

ANNUAL REPORT 2017

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Excellence



NEPIC ANNUAL
AWARDS DINNER

CHAIRMAN'S STATEMENT

I am pleased to introduce another Annual Report for the North East Process Industries cluster. 2017 has proved to be a transition year for the organisation.

Our long term Chief Executive, Stan Higgins, left in mid year for a well earned retirement. Stan is known throughout the industry and has been a major contributor to a number of companies through his career both at home and abroad.

For the last 12 years he has been Chief Executive of NEPIC and taken the organisation from a relatively small, low impact cluster to the successful organisation of today. Stan was rightly recognised in 2015 as "European cluster manager of the year" and can be very proud of his contribution. I know our members wish him well and he continues to be active in the sector in various ways.

Replacing Stan was no easy task and strangely enough fate intervened when Theresa May called the General Election for June 8th. Iain Wright, MP for Hartlepool, had been a long term friend of NEPIC including

accompanying the team on the Indian visit in 2014. A former minister he was serving as a high profile chair of the influential Business, Energy and Industrial Strategy Select Committee. Iain decided to stand down at the General Election and we were delighted when he agreed to take over as Chief Executive. He has a passion for the region and the industry and has made an excellent start in the role.

Brexit continues to dominate on the political front and negotiations are proceeding slowly. Life is unlikely to continue as before and I know that members are making contingency plans. It is gratifying to know that growth in turnover and employment continues and our new survey shows that members are generally optimistic about the future.

As I write the government is about to publish a new industrial strategy and I know it will contain strong support for both the process industries sector and the importance of clustering.



On Teesside, there are already huge investments being made by Sabic, MGT and Sirius. We have recently seen the launch of the South Tees Development Corporation Master Plan. This covers a vast brown field area south of the Tees and sets out ambitious plans to attract investment. There is already great interest from potential investors and many of these are in the process and energy sectors. Along with potential developments at Wilton the sector looks set for significant growth.

Pharmaceutical businesses across the region report strong performance with highlights including major investment by Glaxo Smith Kline and rapid growth by Fujifilm Diosynth and Arcinova.

NEPIC staff have been very active in helping organisations, holding events and lobbying on behalf of members. I want to pay tribute to them for the enormous amount they do and for helping to smooth the transition to a new Chief Executive.

I hope that all members will have a good year in 2018 and continue to support our outstanding cluster.

Ian Swales

Ian Swales
Chairman



CHIEF EXECUTIVE'S STATEMENT

It is a privilege for me to write my first statement for NEPIC's Annual Report.

Standing down from Parliament earlier this year, I wanted the next phase of my career to develop my twin professional passions: championing the North East as a great – arguably the greatest – region with a superb history, culture and people; and championing industry as a means of creating wealth, raising living standards and providing people with rewarding careers.

I'm grateful to Ian Swales and the Leadership Team, for giving me this great opportunity and for providing NEPIC with strong strategic purpose. Ian's chairmanship and guidance has been personally helpful to me and positive for NEPIC's reputation. I'd like to thank Ian and the Leadership Team for the work they do on behalf of members, the industry and the region.

Leading NEPIC is a fantastic opportunity to be able to do this, to champion the region and industry. In Parliament, the organisation has a great

reputation as being a strong voice for the industry. Much of this reputation has been down to the personality and leadership provided by my predecessor as Chief Executive, Stan Higgins. Stan built up NEPIC from the smallest beginnings to an award-winning cluster and the accolade of European cluster manager of the year. He deserves to be recognised as a great champion of his industry.

From a personal point of view, he has shown nothing but kindness and generosity to me since I took over from him in the summer. I wish him and his wife Cath a long and enjoyable retirement.

Coming into the industry, it seems that the sector is on the cusp of a new phase in its history. As with all new phases, there is no likelihood that any potential scenarios will materialise. Brexit and ongoing, if not growing, uncertainty regarding Britain's trading and regulatory relationship with the rest of Europe has undoubtedly affected investment decisions. The General Election has resulted in a minority government and undermined



the Prime Minister's political authority, which stymies decision making in Whitehall and challenges the execution of a long-term economic roadmap for the country.

