improve their attainment level and skills to enable them to obtain jobs in Middlesbrough at all levels of employment.
64. The Managing Director of Middlesbrough College endorsed the value of a work-experience approach and also advised that longer-term work placements could be beneficial. For example, as opposed to very short-term placements, young people attending work experience could be required to attend the workplace on one or two days a week over a period of six to eight weeks.
65. The college is planning to create a £20m STEM (Science, Technology, Engineering and Maths) Centre after receiving a grant from the Skills Funding Agency towards the cost. It is hoped that the STEM Centre will address the skills shortage in some specialised areas of employment, such as science and engineering personnel. This has been caused through a lack in apprenticeship provision coupled with the retirement of experienced staff.
66. The scrutiny panel commented that some employers perceive apprenticeships as a major financial cost to the business. It is therefore important to highlight the benefits of apprenticeships for business continuity, especially in light of the issues of skills shortages outlined above.

67. As part of apprenticeship training, students could also be required to work different shift patterns at the STEM Centre and learn how to tender for contracts or work to a specific specification directed by a client. Such specific training can offer young people an insight into business/commerce, including how to win contracts and also learn lessons from losing contract bids. An Advisory Board consisting of small and large employers had been established to discuss the issue of apprenticeships.
68. The Managing Director of Middlesbrough College advised that the college actively supports local apprenticeships. The college currently provides 800 apprenticeships, which it is hoped to increase to 890. Also, in respect of the contract to build the STEM Centre, the college aims to ask potential tenderers how many apprenticeships they would provide as part of their bid. It was highlighted that an active apprenticeship policy throughout the Tees Valley area would be beneficial and that it could be advantageous to include the local National Health Service as a major employer.
69. It was explained that only one in four current apprenticeship applicants at the college is aged under 18. It was highlighted that many companies are receiving requests from applicant apprentices who have already gained A levels to sponsor their degrees. The college is currently examining how they promote apprenticeships to employers and is aiming to ensure that it meets the needs of employers through its courses and its own apprenticeship provision.
70. Two years ago, the college reviewed how the organisation aligns itself to employers. It is acknowledged that it is important to work with employers to shape the curriculum by asking which types of skills, training or qualifications employers need. The Panel was advised that one of the biggest challenges is to achieve consistency in the delivery of all apprenticeships.
71. Reference was made to the Government's current Traineeship programme. This was introduced in August 2013 for 16 - to 23-year-olds and for young people with learning difficulties up to age 25. The aim of the programme is to unlock the potential of young people and prepare them for their future careers by helping them to become 'work ready'. Traineeships provide the essential work preparation training, maths and English and work experience needed to get an apprenticeship or other job. Traineeships are delivered by training providers and funded by the government, with employers providing the valuable work experience placement and interview as part of the programme.
72. The Panel was advised that progress with the programme has been relatively slow. Traineeships have received bad press in relation to the issue of zero hours contracts and the fact that trainees are unpaid. Locally, the scheme has attracted around 40 employers.
73. The overall situation with regard to apprenticeships across the Tees Valley is improving slowly and employers are becoming more confident to take on apprentices. It was commented that the length of an apprenticeship did not previously have a defined time frame and this had led to some organisations offering very short apprenticeships. This caused some concerns and the Government has now indicated that any apprenticeship should last for at least 12 months.

74. Reference was also made to the Middlesbrough and Teesside Philanthropic Foundation. This organisation provides apprenticeships for young people who for reasons of homelessness, poverty or disability have been unable to access training. The group works with local authorities, private businesses and a range of community groups to create apprenticeship opportunities for young people.

TERM OF REFERENCE: “To hear from a local apprenticeship provider/trainer in terms of their role, including their requirements in respect of young people undertaking apprenticeships and how these can be best met.”

75. In accordance with the above term of reference, the Partnership Manager from TTE, Technical Training Group was in attendance at the meeting to provide information in respect of the organisation's links with local colleges and schools. The panel was also interested to hear if TTE had a view with regard to whether educational establishments gear courses towards the needs of potential training organisations/employers; and also if students receive adequate advice and guidance with regard to the types of training courses available, guidance on job interviews and how to gain successful employment.

