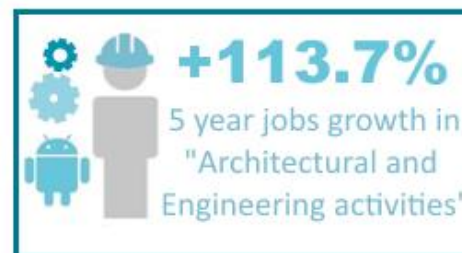
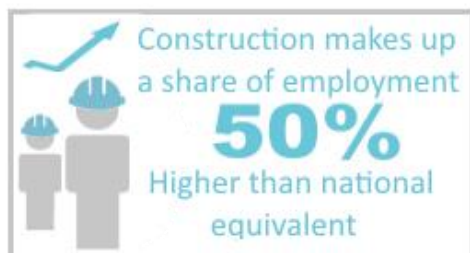
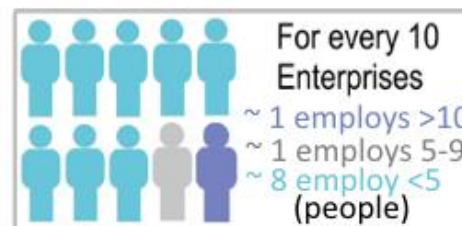


# Economic Climate Report – Business

## Conclusions

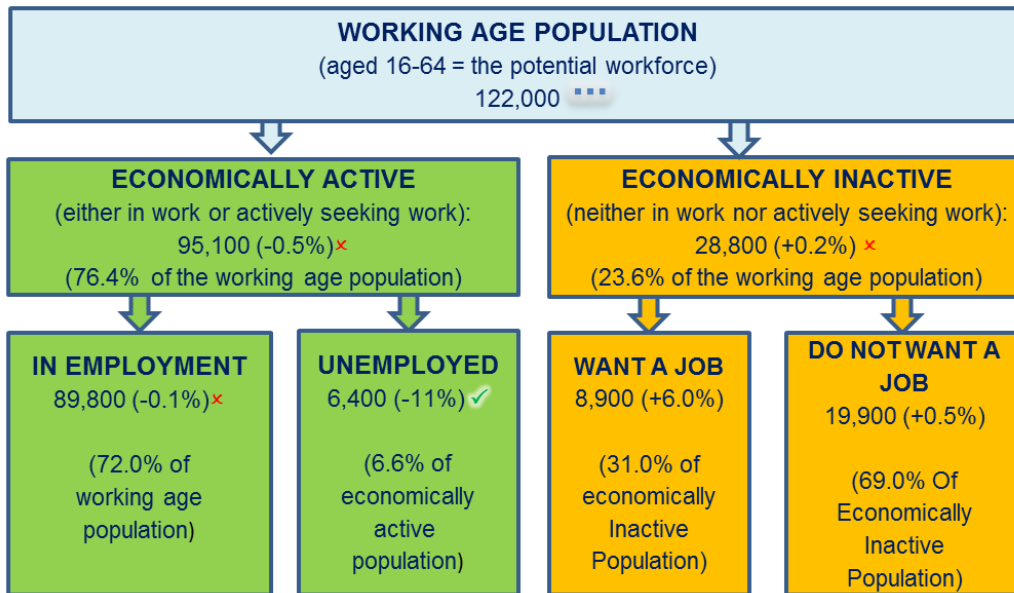


## ECONOMIC DASHBOARD

The table provides an update on the latest estimates and data trends relating to the structure of the labour supply in Stockton-on-Tees based on a quarterly sample survey of around 1,000 Stockton-on-Tees households known as the Annual Population Survey (subject to sampling error). The claimant count is also provided which is an official monthly count of those seeking Job Seekers Allowance (JSA) and those who aren't in employment but claim Universal Credit.

**Trends** | Positive ✓ | Negative ✗ | Neutral ... | Record ★

### Labour Market Structure (Oct 2015-Sep 2016)

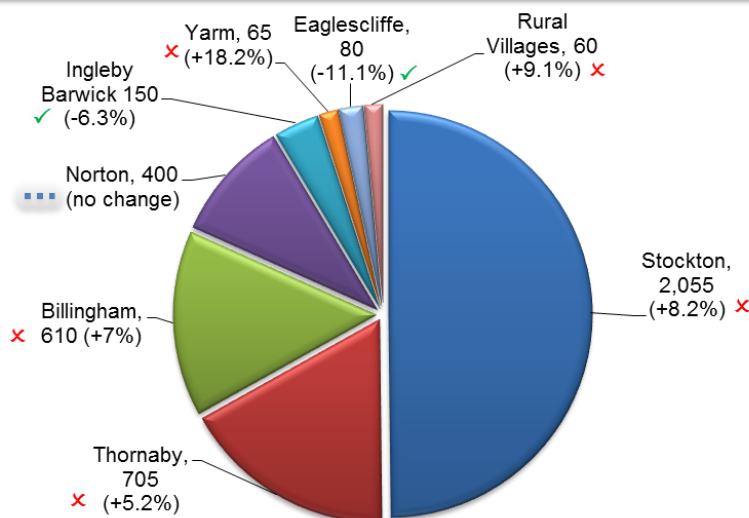


Source: Office for National Statistics, Annual Population Survey

Note: The Employment and Economically active figures refer to all people aged 16+ whilst the % figure relates to the population aged 16-64. The Unemployment estimate is model-based so whilst based on the APS sample survey it is strengthened by information from the claimant count.

### The Claimant Count (February 2017)

4,130 people (February 2017) claiming JSA or without a job and claiming Universal Credit  
 +230 person increase since November 2016 ✗



Source: Annual Population Survey (Office for National Statistics – Year ending September 2016)  
 Claimant Count (Office for National Statistics – January 2017)

## UPDATES

### Strategic Updates

- [Tesco's programme of transformation](#), which has been taking place over the last two years, may result in 1,000 people being made redundant as part of a shake-up of its distribution network across the UK. However, Tesco said it expected to create 500 jobs as part of the changes, which should be in place by June. The proposed changes will reduce the number of Tesco distribution centres from 25 to 23 across the UK. This announcement does not directly impact on any centres located in Stockton; with the nearest affected being located in Middlesbrough.
- A consultation on the **Government's Industrial Strategy** was announced on 23rd January and closed on 17<sup>th</sup> April 2017. Stockton Council has responded, along with the Tees Valley Combined Authority.
- **Nissan's** newly installed extra-large press line has launched in a move set to start the "next generation of production" at its Sunderland plant. The £37m project has taken more than 18 months to complete since ground was broken mid-way through 2015. Nifco UK, based at Durham Lane in Stockton, is a key supplier of parts that are used in the engines, interiors and exteriors of cars, such as Nissan.
- Two Stockton companies have been named in the **Fast Track League Tables 2017** published in the Sunday Times:
  - One of only four North East businesses listed, **Process Control Equipment**, which has its Head Office at Teesside Industrial Estate has been named as one of the top 100 fastest growing SME exporters. The two-year average international sales growth for the period ending June 2016 was 37.08%. From total sales of £12.1m; £5.8% of those were international. The business has received strong support from Tees Valley Combined Authority; accessing both the Capital Grant Scheme and the Tees Valley Catalyst Fund, which enabled the business to secure a major contract to supply a new chemical plant in the Middle East.
  - Founded in 2011, **Transflex Vehicle Rental**, has been named as one of the top 100 fast track businesses; with an annual sales rise over the three-years to December 2015 of 134.39%. The turnover has been driven by the rapid expansion of their rental fleet. The company has moved its headquarters and rental branch to larger premises to accommodate the recent business growth. The new 2.5 acre site at Portrack includes much larger office accommodation, a new and improved rental desk, and a used vehicle sales office together with ample parking and significant increased capacity. Its location is ideal for access and visibility from the A19.
- Rail links to Tees Valley could be transformed by an ambitious multi-million pound **redevelopment of Darlington Station**. The station provides the main rail link to London and is set to introduce dedicated platforms for local connections and future high speed services. The revamp is part of £150m plans called '**Darlington 2025**'. The programme will enhance rail connections across the north - on the East Coast Main Line - as an integral part of the HS2 network, and across Tees Valley. The redevelopment plan is set to include:
  - A £130m boost to the economy annually, amounting to up to £1bn overall
  - More than 3,000 direct and indirect jobs created
  - 98,500 square metres of commercial space
  - 1,500 new homes

At the heart of the plans will be faster rail services to key cities across Britain. Details of the masterplan can be found at [www.darlington2025.co.uk](http://www.darlington2025.co.uk).
- A major terminal to import liquefied natural gas (LNG) is set to reopen at **Teesport**. Swiss commodity trader Trafigura wants to reinvest in the terminal, which would position Teesside as a major hub for large scale energy infrastructure projects. The move demonstrates that confidence is high for investment coming into the region. Estimates show that LNG supplies are set to rise 50% in the next three years. Now Trafigura is set to invest around \$30m into the site, and plans to start operating next year.