And yet, for all the fog of uncertainty making it difficult for firms to navigate, a genuine sense of optimism seems to be emerging. Companies seem to regard and accept the economic and political uncertainty as the new normal: they have lived with such uncertainty since at least the financial crash of a decade ago, and will continue to live with it for the foreseeable future. If not actively brushing off Brexit, ambitious firms with a sense of purpose and impressive, competitive goods and services to sell are not allowing the uncertainties to stop them from achieving.

The election of a Mayor in the Tees Valley has provided the next stage in devolution, providing a closer link between locally-based companies and the decisions which affect them on things like transport and skills. The South Tees Development Corporation Master Plan articulates the possibility of 20,000 additional jobs on the site of the old SSI steelworks and heralds what could be the single biggest industrial and manufacturing opportunity for the United Kingdom since the Second World War. Investments by Sabic, Sirius and Fujifilm Diosynth – all NEPIC members – raises confidence levels and provides opportunities in the supply chain for local companies.

The quarterly members' economic survey I introduced into NEPIC in the summer, which I hope will be a regular feature, showed a high level of optimism amongst members, intent on delivering their products and services to new markets.

Throughout this, I am focused on ensuring that NEPIC provides its members with strong service. I'd like to thank the growing number of NEPIC members who are contributing to the cluster's successes. From a personal point of view, I'd also like to thank members who have made me feel so welcome and who have given up their time to talk to me and let me know what they like about NEPIC and how they would like to see it develop. I will never lose sight of the fact that the cluster is a members' organisation, run for the benefit of members.

The real strength of NEPIC, which I have heard time and time again from members since I became Chief Executive, is the opportunities it provides for networking and collaboration, showcasing prospects and providing a co-ordinated voice to an economically vital but often fragmented sector. Such work could not be done without the great rapport between NEPIC members and its staff. NEPIC's true assets lie in the knowledge, experience and passion of its employees, who are keen to see firms in the chemicals and process sectors thrive, and who will work hard to make this happen.

2017 was a period of change and transition for NEPIC. But 2018 looks set to be our busiest yet. I want to see NEPIC reflect and articulate industry's needs to ensure that the North East and its chemical, process and industrial sectors thrive.

Iain Wright

Iain Wright
Chief Executive



ABOUT US

NEPIC is an award-winning membership cluster organisation working with the chemical-using industries in the North East of England. We cover a broad sweep of chemistry focused industries including petrochemicals, polymers and materials, fine and speciality chemicals, pharmaceuticals, biotechnology and renewables.

Together with our member companies, we work to build upon the already powerful industrial base located here and make this region one of the most competitive and successful chemical-processing locations in Europe.

Privately-owned and led by industry, NEPIC works to support cluster members to become successful and sustainable organisations, in a collaborative business environment that helps them to grow.

Formed in 2004, NEPIC was the result of the merger of two industry bodies – the Teesside Chemical Initiative, who represented the heavy base chemical in the south of the

region, and the P&S Cluster who worked with the pharmaceutical and life science businesses that were predominately based towards the north.

Steered by Michael Porter's theory of clustering for competitive advantage, NEPIC's remit was clear – reconnect the fragmented industrial sectors – a result of ICI's exit from the region in the late 90's – and create an industrial powerhouse to rival all other global locations.

In 2014, NEPIC was the first UK cluster to receive the GOLD standard ESCA accreditation for cluster excellence and in 2016, we reported £3.5 billion of Gross Value Added to the region through our activities since the firm's inception. ►



VISION MISSION & VALUES

Our vision is for the North East of England to be the most competitive, sustainable and successful chemical-processing location in Europe.

Our mission is to support cluster members to become successful and sustainable organisations, in a collaborative business environment that helps them to grow.

Our values guide our behaviour and are the principles by which we make decisions: Accountability; Collaboration; Integrity; Communication & Ambition.