76. The Panel was advised that TTE was established through a merger of the former ICI and British Steel training departments. TTE was a company limited by guarantee and was a not for profit organisation that had received charitable status in 2000. It was explained that any profit achieved through the commercial arm of the business is re-invested to support training for young people.

77. TTE currently provides technical training consultancy services and off the job training throughout the UK and worldwide, including Libya, Azerbaijan and Dubai. This is principally in relation to the oil and gas, process, manufacturing and engineering sectors. The organisation also holds a number of apprenticeship contracts in relation to engineering, maintenance, production and laboratory processes. The company is also trying to enter the warehousing/logistics sectors owing to the recent expansion of these sectors. TTE has carried out work with Job Centre Plus and has run a warehousing course. However, to date, the company has been unable to find the trainees work in this field.

78. The company is based in South Bank, with most of its learners being drawn from Middlesbrough and Redcar and Cleveland. TTE has a strategy of engaging with all of the schools in the Tees Valley area to promote engineering, manufacturing and process apprenticeships. The aim of visiting schools is to educate young people with regard to the kind of skills and qualifications that employers are seeking and also to advise on the availability of training and employment in particular sectors.

79. TTE usually attracts between 3000 and 4000 learners per year to undertake study programmes or apprenticeships. Of the latest learners, 70 have taken on apprenticeships in the engineering/manufacturing/processed based industry and 60 of the learners on the study programme have converted to apprentices. Of the remaining 121 learners that left in August 2013, all managed to obtain employment. It was highlighted that most of the sponsors/employers are willing to take on a learner/apprentice as a full time employee following the apprenticeship because of the time, money and expertise invested in them by the employer/sponsor. TTE currently has two apprentices working in the property section at Middlesbrough Council.

80. As has also been mentioned elsewhere in this report, the Panel was advised that many larger companies have a succession planning strategy in place based on the age profile of their employees. This is essential to ensuring that organisations have young people coming through to replace those who are at, or nearing, retirement age. Despite this, it was highlighted that in the case of some organisations people between the ages of 20 - 50 were not receiving this training and in the case of local chemical workers, the average age of an employee was 56.
81. TTE works with over one hundred different organisations to provide apprentices and takes on employer status for all apprenticeships. Apprentices are then sponsored by the company where they are being trained, with that company paying the apprentice's salary. The advantages to companies are that the apprentice does not appear on the company's head count and the company does not have to carry out any human resources work associated with employment of the apprentice. The Panel was advised that an important aspect of TTE's work is ascertaining what types of skills and competencies companies require and ensuring that training provided is appropriate to those requirements.
82. Reference was made to the Specification of Apprenticeship Standards for England which sets out the minimum requirements to be included in the framework for apprenticeships and explained that compliance with the SASE was a statutory requirement. The Panel was advised that TTE required apprentices to complete the National Apprenticeship Framework including:
- a) Completion of a technical qualification;
 - b) Completion of a competence qualification;
 - c) Completion of a functional skills qualification;
 - d) Completion of an employee's rights and responsibilities qualification;
 - e) PELTS (Personal Learning and Thinking Skills)
83. The Panel was advised that TTE has been graded at Grade 2 (good) by Ofsted. This grading means that TTE is one of only a few local training organisations that has maintained their Ofsted grade and as such is eligible to offer traineeships (see also paragraph 75 onwards). It was highlighted that an issue associated with traineeships is placing trainees in quality organisations. There is also a backlog of trainees waiting for placements because the delivery of traineeships is limited to those providers who have achieved an Ofsted inspection grade of 1 or 2.
84. Reference was also made to funding for those aged 24+ under the Advanced Learning Loan Scheme. Such students who wish to study for a qualification at level 3 or 4 or an Advanced or Higher Apprenticeship are required to pay their own course fees. From August 2013, these students are eligible to apply for a loan to pay their fees and are only required to start repaying the loan once they earn more than £21k per year. This facility is advantageous to those students who attend college and are not eligible for funding because of their age. It was highlighted however that there is a low level of take-up for the loans because eligible students have usually already taken out student loans to pay for their college studies.