### Business Announcements / Intentions

The following provides a summary of a number of major business announcements; it is not an exhaustive list of jobs growth or business investment.

- The **Ashbank Laundry Centre**, based on Teesside Industrial Estate, is undergoing substantial business growth, doubling its turnover to £2m, and creating 10 new jobs following increased demand for its services.
- Family run Stockton engineering company **Francis Brown** has won a major contract with Burnt Island Fabrications (Bifab) to work on the Beatrice Offshore Wind Farm, one of the largest private investments in Scottish infrastructure to date. Francis Brown, which specialises in the provision of services to the chemical, oil and gas, renewables and nuclear industrial markets, is to fabricate 26 of the steel Boat Landings for wind turbines to be located at the wind farm. The company has recently expanded the work force; taking on some former SSI workers and four apprentices in the process.
- **Icon Plastics** have continued to invest over recent months, with the most recent of these being £500,000 in new equipment, and is now building a 7,500 sq.ft warehouse extension to its two acre site at Eaglescliffe. The company specialises in plastic injection moulded components and assemblies to customers in sectors from automotive, agricultural, health and construction to defence and electronics. The company has increased its workforce from 25 to 60, and has almost doubled its injection moulding machine capacity from 16 machines to 28 and is operating 24-hour shifts, five days a week.
- Stockton based, **BLK**, a sportswear firm has secured a multi-million pound investment. Entrepreneur, Richard Upshall, is supporting BLK United Kingdom's bid to become one of Britain's fastest-growing sports brands. BLK says the funding will support its ambitions to expand into a wider range of sports and strengthen its retail and distribution capabilities. Currently, BLK has existing partnership relationships with Saracens, England Rugby League, Scotland Rugby League and England Netball. It was founded in 2016 after it acquired the UK licence from BLK Sports and operates out of a 15,000 sq.ft warehouse in Orde Wingate Way, Stockton, employing 20 people. The investment also coincides with the announcement that brand owner, BLK Sport, based in Australia, is no longer in administration and has strong growth ambitions to support its global network.
- **BoHo Media** has successfully secured Enterprise Zone status as a new tenant in Fusion Hive. The business has ambitious plans to expand having taken on an apprentice in January of this year, and further senior IT roles are to be recruited to throughout 2017. The company has growth targets of 20% in turnover. The owners have plans to launch a second business to provide a budget web presence offer for sole traders, which would also operate from Fusion Hive.
- **Virgin Media** are recruiting 40 new staff. Stockton Borough Council's Learning and Skills team are delivering two pre-employment training courses to support applicants interested in working at Virgin Media.
- **Cordell Group Limited and Cordell Southern Technical Services Limited entered** into Administration on 23<sup>rd</sup> February 2017. Cordell currently has 3 locations across the Borough at Stockton High Street, Portrack Lane and Teesside Industrial Estate. 39 employees were previously made redundant on 3<sup>rd</sup> February prior to the company entering into Administration. A further 110 employees were immediately made redundant on the appointment of the Administrators. Since then a further 19 employees were made redundant in early March. A total of 151 employees are still employed on a day-to-day basis to honour existing contracts that Cordell are involved with. Of the remaining workforce 43 employees are residents of the Borough. Jobcentre Plus has been working with the Administrators to advise those employees that remain what information, advice and guidance is available to them.
- **Archers Law**, based on Surtees Business Park, has reported a 20% rise in turnover in the year ending April 2016, with a further increase expected this year. The growth of the practice has been driven by a number of factors including improved market conditions, increased internal performance and strategic management. Over the past 12 months, the company has taken on 12 new staff and now employs a workforce of 62.  
Renewable energy firm, **IndyGen**, started construction of the 16,000-panel solar farm in the fields off Durham Lane in Stockton, and will be generating power from the end of March 2017. The 11-hectare site will generate power for up to 700 homes, and is expected to generate 4,500 megawatt hours of electricity per year for the next twenty years.

- The **PX Group**, based on Teesdale Business Park, is set to acquire BP’s Saltend Industrial Park in Hull. The park provides energy, infrastructure, operations and maintenance services to global companies including Air Products, BP, Engie, INEOS, Nippon Gohsei, Perenco, Vivergo and Yara. PX’s purchase of the 370-acre site and its operation is expected to be completed over the next few months, with approximately 50 BP workers transferring to PX employment. BP will remain as one of the largest businesses on this site.

### Strategic Locations

#### Teesside Industrial Estate

- A one-acre industrial unit has recently been put on the market for sale or let.

#### Bowesfield Industrial Estate

- Plans have been approved to build a **small waste incineration plant** in Stockton with the plant creating four full-time roles.

#### Stockton Town Centre

- There has been a significant increase in the number of quality bars, which is improving the evening economy offer within Stockton Town Centre. The Wasps Nest Yard is now fully occupied; with the opening of ‘Hope & Union’ and ‘The Nuthatch’. In addition the newly named ‘Regent Quarter’ is developing on Prince Regent Street with 3 new bars - Thirsty Souls, The Looking Glass and Dr.inks - with plans for more opening in the near future.

### Training & Skills

- A new start-up package is being offered by **Teesside University** to help graduate entrepreneurs grow their business. The **Launchpad FUEL programme** offers graduates of the University who are in the early stages of developing a business idea up to £10,000 worth of grant funding to develop their product or concept. The scheme also gives entrepreneurs up to £6,000 to cover their living costs and up to £3,000 for a co-founder. In addition to the funding, they will receive dedicated office space for six months, including high quality meeting and office space, and a support package including specialist mentoring, business workshops, networking and access to finance and investment support. The scheme is open to entrepreneurs who have graduated from Teesside University in the last five years and who can demonstrate that they have the potential for a viable scalable business in any sector. The successful businesses will be based at Teesside Launchpad, in Victoria Road, Middlesbrough, where students, graduates, alumni-entrepreneurs, SMEs and corporate partners all come together on campus in the University’s unique start-up ecosystem. Further FUEL programmes will be run by Teesside Launchpad over the next three years. In addition the Launchpad project, which currently supports a number of digital businesses, provides a route to relocate to Stockton-on-Tees via Fusion Hive that is also managed by Teesside University. Two high-growth potential digital businesses have relocated to Fusion Hive in the last twelve months - Sapere Software Ltd. and Circle Cloud Ltd. with the potential for more to follow.
- The recently devolved **Tees Valley Apprenticeship Grant for Employers (AGE)** is proving popular and has already helped nearly 500 young people find new employment opportunities across Tees Valley. Following the success of the scheme, additional funding has been secured by Tees Valley Combined Authority up to July 2017 to create even more opportunities for young people in the area. The Apprenticeship Grant for Employers Scheme supports small and medium sized businesses to help them employ apprentices aged 16-24 years with funding of up to £1,500 per individual. As of the end of January 2017, 492 business opportunities had been provided via the scheme; of which 29% were in Stockton businesses. The grant has also been increased by an additional £1,000 for those businesses that deliver apprenticeships under the frameworks in Construction, Design, Digital and ICT, or Engineering.

- The most recent **Tees Valley Skills Newsletter** was focused on Apprenticeships and is accessible on the TVCA [Skills Portal](#) along with the full range of other resources. All Tees Valley secondary schools have received electronic copies of the new Sector Specific [Factsheets](#), which provide Labour Market Information (LMI) content on the priority sector areas of growth within Tees Valley including Advanced Manufacturing, Health, Logistics, Chemical Processing, Culture & Leisure and Digital & Creative. The factsheets provide a brief on each of the sector areas as well as highlighting the different job roles and qualifications needed to work within these areas of growth.
- The annual **Tees Valley CEIAG Conference 2017** in partnership with Youth Direction will take place on Friday 28th April at Preston Hall. This year's event will see a series of workshops on offer including: Ofsted and Careers Education; Unlocking Talent and Potential; and Apprenticeship reforms.
- The **Big Bang Fair Tees Valley 2017** is taking place at Teesside University in July, and is part of the Big Bang North East programme; offering a free programme of events designed to get young people aged 7-19 excited about science, technology, engineering and maths (STEM) in the real world. It is part of a major UK-wide programme led by EngineeringUK to reveal the opportunities STEM can offer young people. The age-specific events are being held on 3rd July - Primary School Day, and 4th July – Secondary School Day.
- The **Tees Valley Skills Event 2017** will take place Thursday 21st September at Teesside University. Ongoing promotion will take place throughout the year and the event is advertised on the TVCA website for exhibitors to register interest.