ECONOMIC LANDSCAPE

The overall economic growth rate is weakening as the EU exit approaches. Higher inflation, weak wage growth and uncertainty is weighing on consumers in spite of high employment. Manufacturers across the board continue to benefit from the weak pound and stronger external demand, which should help net exports to make a positive contribution to GDP growth in 2018.

Weakening business investment continues to be of high concern. Persistently low productivity in the UK relative to our major competitors remains one of the most pressing economic challenges.

Despite the gloomy economic picture, in the UK, strong gains in chemical production have continued during 2017. The Chemical Industrial Association recently reported a sturdy growth trend in chemicals production^[1] and an encouraging return to growth in pharmaceutical production. Similarly, exports are on the rise; however, it is difficult to deduce a real volume effect from the pound depreciation as both output prices and the

value of exports have increased.

Amongst small and medium sized enterprises, the outlook is perhaps more positive. Health indicators, including capacity, employment, revenue and business costs, are improving – and a falling number of business bankruptcies and increased lending to SMEs have had a particularly positive impact.

Accounting for some 99 per cent of the total number of businesses within the private sector, SME's in the North East took the top spot for the first time in regional health check rankings^[2], with increased lending and a solid improvement in capacity, suggesting high demand.

Brexit uncertainty remains the biggest growth threat amongst UK manufacturers and is significantly impacting upon increased concerns around regulatory costs. Disruption to free and frictionless trade with the EU is a key risk, along with concerns regarding the impact

Brexit is having on investment into the UK.

Businesses continue to urge Government to provide clarity on a transitional agreement, as talks about how good and services will flow between Britain and the European Union after Brexit in March 2019 make slow progress.

Despite the challenges, business confidence amongst NEPIC member companies remains high. Following a mid-year survey conducted by NEPIC, eighty per cent of respondents reported an elevated level of optimism, with winning new domestic orders at the heart of this positive outlook, along with the development of new products and services.

Talent attraction and retention remains the biggest challenge for local companies, coupled with intense competition from emerging markets. Other highlighted challenges include Brexit and political disruption; managing cash flow; ability to innovate and expanding client bases.

Overall, the economic landscape remains somewhat volatile and uncertain but there are encouragingly bright spots of optimism within the industry and region. ►

^[1] Economic and Chemical Sector Outlook, issued November 2017, Compiled by Chemical Industry Association www.cia.org.uk

^[2] SME Health Check Index, issued September 2017, Compiled by Cebr in association with CYBG www.cybg.com

OUR YEAR

At NEPIC, 2017 commenced with the announcement that long-standing chief executive, Dr. Stan Higgins, was to retire. On June 1st, the Board confirmed that, following a five-month search, it had selected Iain Wright to succeed him.

Iain, who served as a prominent Labour MP for Hartlepool and Chair of the Business, Energy and Industrial Strategy Select Committee, brings with him a breadth of business and industry experience, along with a passion for the region, its people and long-term prosperity.

Membership & Engagement
During the course of 2017, NEPIC saw a 16 per cent increase in membership, demonstrating a confidence in the benefits that we offer, coupled with a continued and positive desire to collaborate and forge strong connections within the Cluster's footprint.

In addition, we welcomed a further 84 companies through the delivery of NEPIC's two ERDF-funded SME programmes - see *Growth Programmes* for further details. Current

combined membership figures stand at 422.

NEPIC is seen as an important feature of the North East industrial ecosystem. It commands respect, the basis of which stems from the unrivalled knowledge and technical expertise of NEPIC staff and enhanced by the close personal professional connections between staff and senior local industrial personnel. This provides the means by which the cluster can speak with authority on matters affecting industry, as well as provide networking connections between members.

Indeed, the opportunities provided to members through networking and the provision of events where companies can meet, learn from each other and collaborate, are the key activity NEPIC provides which members and prospective members value the most.

Over the past 12 months, NEPIC have delivered 56 events and welcomed some 2,175 guests. The 2017 event calendar incorporated a breadth of business and industry related topics with

"During the course of 2017, NEPIC saw a 16 per cent increase in membership."



knowledge sharing, collaboration and networking at the heart.