85. A further issue is that any employer/sponsor who takes on a learner/apprentice aged 19+ is required to pay 50% of the training costs for that learner/apprentice and as a consequence the take up of apprentices over the age of 19 is low. Reference was, however, made to the Age Grant for Employers. This is available to support businesses, who would not otherwise be in a position to recruit individuals aged 16 to 24 into employment through an apprenticeship programme. Members were advised that the National Apprenticeship Service provides employers with a loan of up to £1,500 to enable them to take on apprentices aged 16 - 24.
86. Reference was also made to TTE's involvement in the Government's Apprentice Trailblazer initiative. This provides funding for apprentices in eight key sector areas including aerospace, energy and utilities and food and retail.
87. A representative of TTE is a member of the Redcar and Cleveland and Tees Valley 14-19 Partnerships and is also a Director of Tees Valley Learning Providers Network Ltd. Indications are that there does not appear to be a joined up approach from the Tees Valley authorities with regard to support for young people in gaining employment and that this is an issue that could be pursued. It was also indicated that TTE would welcome a greater involvement with Middlesbrough Council with regard to the placement of apprentices and traineeships.
88. Reference was made to the difficulties that some businesses have in recruiting apprentices because of the costs involved, although a number of local companies are still prepared to train young people. It was highlighted that it cost in the range of £75k to fully train an apprentice. A recent Employers Forum meeting confirmed that apprentices are being lost to the oil and gas industry on a regular basis because of the competitive rates of salary that are available in those fields.
89. In response to a query with regard to whether TTE is alerted when a company is recruiting, it was advised that as the organisation works with numerous companies it is generally aware if those companies require apprentices. TTE also has links with Tees Valley Unlimited (TVU) and receives referrals from that organisation and the National Apprenticeship Council ; receives information regarding potential job opportunities via the local 14 - 19 partnerships; and is currently working with Net Park at Sedgefield to create new laboratory apprenticeships in a drug screening company. TTE is also working with a company in respect of the building of a new power station in the North Tees area, which is likely to result in vacancies for apprentices.
90. The scrutiny panel questioned whether TTE has direct links with local schools. In response, it was explained that the company visits schools to speak to pupils in Years 8 and 9. This is to provide independent advice on apprenticeships and training, on what TTE has to offer and to give pupils an insight into what kind of educational qualifications are required for different career options. Following on from this point, it was explained that employers are increasingly demanding higher graded learners. This has a detrimental effect on the chances of lower graded learners achieving placements. This is an issue that may need to be addressed, particularly to ensure that skill levels are appropriate to the associated placement/apprenticeship and to ensure that opportunities are available for learners with lower grades.

91. It was suggested that it could be beneficial for school teachers to undertake placements with employers to learn about the skills and qualifications that are required to carry out particular jobs.

TERM OF REFERENCE: “To examine the role of the Local Enterprise Partnership (LEP) in job creation and business support, including links with Middlesbrough Council.”

92. The abolition of regional development agencies and the creation of local enterprise partnerships was announced as part of the June 2010 United Kingdom budget. At that time the Government’s Communities and Local Government and Business, Innovation and Skills Departments invited local authority and business leaders to submit proposals to replace regional development agencies in their areas with Local Enterprise Partnerships (LEPs). As a result, 24 bids, were approved in October 2010.

93. LEPs were initially set up on a voluntary basis without any public funding and struggled to make progress. A report to the Government in ³October 2012 was largely accepted and proposed delegating funding from central government to LEPs, including:

- A share of a £1,400m Local Growth Fund to generate growth, allocated through competitive bidding;
- Getting LEPs to draw up plans for local growth as the basis for negotiation on the money in the Fund;
- Realigning the management of the EU Structural and Investment Funds in England to follow the plans made by LEPs.

94. As a result, the LEP areas of North Eastern, Greater Birmingham and Solihull, Greater Manchester, Leeds City Region, Sheffield City Region and West of England were included in the first wave of 'city deals' in 2012.