**BUSINESS THEME REVIEW**

**BUSINESS STOCK**

1. In 2016, Stockton-on-Tees had 5,445 enterprises<sup>1,2,3</sup>, which is 1,425 more than in 2011; representing growth of 35.4% since 2011. As **Figure 1** illustrates Stockton-on-Tees’ growth in enterprises is greater than the Tees Valley (31.9%), and both locations are exceeding the performance of regional (23.8%) and national (22.8%) averages.

2. The size structure of enterprises in Stockton-on-Tees is broadly similar to that seen nationally with nearly 9 out of every 10 enterprises employing less than 10 people, and the majority of these employing less than 5 people.



3. There were 145 registered enterprises in Stockton-on-Tees in 2016 with more than 50 employees, which at 2.67% of all active enterprises is higher than the UK at 1.94%. Although only small numbers this does suggest that Stockton-on-Tees has a 37% higher proportion of total medium and large enterprises than nationally.

**FIGURE 1 - BUSINESS POPULATION BY SIZE IN 2016**

		Micro (of which 0-4)	Micro (of which 5-9)	Small (10 to 49)	Medium-sized (50 to 249)	Large (250+)	Total	% Change in Total Enterprises 2011-2016
Stockton-on-Tees	Enterprises	4,235	570	495	125	20	5,445	+35.4
	% of Total Enterprises	77.8	10.5	9.1	2.3	0.37	100	
Tees Valley	Enterprises	13,030	2,020	1,630	350	70	17,100	+31.9
	% of Total Enterprises	76.2	11.8	9.5	2.0	0.41	100	
North East	Enterprises	49,945	9,205	7,055	1,295	295	67,800	+23.8
	% of Total Enterprises	73.7	13.6	10.4	1.9	0.44	100	
U.K.	Enterprises	1,985,220	292,260	227,450	39,890	9,690	2,554,510	+22.8
	% of Total Enterprises	77.7	11.4	8.9	1.6	0.38	100	

Source: Business: Activity, Size and Location (Office for National Statistics)

<sup>1</sup> Figures are from “Business: Activity, Size and Location” (ONS - 2016) which is an extract from the Inter Departmental Business Register (ONS) that takes a look at enterprises that were live at a reference date in the March before its release.

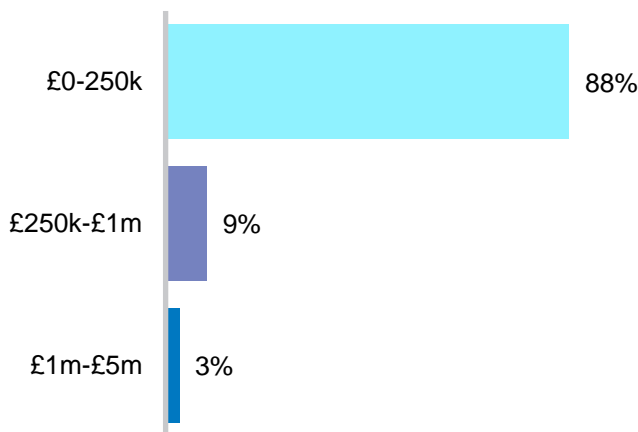
<sup>2</sup> An **enterprise** can be thought of as the overall business, made up of all the individual sites or workplaces. It is defined as the smallest combination of legal units (generally based on VAT and/or PAYE records) that has a certain degree of autonomy within an enterprise group.

<sup>3</sup> Many self-employed people can be considered as an ‘unregistered’ business because they do not employ staff and are unregistered for VAT and/or PAYE systems though not all self-employed people who operate a non-employing business are ‘unregistered’ and some will be included in the statistics.

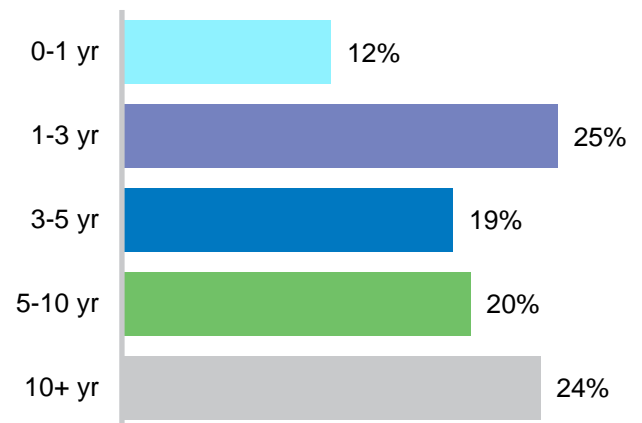
**CHARACTERISTICS OF SMALL BUSINESS OWNERS<sup>4</sup>**

4. **Figures 2 and 3** illustrate that in Stockton-on-Tees there are an estimated 56% of small businesses less than five years old compared to 48% in the North East.
5. A high rate of business births in recent years has contributed to this younger age profile; with 37% of small businesses being less than three years old in Stockton-on-Tees compared to 32% in the North East.

**FIGURE 2 - SMALL BUSINESSES BY TURNOVER**



**FIGURE 3 - SMALL BUSINESSES BY AGE**



Source: SBC analysis from ‘Barclay Local Insights’

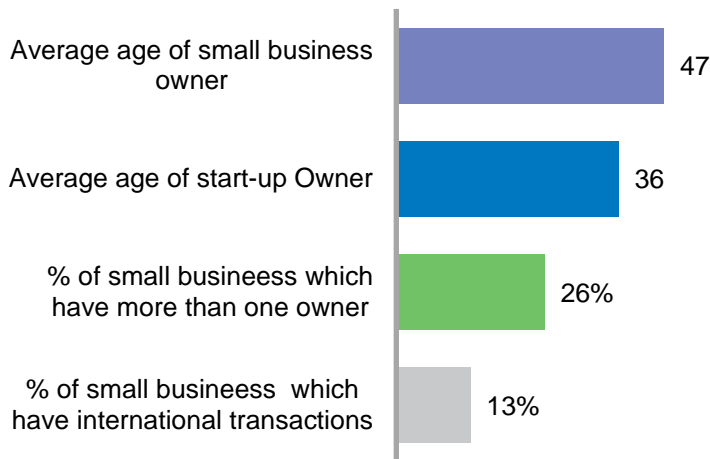
6. 97% of small businesses have turnover of less than £1 million, which is the same proportion as the North East region.
7. The North East, however, boasted a lower rate of businesses with turnover of less than £250k; with 86% of small businesses falling into this turnover bracket compared to 88% in Stockton-on-Tees.
8. The average age of business owners in Stockton-on-Tees is three years younger than the wider region and the average age of owners of business start-ups<sup>5</sup> is 2 years younger.
9. **Figure 4** provides a variety of other general insights into small business owners.

<sup>4</sup> Business Demography Statistics (like Business Activity, Size and Location statistics in previous 2 pages) take an extract from the Inter-Departmental Business Register, though in demography statistics active enterprises refer to the number of enterprises that have been active in a 12 month period rather than on a set date.