95. At that time, the Government indicated that, as cities and their surrounding areas are home to 74% of our population and 78% of our jobs they are vital to the long-term growth and economic success of the country. The view was that the country needs more business and employment opportunities to grow the economy and that transferring powers from government to cities will make it easier for cities to achieve economic growth.

96. In terms of the local position, the scrutiny panel was informed that Tees Valley Unlimited (TVU) had submitted a successful bid for a private and public sector Local Enterprise Partnership on behalf of the five Boroughs of Darlington, Hartlepool, Middlesbrough, Redcar and Cleveland and Stockton. As a result the Tees Valley Local Enterprise Partnership was established in 2010, with TVU being selected by the Government to run the LEP.

97. The Managing Director of Tees Valley Unlimited attended the scrutiny panel to provide an overview of the role and involvement of TVU in job creation and business support and to advise of progress made in relation to the Local Enterprise Partnership.

³ 'No Stone Unturned'- Michael Heseltine MP

98. The panel was advised that the view has been expressed that there are too many public sector jobs in the economy, with some areas, such as the north east of England, being over-reliant on public sector employment, However it was commented that the real issue is that there are not enough private sector jobs available, particularly in new sectors. Historically the Tees Valley area has tended to rely on the retail sector for private sector jobs, which has been a problem in recent times as the depressed economy has curtailed consumer demand. It is against this difficult backdrop that the TVU/LEP is involved in promoting business and employment growth.

99. Reference was made to the Regional Growth Fund (RGF), which has been established nationally to help companies throughout England to create jobs. Funding of £3.2 billion will be made available. The RGF supports projects and programmes that use private sector investment to create economic growth and sustainable employment.

100. The Government's Gov.uk information website indicates that:

- The Regional Growth Fund is a flexible and competitive fund operating across England from 2011 to 2017 and creating jobs into the mid-2020s.
- The fund provides grants, loans and loan guarantees.
- Successful projects must attract private funding to match the public funding provided by RGF and the projects that programmes choose to support must also include investment of private money.
- The competitive element of the fund means that in order to be supported, businesses must explain how much money they need and what they will use it for.
- Bids are considered by an expert panel who recommend to Government Ministers which bids to support. Ministers then choose the bids that they believe will give the best value for money to the taxpayer.

101. Tees Valley Unlimited has taken part in all five rounds of the Regional Growth Fund bidding process. To date, £160m of funding has been secured from the first four rounds o support local businesses. £10m of funding secured through the RGF has been used to establish the Tees Valley Catalyst Fund. This fund helps ambitious Tees Valley businesses to bid for new contracts by providing short-term finance from £100,000 to £2 million to:

- Fund short-term advance payment guarantees, performance and warranty bonds
- Extend existing bond facilities.

102. Finance from the fund is typically available for up to 24 months. The bonds provided by the scheme provide a guarantee that a contract will be delivered on time and to the required standard. Once a contract is delivered, the bond money is repaid to the Catalyst Fund. To date, £8m has been allocated from the fund and it is hoped that over £70m additional money would be generated through the fund over a 10 year period.

103. The Panel was advised that as part of round five of the Regional Growth Fund bidding process, nine local private sector bids have been supported equating to £9m of funding. At the time of the scrutiny panel's discussions, the outcome of these bids was still awaited.
104. Regional Growth Funding has also been used to assist small businesses to support apprenticeship provision.
105. The Panel questioned the position regarding progress in respect of the local Enterprise Zone. It was advised that, since its launch in April 2012, the Enterprise Zone has successfully attracted eight projects creating 177 new jobs. This includes US energy company Air Products, which has started work on a new renewable energy facility on one of the sites. There are a further eight potential companies in the pipeline, which could create around a further 130 new jobs.
106. The Zone is made up of 12 individual sites with a total area of over 420 hectares. The Enterprise Zone encompasses a wide range of sites including a number with existing units (11 office and 6 industrial units currently available, plus smaller office and workshop units). The sites include both new and established business and enterprise parks, plus large cleared industrial sites with access to utilities, port services and logistics.
107. On each site, businesses are able to benefit from tax relief and simplified planning regimes.
108. Sectors identified as being key to the future growth of the Tees Valley are the focus of the sites and companies in these sectors will be able to take advantage of the incentives on offer. These sectors have been identified as advanced manufacturing and engineering, chemical, renewable energy and digital.
109. Reference was also made to the development of a Centre for Offshore Renewable Energy, with Middlesbrough Council working in partnership with Teesside University and TWI at the Advanced Manufacturing Park. The development was funded by TVU through the Growing Places Fund.
110. TVU and Teesside University have also contributed £200k towards the expansion of Digital City.
111. It was also advised that one of the aims of TVU is to attract foreign investment. The Tees Valley area needs to grow more entrepreneurs and help small businesses to grow and access top quality support in terms of finance and marketing. It is noted that in this regard, TVU is working closely with partners to develop a Tees Valley and European Structural and Investment Strategy. This will outline future investment priorities for the future.
112. From 2014 onwards, £190m of European Regional Development Fund money will become available to support local businesses and social enterprises. While this is welcomed, the scrutiny panel was informed that it has been calculated that it is likely that the Tees Valley area would need almost £300m of funding in order to transform the local economy.

113. As has been mentioned elsewhere in this report, it is recognised that there is a need to ensure that young people are trained across all sectors to alleviate problems of a shortage of skilled employees in some areas. For example, it was commented that the average age of employees working in the engineering sector in Teesside is around 57 - 58. The need to train youngsters to take on this type of work was emphasised. Existing employees must also have access to relevant training to ensure that companies are not left with a skills shortage and unable to fill skilled jobs.

114. TVU has also been involved in a recent drive to create more jobs that require high level skills. It was highlighted that of every 25,000 jobs created, 6000 were likely to require high level skills. Locally, there is a general need to improve the offer of employment across the Tees Valley area so that people are attracted to living/working and spending in the area.

115. The Panel was advised that the aim of TVU is to create 25,000 new private sector jobs between 2014 - 2024. However it is acknowledged that, because of the current economic situation and the number of jobs being lost, TVU would probably need to create 40,000 jobs to ensure that the target of 25,000 additional jobs is achieved. It is envisaged that many of the jobs created will be based in the engineering sector/business services and logistics sectors.

116. While it is anticipated that a proportion of the jobs would also come from new entrepreneurs, it is unlikely that any new jobs will be created in the public sector. It is noted that between January 2011 and January 2013, the private sector created 8000 new jobs. From 1996 to 2006 the Tees Valley created 28,000 net new jobs but over half of these were in the public sector.

117. Reference was made to the Tees Valley City Deal. The Panel was advised that the City Deal would assist the Tees Valley in becoming a global pioneer in carbon capture and storage and the Tees Valley area would likely see a reduction in industrial carbon emissions. It would also give the Tees Valley greater control over government resources and investment in the area. An announcement with regard to the Tees Valley bid was expected in the very near future. The funding was expected to be used in conjunction with ERDF funding and local Growth funding in 2015.

118. Other areas that the TVU is currently involved in include:

- Access to Finance Fund - This is to be established to assist small businesses to develop and grow. The fund will have £50m available (£25m from the European Investment Bank) for small businesses to access. This can be used to assist businesses in testing ideas and concepts and creating prototypes etc.
- Work to secure funding for a Tees Valley Skills & Apprenticeship Programme.

119. Reference was also made to the recently announced Tees Valley City Deal. City Deal is a bespoke agreement between Government and a local area on how best to ensure that area's growth and prosperity. It highlights an area's individual advantages and how best to exploit them. It also identifies an area's specific obstacles and how they can be overcome.