<sup>5</sup> ‘Start-ups’ relates to the formation of a new business



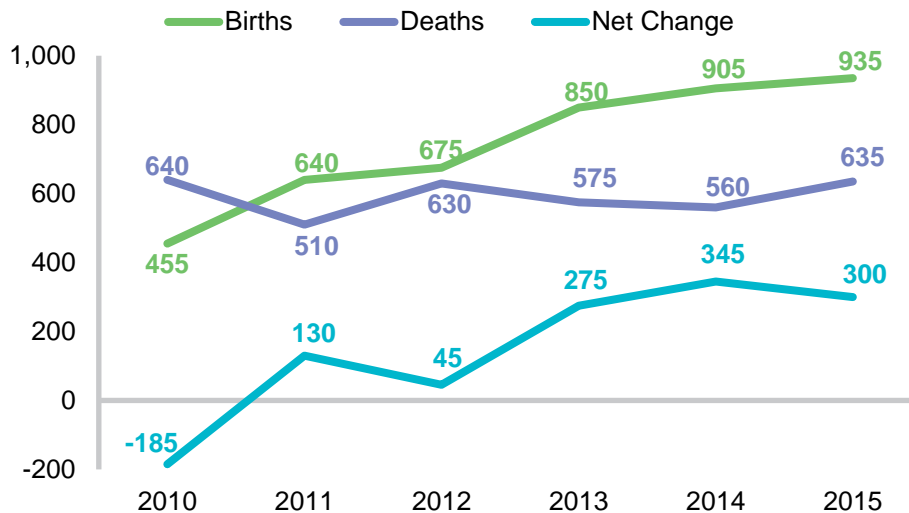
FIGURE 4 - OTHER BUSINESS STATISTICS



**BUSINESS BIRTH AND DEATH RATES**

10. Growth in the business stock (net number of businesses) in Stockton-on-Tees has occurred since 2011 due to a higher number of business births<sup>6</sup> compared to business deaths<sup>7</sup> as shown in **Figure 5**.
11. Business births in Stockton-on-Tees have grown each year since 2010, and there were more than twice the number of these in 2015 than there were in 2010.

FIGURE 5 – BUSINESS BIRTHS, DEATHS AND NET CHANGE IN STOCKTON-ON-TEES



Source: *Business Demography – 2016, Office for National Statistics*

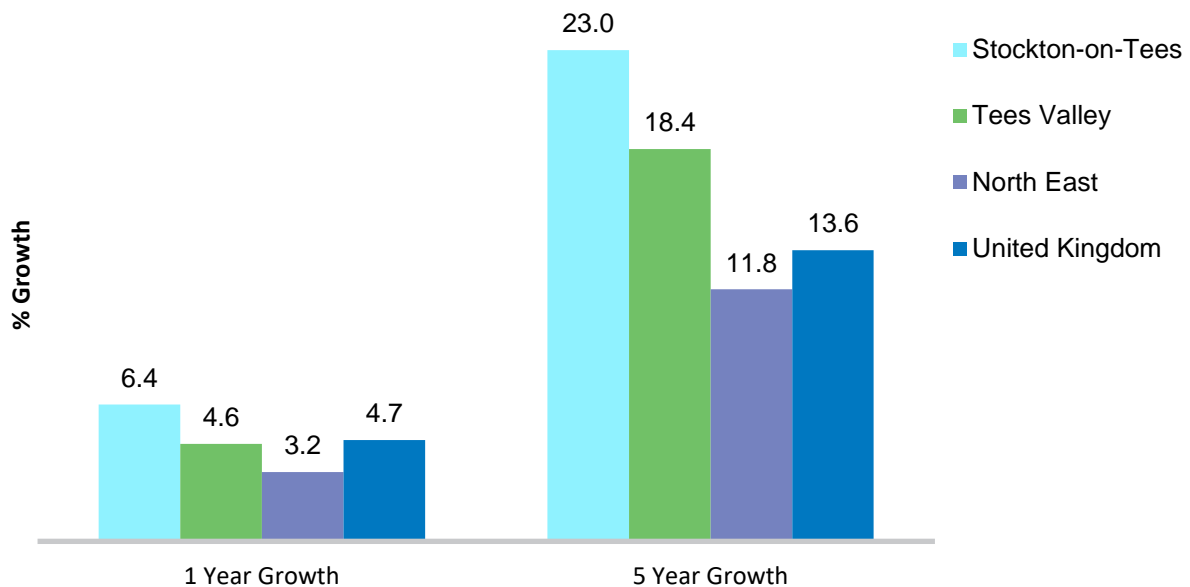
12. With net growth resulting in 300 additional active enterprises in 2015 the total figure was 6.4% higher than in 2014 in Stockton-on-Tees, which is higher growth than the UK and every other regional Local Authority area.

<sup>6</sup> A birth is identified as a business that was present in a given year but did not exist in the previous year

<sup>7</sup> A death is defined as a business that was active in a given year but not listed as active in subsequent years.

13. When comparing active enterprises in 2015 to five years previously Stockton-on-Tees also tops the list of North East Authorities and exceeds the national rate with growth of 23% as shown in **Figure 6**.

**FIGURE 6 – ONE-YEAR AND FIVE YEAR GROWTH IN THE STOCK OF ACTIVE ENTERPRISES IN 2015**



Source: *Business Demography – 2016, Office for National Statistics*

14. Stockton-on-Tees businesses are resilient with survival rates generally higher than the wider Tees Valley, North East and United Kingdom. **Figure 7** shows the survival rates for business born between 2010 and 2014 in the Borough and have been colour coded<sup>8</sup> for ease of reference.

**Key points of note are:**

- In 2015, there was a higher rate of business from the four previous years surviving than the wider Tees Valley, North East and U.K.
- Businesses born in 2011, 2012, 2013 and 2014 had higher survival rates than the national and regional average in all subsequent years.

<sup>8</sup> Figures in green are higher than the national, regional and Tees Valley figure. Figures in dark blue were not as high as the equivalent Tees Valley survival rate (yet are still higher than regionally and nationally). Figures in the red were higher in Stockton-on-Tees than the Tees Valley and North East survival rates (yet are not as high as the national figure).

**FIGURE 7 - SURVIVAL RATES OF BUSINESS BORN IN STOCKTON-ON-TEES BETWEEN 2010 AND 2015**

Year of Birth of Stockton Enterprises	Number of Births	Survival Rate					
		1 Year	2 Years	3 Years	4 Years	5 Years	
Born in 2010	640	89.0	74.7	58.2	47.3	41.8	% Active in 2011
Born in 2011	510	94.5	78.9	64.1	54.7		% Active in 2012
Born in 2012	630	92.6	77.0	62.2			% Active in 2013
Born in 2013	575	95.3	78.8				% Active in 2014
Born in 2014	560	93.4					% Active in 2015

Stockton-on-Tees > Tees Valley, North East and United Kingdom  
 Tees Valley > Stockton-on-Tees > United Kingdom and North East  
 United Kingdom > Stockton-on-Tees > Tees Valley and North East

Source: *Business Demography – 2016, Office for National Statistics*

## **INDUSTRIAL ACTIVITY OF BUSINESSES**

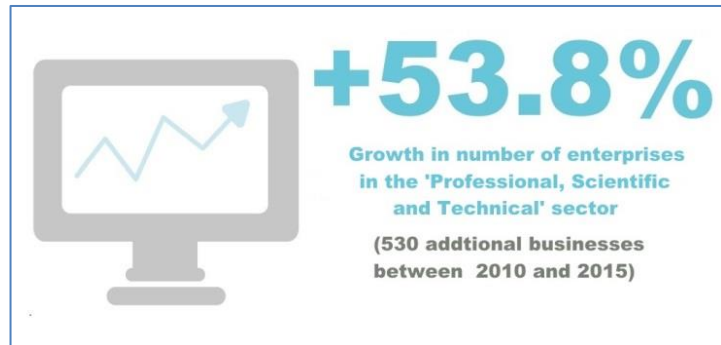
15. Of the 5,445 enterprises identified in Stockton-on-Tees in March 2016 more than 1 in 4 (27.8%) were in the 'Professional, Scientific and Technical'<sup>9</sup> sector<sup>10</sup> followed by 'Construction' (12.6%), 'Business Administration and Support Services' (8.3%) and 'Retail' (6.7%) – **Figure 8**.
16. Businesses within the 'Professional, Scientific and Technical' sector make up 17.9% of UK businesses, which is a notably smaller proportion of active enterprises than the Stockton-on-Tees' figure outlined above. Another notable difference between the UK and Stockton-on-Tees includes the 'Information and Communication' sector, which makes up 4.0% of Stockton-on-Tees' businesses; less than half the UK figure (8.1%).
17. As explored in the previous section, recent growth in the number of active enterprises in Stockton-on-Tees has been strong over the last 5 years and this has particularly

<sup>9</sup> See figure 8 for a breakdown of which types of industries make up the Professional, Scientific and Technical sector

<sup>10</sup> Unless states otherwise, 'Sector' in this document refers to the Broad Industrial Classification of industries based on the UK Standard Industrial Classification of Economic Activities (SIC 2007). Where more detailed information is used to look at classifications within a broad industrial sector the term "sub sector" may be used and refers to 2-digit industrial classification in the SIC hierarchy

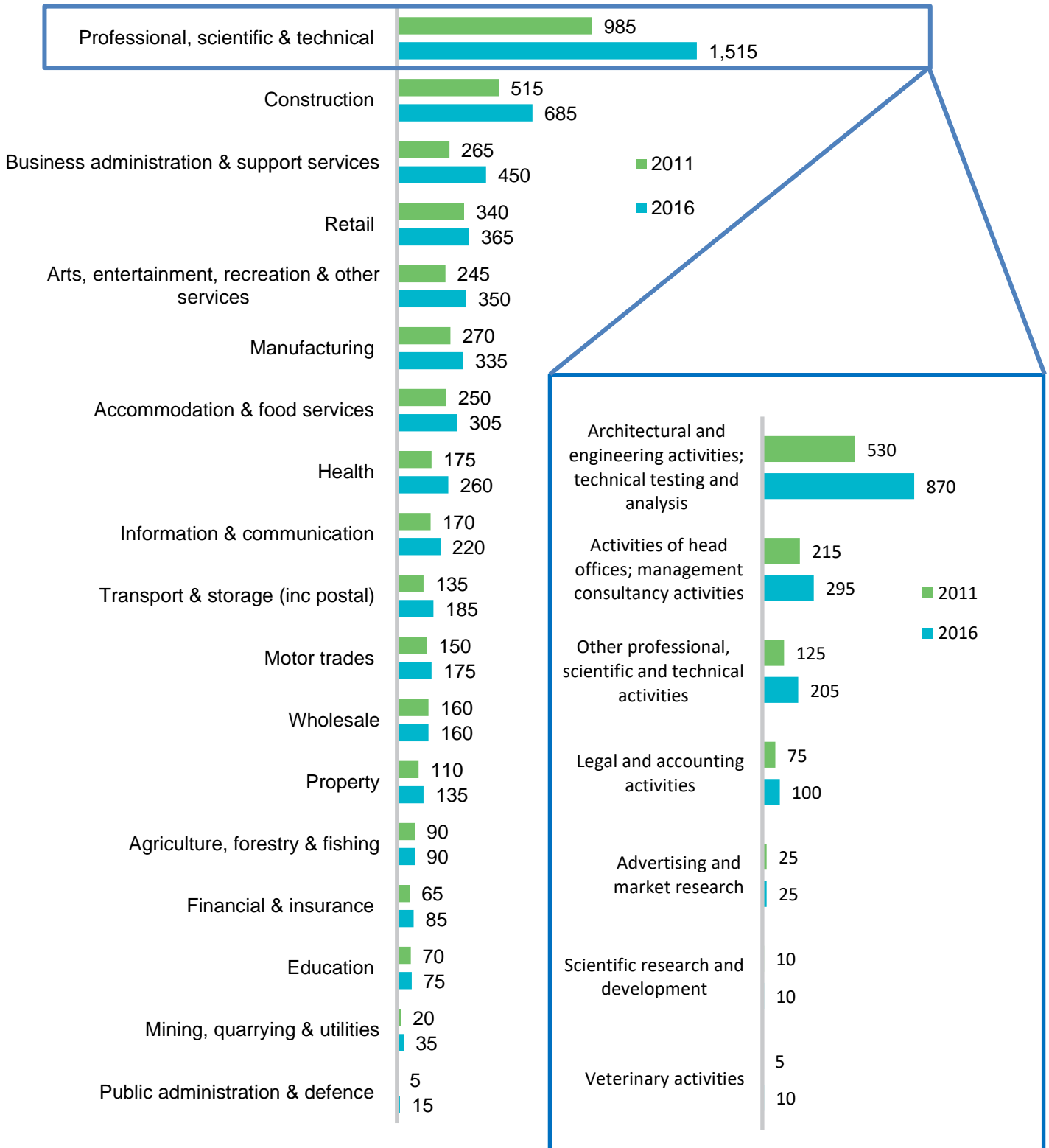
been the case in ‘Businesses Administration & Support Services’ with 185 additional enterprises (or growth of 70.0%), the ‘Construction’ sector has 170 additional enterprises (growth of 33.0%), ‘Arts, Entertainment, Recreation & Other Services’ with 105 additional enterprises (growth of 42.9%), and ‘Health’ with 85 additional enterprises (growth of 48.6%).

18. Significant growth in the number of enterprises in the ‘Professional, Scientific and Technical’ sector has occurred over the past 5 years with 530 additional enterprises (growth of 53.8%).



19. The ‘Professional, Scientific and Technical’ broad industrial sector covers many different types of businesses so a more detailed breakdown of the sector is included in **Figure 8**, which explores these statistics. It shows that over half the businesses in this broad sector fall into the classification ‘Architectural and Engineering Activities; technical testing and analysis’, which has seen growth of 64% in the last 5 years.
20. “Architectural and Engineering activities; technical testing and analysis” includes Engineering firms involved in the design of industrial process and production and also those involved in technical consulting, testing and analysis such as Axiom Engineering

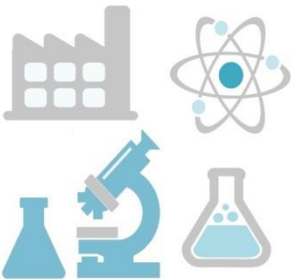
FIGURE 8 - NUMBER OF BUSINESSES BY BROAD INDUSTRY IN STOCKTON-ON-TEES 2011 - 2016



Source: Business: Activity, Size and Location, 2016 (ONS)

**EMPLOYMENT BY INDUSTRY<sup>11</sup>**

21. In 2015 there were 8,200 additional jobs in Stockton-on-Tees compared to 2010. The 'Health' sector comprised 13.1% of the employment – **Figure 9**.
22. This is followed by the 'Professional, Scientific & Technical' sector (11.3% of employment) and 'Manufacturing' (11.0%).
23. These three broad industrial sectors have grown over the last 5 years with employment in the 'Professional, Scientific & Technical' sector in particular showing evidence of strong growth with a 52.3% increase.
24. Similar to business concentrations, employment within the 'Professional, Scientific & Technical' sector is concentrated in the sub-sector of 'Architectural and Engineering Activities: technical testing and analysis', which employed 5,500 people and represents growth of 113.7% since 2010.
25. Other sub-sectors within the 'Professional, Scientific & Technical' sector include 'Legal and Accounting Activities', 'Activities of Head Offices; management consultancy activities' and 'Scientific Research and Development', each of which employed 1,300 people; with the latter two sub-sectors experiencing growth since 2010.
26. Employment in 'Manufacturing' has increased since 2010 although it is worth noting that 2010 was the lowest ever recorded figure for manufacturing jobs in Stockton-on-Tees, and employment levels are still considerably lower than before the 2008 recession.
27. The sub-sector of 'Manufacture of Chemicals and Chemical Products' makes up 24.3% of all manufacturing jobs in Stockton-on-Tees and has seen growth of nearly 500 jobs since 2010.
 



**1 in 4**

Of North East Jobs in the Manufacture of Chemicals and Chemicals products is in Stockton-on-Tees

**24.3%**

of Stockton-on-Tees manufacturing jobs are in the manufacture of chemicals and chemical products

Growth of over 500 between 2010 and 2015
28. More than 1 in 4 of the jobs in the North East in the sub-sector are located in Stockton-on-Tees despite the Borough containing only 7.4% of the North East population.
29. Despite a decrease of over 200 jobs in the 'Manufacture of Food Products' this sub-sector makes up 15.9% of manufacturing jobs.
30. The 'Manufacture of Fabricated Metal Products, except machinery and equipment' and 'Manufacture of Rubber and Plastic Products' are the next two largest sub-sectors for employment within manufacturing; with 800 and 900 jobs respectively in 2015.