120. In the past these agreements were made between cities and Government - hence the name City Deal. More recently areas with a geographical identity such as Tees Valley have shown that they have the same capacity and capability to initiate local change. As such Tees Valley was invited to submit an Expression of Interest for a City Deal in 2013.
121. A City Deal does not make Tees Valley a city but importantly it puts Tees Valley on a level playing field alongside cities like Newcastle, Leeds and Manchester when working with Government to help shape the policy decisions that will affect the local area.
122. The City Deal has been agreed with local authorities and Tees Valley Unlimited, the Local Enterprise Partnership, and will boost the process industries on Teesside. It is anticipated that City Deal will support the creation of 3,500 jobs and unlock £28 million of private sector investment. This will see the Tees Valley become a global pioneer in carbon capture and storage, with a business model that will not only see investment in the area but also reduce industrial carbon emissions.
123. Private sector investment will see the development of an innovative waste heat network, where waste heat from Tees Valley's industries will be used to heat businesses, homes, hospitals and local authority buildings. This will see a saving of 10-15% on businesses' energy bills, and reduce carbon emissions even further.
124. Local businesses will benefit from the Tees Valley Business Growth Hub, which will give them a single access point for local and national business support. In particular, the Local Enterprise Partnership has identified that Tees Valley entrepreneurs would benefit from advice on using cutting edge technology, how to diversify into multiple commercial sectors and how to break into the export market.
125. In addition to this, the Government has agreed to work with Tees Valley to examine how the application of planning rules and legislation might be streamlined in order to provide the kind of planning certainty that industry needs. Discussions will be completed by June 2014.
126. In terms of TVU's relationship with the Council, Members were advised that the organisation holds regular meetings with officers of the Council; the Mayor is part of the TVU Board and the Tees Valley Leaders and Chief Executives attend Board meetings. Representatives from TVU also meet with Head Teachers.
127. In response to a query whether TVU has established any links with school governors, it was advised that the organisation has not received any requests from school governors to attend meetings. TVU advised that they would, however, be receptive to establishing such links.

CONCLUSIONS

128. Having considered the submitted information, the Economic Regeneration and Transport Scrutiny Panel reached the following conclusions:

1. Middlesbrough Council, like most other local authorities, no longer directly-funds business creation. It has been found that public sector funding is generally more effective if it is used to assist or 'grow' entrepreneurs, rather than to help people to become entrepreneurs (such as through training course provision). As a result, the authority now directs individuals and businesses to external support and focuses its own investment in sector-specific activity such as digital or retail. This approach has resulted in successes such as Digital City and in developing effective partnership working with organisations such as Tees Valley Unlimited (TVU), which is one of a number of bodies/organisations that is actively involved in local business support and job creation. The scrutiny panel is pleased to see the comprehensive level of support that is available to new and existing businesses across the area.
2. Given the impact of the economic downturn and the resulting high levels of unemployment in the local area, Middlesbrough (like other areas in the region) is in need of external assistance and investment. In this context, the establishment of the Tees Valley Local Enterprise Partnership (LEP), and its associated funding, is welcomed. The LEP presents an opportunity to build on the work of Tees Valley Unlimited to create a more diverse local economy. Over £160m of Regional Growth Funding has already been secured by the LEP to support local businesses. In addition, progress has been made in business and job creation through the recent establishment of the local Enterprise Zone; and the recently announced Tees Valley City Deal offers the opportunity to support further job creation and secure significant private sector investment.
3. The panel's investigation has highlighted the importance of effective training and apprenticeship provision to ensure business continuity across all employment sectors. For example, some sectors of specialist employment now have an ageing workforce with an average age in the high 50s. This has been caused through a reduction in apprenticeship provision over a period of years coupled with the retirement of experienced staff. This issue must be addressed to ensure that succession planning strategies are in place and in order to prevent skills shortages. This has been recognised by local apprenticeship and training providers and is gradually being recognised by employers. It is hoped that the STEM (Science, Technology, Engineering and Maths) Centre being developed at Middlesbrough College will help to address the skills shortage in some specialised areas of employment, such as science and engineering personnel.
4. The education system is focussed on academic attainment and satisfying the requirements of the existing inspection regime. However, it is important that schools and colleges are also actively involved in assisting students to become employable and fit for work. Employers increasingly need young people not just with the right education and skills but to be employment-ready and aware of the requirements of the labour market and workplace. While this has been recognised by educational and training organisations such as Middlesbrough College and TTE (both of whom are in regular dialogue with employers and gear training and course provision towards their needs) and through a multi-agency approach to work experience placements, the scrutiny panel considers that there is a need to ensure that all schools and colleges are aware of these requirements. Current indications are that, in future, schools will be measured on how well students progress after they leave school. If implemented, this will provide an opportunity to gauge whether policies concerning training and education are working and to take corrective action if necessary.