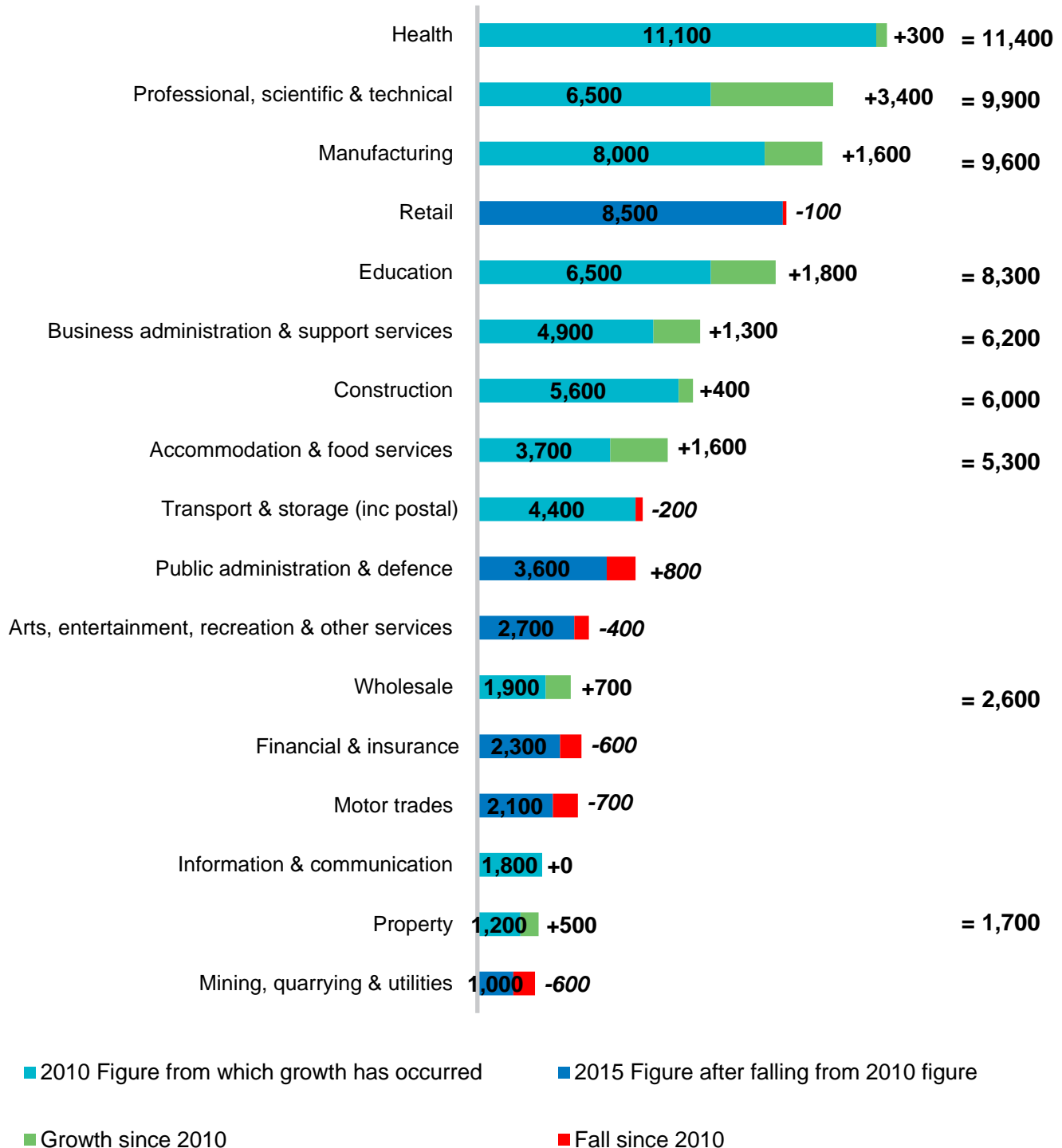
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<sup>11</sup> Employment includes employees plus the number of working owners. BRES therefore includes self-employed workers as long as they are registered for VAT or Pay-As-You-Earn (PAYE) schemes. Self-employed people not registered for these, along with HM Forces and Government Supported trainees are excluded.



31. Other notable changes in employment include growth in 'Education, Business Administration and Support Services', 'Accommodation and Food Services' and the 'Wholesale' sector, whilst the sector with the largest negative change in job numbers was 'Public Administration and Defence'.

**FIGURE 9 - EMPLOYMENT BY BROAD INDUSTRIAL SECTOR IN STOCKTON-ON-TEES**

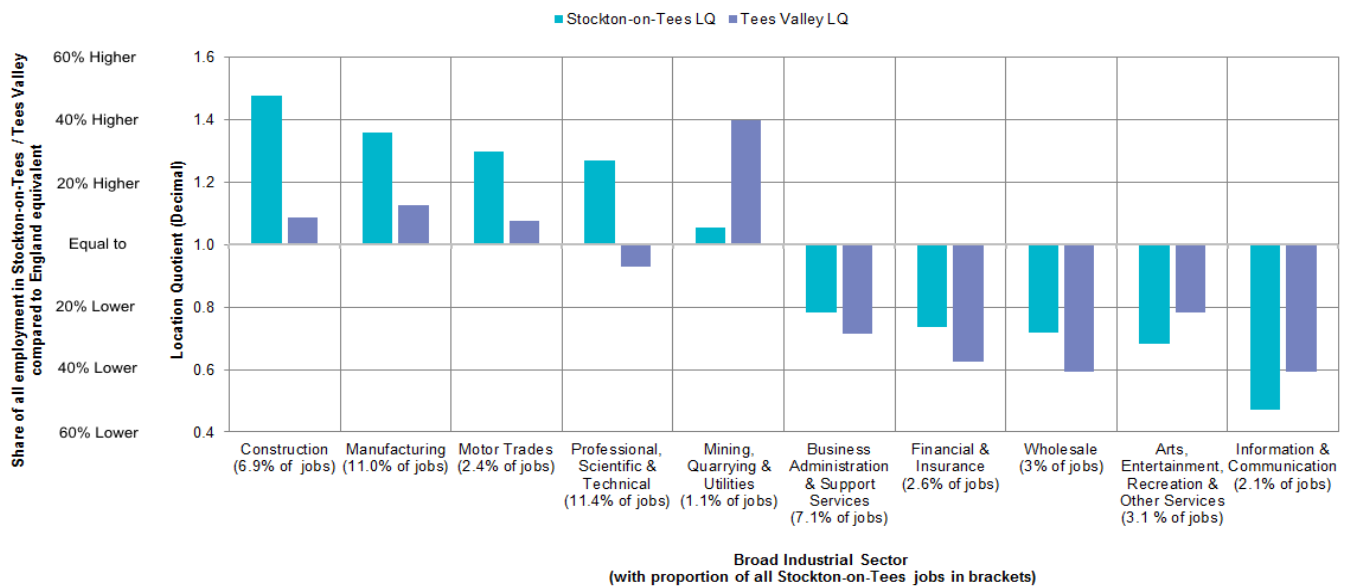


Source: Business Register and Employment Survey - 2016 (ONS)

**INDUSTRIAL SPECIALISMS**

32. Location quotients (LQ) are a way of quantifying how concentrated a particular industry is in a location compared to England. In the case presented in **Figure 10** the statistics compare the proportion of total employment an industry makes up in Stockton-on-Tees (and the Tees Valley) and compares this to the nationally equivalent share of employment. A higher LQ means that there is a higher concentration of employment locally and therefore indicates a specialism.<sup>12</sup>
33. Stockton-on-Tees, whilst being part of the Tees Valley functional economic area, has different specialisms. ‘Health’, ‘Education’ and ‘Public Administration & Defence’ make up a share of employment in line with national averages in Stockton-on-Tees, whilst in the Tees Valley the share is higher.
34. The ‘Professional, Scientific & Technical’ and ‘Manufacturing’ sectors are more specialist in Stockton-on-Tees than Tees Valley; with an LQ of 1.3 and 1.4 respectively.
35. ‘Construction’ is the most specialist industrial sector in Stockton-on-Tees with an LQ of 1.5, which represents a 50% higher share of total employment than in England. The ‘Information & Communication’ sector has the lowest level of specialism with only half the share of employment in Stockton-on -Tees than the national equivalent.

**FIGURE 10 - LOCATION QUOTIENTS (LQ) FOR 5 MOST SPECIALIST AND 5 LEAST SPECIALIST BROAD INDUSTRIAL SECTORS IN STOCKTON-ON-TEES WITH TEES VALLEY COMPARISONS**



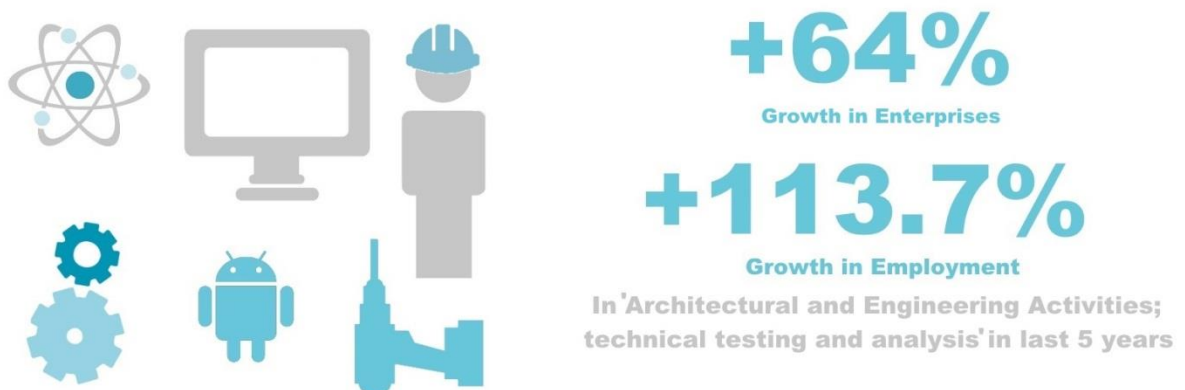
Source: Business Register and Employment Survey - 2016 (ONS)

<sup>12</sup> So for example, if a sector accounted for 10% of all the jobs in England, and if the same sector made up 20% of all the jobs in Stockton-on-Tees it would have a location quotient of 2.0 (twice as concentrated). Or, if it made up 10% of all the jobs in Stockton-on-Tees it would have a location quotient of 1.0 (equally as concentrated), or if it made up 5% of the jobs in Stockton it would have a location quotient of 0.5 (half as concentrated)

36. Other sectors that have below average shares of employment in Stockton-on-Tees include 'Business Administration & Support Services', 'Arts, Entertainment, Recreation and Other Services', 'Wholesale' and 'Financial and Insurance Services'.
37. In order to understand the industry specialisms in Stockton-on-Tees in further detail the LQ of sub-sectors is required to undertake further analysis.
38. There are 88 two-digit standard industrial classification codes, although a third of these sectors employ less than 100 people in Stockton-on-Tees and some of these have no employment associated with them.
39. There are 26 sub-sectors that employ more than 1,000 people in Stockton-on-Tees that collectively employ 74,100 people (or 84.9% of total employment). The LQ of these sub-sectors in Stockton-on-Tees and also the Tees Valley LQ are shown in **Figure 11** (appearing left to right in order of size of employment in each sector).

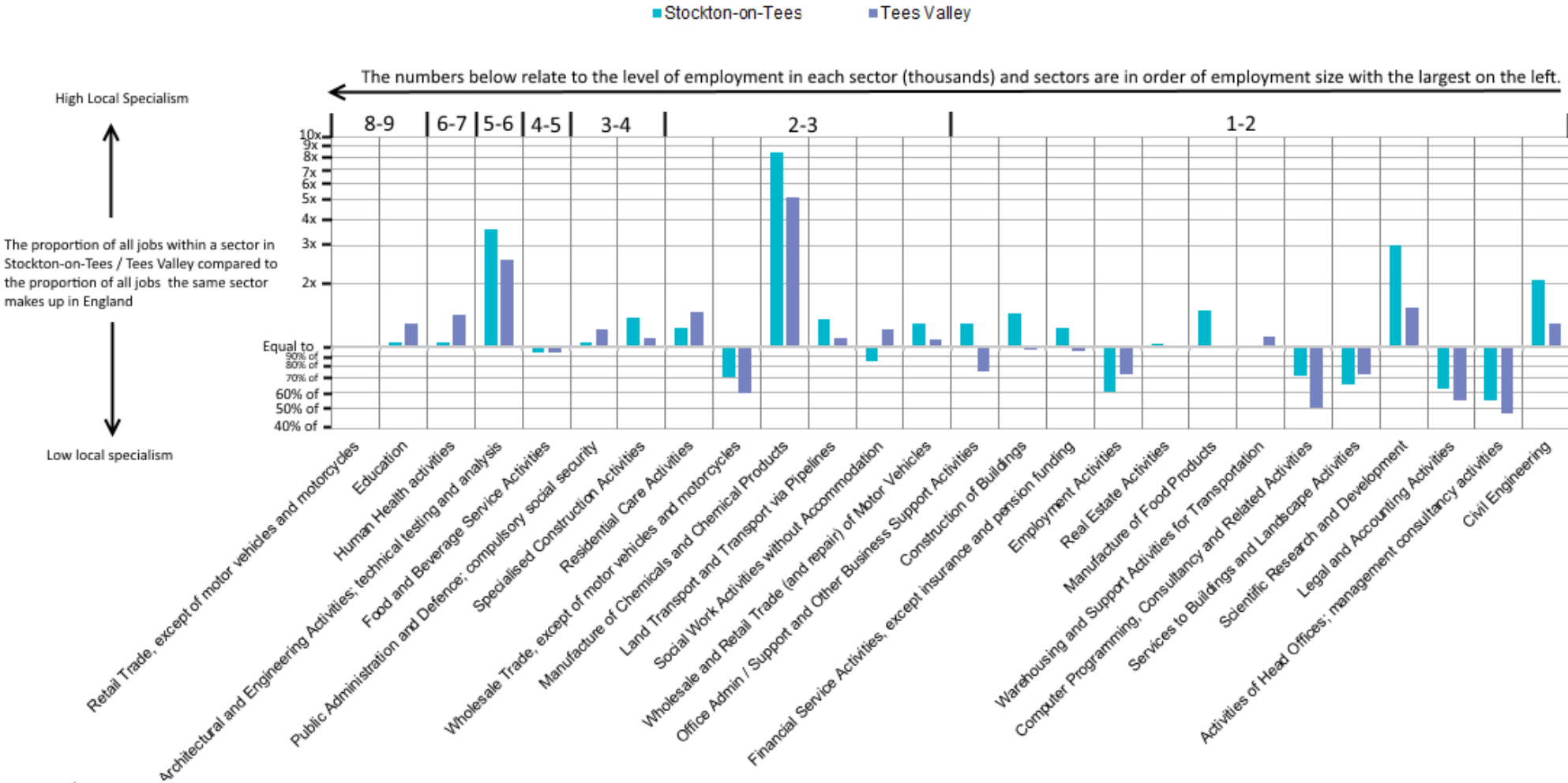
**Key Points are:**

- The three largest sub-sectors in Stockton-on-Tees are 'Retail' - 8,500 jobs, 'Education' - 8,300 jobs and 'Human Health Activities' - 6,600 jobs. All have a share of total employment in line with national averages.
- 'Architectural and Engineering Activities; technical testing and analysis' is both large (employing 5,500 people) and specialist in Stockton-on-Tees (a share of employment 3.6 times national averages).



- The 'Manufacture of Chemicals and Chemical Products' makes up 0.3% of all jobs in England, whilst in Tees Valley it is more than 5 times as concentrated making up 1.6% of total jobs.
- In Stockton-on-Tees the 'Manufacture of Chemicals and Chemical Products' is more specialist at 2.7% of all jobs, which is 8.4 times greater than the national figure and makes it the most specialist sub-sector in Stockton-on-Tees employing more than 1,000 people.
- 'Scientific Research and Development' and 'Civil Engineering' complete the list of sub-sectors that employ over a 1,000 people and have more than twice the concentration of employment than the England average with location quotients of 3.0 and 2.1 respectively.