5. A national programme of careers advice and guidance no longer exists and this is now provided in schools on a discretionary basis. As a result, some schools do not provide any career advice until Year 10, although young people are required to choose their examination options in Year 9. This is an issue of concern to the scrutiny panel. Middlesbrough Council is involved in supporting young people regarding career options/choices through the annual Choices event for students in Years 9, 10 and 11. The event features colleges and training organisations. Choices could provide an opportunity to involve employers in the event - for example those who are seeking apprentices or trainees.
6. In terms of staff numbers, and despite reductions over recent years, Middlesbrough Council is a significant local employer. However, the authority does not have an active apprenticeship policy in place and currently employs a relatively small number of apprentices. Also, the authority does not, as yet, offer apprenticeship opportunities to older people. The scrutiny panel considers that these are all issues that should be addressed. It may also be opportune for the authority to consider how its obligations as a corporate parent can be used to develop apprenticeship opportunities for looked after young people of working age - around 40% of this group is currently unemployed.
7. Middlesbrough Council has recognised the need for action in respect of local levels of youth unemployment and is taking action through a multi-agency approach coordinated by the authority's Health and Wellbeing Board. This will focus on supporting and encouraging learners and school leavers to raise aspirations and confidence and enhance their employability prospects. There is an opportunity to link this work with work in relation to apprenticeship and training provision, possibly to provide a more co-ordinated Tees Valley-wide approach involving all local authorities, colleges and training organisations.

RECOMMENDATIONS

129. Following the submitted evidence, and based on the conclusions above, the Environment Scrutiny Panel's recommendations for consideration by the Overview and Scrutiny board and the Executive are as follows:
1. That the Executive notes the comprehensive level of support that is available to new and existing businesses in Middlesbrough and the Tees Valley, together with the opportunities for further growth presented by the establishment of the Tees Valley Local Enterprise Partnership (LEP), Enterprise Zone and Tees Valley City Deal.
 2. That the Council's Integrated Youth Support Service takes action as follows:
 - a) To ensure that all Middlesbrough secondary schools, academies and colleges are aware of the need to be mindful of the requirements of employers and gear appropriate training and careers advice towards ensuring that young people are equipped with the skills and knowledge to make them employment-ready.
 - b) To explore the possibility of widening the annual Choices careers advice event to include employers who are seeking apprentices or trainees.

- c) To encourage schools to ensure that careers information is provided to students before they choose their options for GCSE study.
3. That the Council takes action to review the position in terms of the employment of apprentices, in particular to:
 - a) Introduce a formal Council policy on apprenticeships.
 - b) Increase the number of apprentices across all Council departments and service areas.
 - c) Ensure that opportunities are also made available for older apprentices.
 - d) Consider how apprenticeship opportunities can be promoted/made available to young people in care.
 - e) Promote the benefits of developing apprenticeship opportunities among partner organisations, including major local employers such as the National Health Service, as well as private sector employers.
 4. That the Council liaises with training organisations, colleges and learning providers, other local authorities and the business sector to develop a more co-ordinated approach to supporting young people into employment across the Tees Valley.
 5. That a progress report on the multi-agency approach that is being taken to address issues of youth unemployment is submitted to the scrutiny panel in approximately 12 months' time.

ACKNOWLEDGEMENTS

130. The Economic Regeneration and Transport Scrutiny Panel would like to thank the following people for their contribution to its work:

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- Stephen Catchpole - Tees Valley Unlimited
- Richard Horniman - Middlesbrough Council
- John Keelty - Middlesbrough Council
- David Thompson - TTE
- Peter Wilson - Middlesbrough College
- Phil Wilson - Enterprise Made Simple

BACKGROUND PAPERS

131. The following sources were consulted or referred to in preparing this report:

- Reports to and minutes of the Economic Regeneration and Transport Scrutiny Panel meetings held on 7 November and 12 December 2013; 21 January; 20 February; 27 March; and 24 April 2014.

COUNCILLOR PETER SHARROCKS

CHAIR

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