FIGURE 11 - LOCATION QUOTIENTS FOR SUB-SECTORS IN STOCKTON-ON-TEES THAT EMPLOY OVER 1,000 PEOPLE



Source: Business Register and Employment Survey - 2016 (ONS)

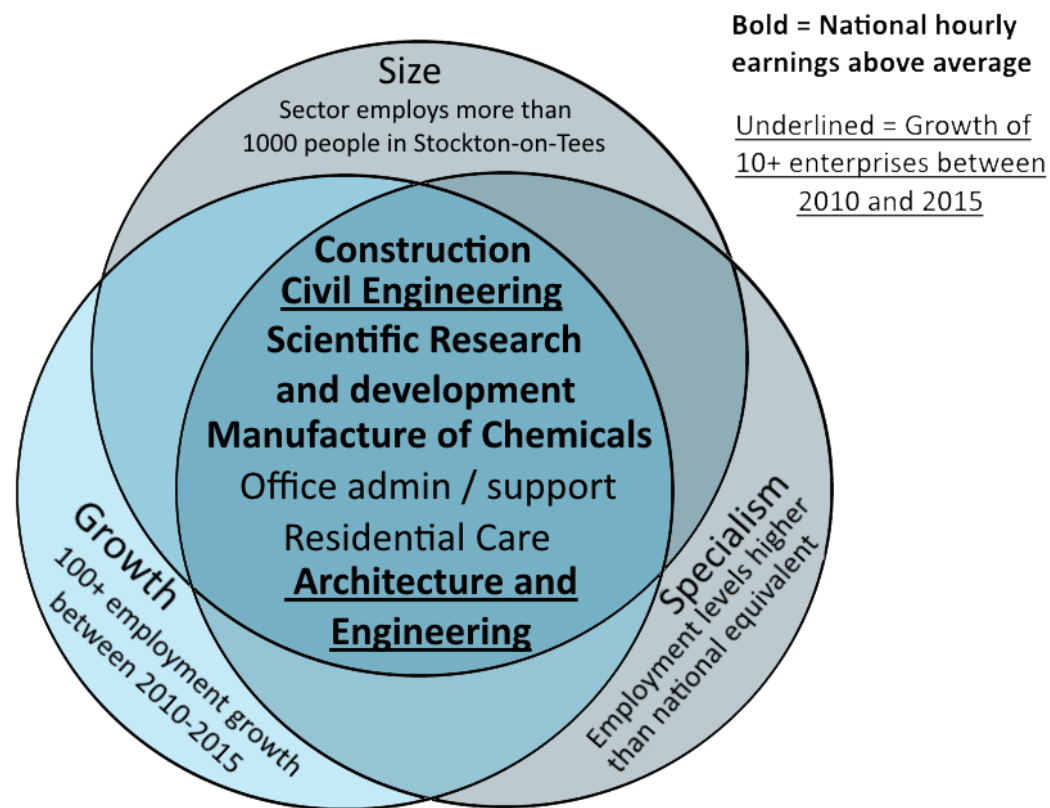
**IDENTIFYING PRIORITY INDUSTRIAL SECTORS**

40. By exploring a combination of business-related metrics such as; **industries or sub-sectors that are large (employing over 1,000 people)**, that are **specialist (have a Location Quotient above 1)**, that are **growing (have seen a rise of more than 100 people in employment between 2010 and 2015)**, we can illustrate where there are industrial sectors of strategic importance locally (see Figure 12).

**FIGURE 12 – PRIORITY SECTORS IN STOCKTON-ON-TEES BASED ON BUSINESS SIZE, SPECIALISM, AND GROWTH BETWEEN 2010 TO 2015**

As additional context the sub-sectors that have seen growth of 10 or more enterprises have been underlined, and those that have average hourly earnings above the national average have been highlighted in **bold**.

Based on and a detailed analysis of the business-related metrics, and converting those findings into an diagram that considers the cross-linkages in variables, it can be seen in **Figure 13** that the sub-sectors of strategic importance to the Stockton-on-Tees' economy are 'Architecture and Engineering', 'Civil Engineering', 'Chemical Manufacturing', 'Construction' and 'Scientific Research and Development'.



## CASE STUDY

Stockton-on-Tees as a Borough contains a multitude of engineering firms offering a huge range of world class services to firms within the local economy to global blue chip brands. The following case studies provide a snap shot of two companies that are different in terms of scale of employment but demonstrate the breadth of services being provided and the impact that such companies can have on the local area and the global economy.

### **Axiom Engineering Associates**

Axiom Engineering Associates located at Bowesfield, have grown successfully and consistently within Stockton, and now run a global operation from offices in Stockton-on-Tees. From inspection and preventative maintenance, through to understanding failures or problems in the structure of assets, Axiom provide an extensive range of engineering support services to large firms managing industrial assets.

Combining expertise in mechanical and materials engineering along with a range of inspection and testing services, Axiom provide clients with a comprehensive understanding of the condition of their assets. A large portion of their activity is focused on supporting clients within the North East process cluster. Although remaining relatively small in relation to their client base; with the business achieving approximately a £1.8m turnover, the business has demonstrated a strong commitment to the local area generating additional benefits to the local economy. As a founding partner of the Teesside Engineering Network (TEN), Axiom has helped create an organisation that drives business development and growth for the engineering sector as a whole across Tees Valley.

In addition, the business has a demonstrable track record of providing skilled employment opportunities for young graduates helping retain skilled graduates from Teesside University with whom they have developed a strong working relationship.

### **Darchem Engineering**

Darchem Engineering and its global owner, Esterline, is a large employer locally employing over 600 large workforce at its Stillington base of operations. Esterline are also a major American owned global corporation that employs more than 900 staff. The business operates manufacturing facilities in Belgium, Canada, China, Dominican Republic, France, Germany, India, Japan, Mexico, Morocco, Singapore as well as the United Kingdom.



Esterline Corporation is a specialised manufacturing company serving principally aerospace and defence markets. Approximately 80% of total revenues are generated from the aerospace/defence markets. The remaining 20% is from the application of these technologies in adjacent markets. Darchem specialises in Insulation Systems, Structural Components and Special Fabrications for the Aerospace, Nuclear, Marine, Oil & Gas, Off Highway, and the Formula One industries.



## APPENDIX 1 – Cabinet 20.4.17

In the UK, Darchem views the Nuclear sector as the focus for its future business growth strategy. This was actioned by the business in 2014 with the construction of a new £8 million facility at its Stillington base designed to accommodate large scale projects constructing components for the Nuclear industry. The business successfully secured £1m of Regional Growth Fund (RGF) monies towards the construction costs. This major investment has started to pay dividends for the business through major contract wins. In 2015, Darchem was awarded a contract potentially valued at up to £50m for the provision of high-integrity steel storage containers for nuclear waste.



In 2016, Darchem was selected by Bouygues TP/Laing O'Rourke (BYLOR), along with Efinor, for the multi-million pound EDF Energy Nuclear project at Hinkley Point in Somerset, a huge programme valued at £100m, which will involve the manufacture and installation of the reactor and fuel pool stainless steel liners. Continued success in this sector will, over time, see a larger balance of Darchem's staff transition to work on this sector due its growth potential.

Darchem is also a key link within the aerospace supply chain most notably as a direct supplier to both Boeing and Airbus manufacturing with important components

across the passenger fleet of both major aircraft producers. It is likely that the majority of the world's modern passenger aircraft will have several key components manufactured in Stockton-on-Tees by Darchem Engineering. For example Darchem's Airbus contracts deal with high temperature insulation and exhaust systems in the company's A380 aircraft wings, and include the four, lightweight titanium exhausts on the two wing-mounted Air Generation Units (AGUs) plus an advanced lightweight insulation system for the air ducts along the wing leading edge. The work secured for Boeing and Airbus is of major importance to the sustainability of the business and offers the potential to secure long-term work, as the waiting time from an order being placed by an airline for new Airbus and Boeing passenger aircraft in both cases is over ten years; such is the demand versus manufacturing capacity.

As a further example of the engineering excellence taking place at Darchem, a niche sector of Darchem's business is highly specialised work for all the leading Formula One teams. Darchem provide thermal installation to many parts within a Formula One car. Whilst a relatively minor source of income for the business as a whole this work is highly prestigious and demonstrates the abilities of the business and its workforce. Due to the constant engineering development of a Formula One car Darchem is required to manufacture new parts for its racing team clients, reproducing designed components, manufacturing insulation solutions and shipping within the week to enable Formula One teams to introduce new parts to their cars. Darchem use a range of cutting-edge techniques including the use of the latest 3D printing methods in order to meet Formula One requirements.

Darchem, like Axiom, are committed to employing and training local young people. Darchem has a long-standing history of employing apprentice engineers within its business; regularly taking large intakes of young people in roles across the business. Darchem's workforce is one of the largest and most highly skilled in the Borough with over 600 staff based at its Stillington site. Recent investment by the business and the commitment by its leadership to the area will ensure that Darchem and its Stockton-on-Tees workforce continue to make a major contribution to cutting-edge, high profile engineering sectors in the UK and globally.