The largest of our events, Meet the Members, took place in June, attracting a record number of delegates totaling 530 and a sold-out exhibition to Wynyard Hall's Grand Marquee. Despite torrential downpours throughout the day, the event was very well received and generated much positive feedback.

We once again attracted a strong line-up of industry speakers focusing on investment and growth opportunities, along with important business updates. Furthermore, the event facilitated 138 one-2-one meetings between our SME community and dedicated team of industry mentors. As the conference moves forward, improvements relating to a stronger presence from buyers and major manufacturers has been noted, along with the need for more physical space to allow the event to continue to grow.

The CONNECT brand, launched in 2015, continues to gain momentum also. Further to monthly Cluster CONNECT networking meetings, we have seen the addition of Pharma CONNECT and more recently, Engineering CONNECT. Whilst Cluster CONNECT continues to provide a platform for relaxed, informal networking and updates, Pharma CONNECT and Engineering CONNECT combine these traditional benefits with sector focused mentoring and sales support.

Continual assessment

During the summer, and in-line with the appointment of a new chief executive, NEPIC conducted a survey to better understand from our members what we do well, where improvements can be made

and identify the key business challenges facing firms.

Results showed that business confidence amongst our member companies remains high. Eighty per cent of respondents reported an elevated level of optimism, with winning new domestic orders at the heart of this positive outlook, along with the development of new products and services.

Talent attraction and retention remains the biggest challenge for local companies, coupled with intense competition from emerging markets. Other highlighted challenges include Brexit and political disruption; managing cash flow; ability to innovate and expanding client bases.

Members have requested further and more refined networking opportunities, such as delivering more specific sector and meet-the-buyer events. These will be offered in 2018.

Communications

At NEPIC, everything we do is pushing to help our members, and the powerful industrial base located here, to thrive and prosper. Through our communication efforts, we are continually seeking to support members – by championing the businesses that you are, promoting the fine region in which we are based, highlighting the challenges that are upon us and providing the opportunities to showcase positive news.

During 2017, NEPIC have maintained our longstanding relationships with the local media and trade press and received much coverage for the region and sector. The chief executive recruitment process sparked a lot of media attention for both outgoing CEO, Stan Higgins, and current

chief executive, Iain Wright - providing many fantastic promotional opportunities.

To support and showcase member news and important sector updates, traditional NEPIC print products, including the Annual Directory and Focal Point magazine, remain popular and continue to be well received by members and stakeholders. However, as companies move away from print advertising (a key funding stream in the production of these titles) toward digital, so must the NEPIC communications team.

In March, NEPIC launched the new on-line members hub, developed to provide member companies with a digital destination to connect and promote. Members' Hub has a wealth of features to help maximise membership and most importantly, maximise engagement with fellow members. The site offers the ability to showcase news stories, promote events and broadcast member-to-member offers - as well as offering access to membership documents and NEPIC updates. Additional development and engagement activities are planned for 2018.

The demand for digital marketing services - in addition to those provided through membership – continues to increase also. To ensure NEPIC can provide support for member companies, both small and large, the team revisited our offering in this area and launched a new 'pick and mix' style marketing solution incorporating print, digital, design and event services.

Finally, to further our efforts in the area, work began late-2017 to establish a North East communications network for



the sector. The objective of the network is to create aligned communications and promotional plans, whilst offering important networking, best practice sharing and professional development opportunities for in-house communicators.

International Relations

NEPIC once again, in conjunction with Department for International Trade, led a market visit to India in 2017 focusing upon pharmaceutical sector, chemical process industry and their associated supply chains, R&D and innovation capability.

With a clear emphasis on trade opportunities, together with promoting investment into the UK, given that the Indian pharmaceutical sector particularly in the region of Karnataka is growing at 12% per annum, the mission attracted firms both small and large.

The primary objective of the visit was to help UK businesses understand the dynamics of the country and its markets and most importantly, identify new potential business opportunities, thereby ultimately developing new exports for the regions.

Through many visits to India, NEPIC has established unrivalled access to key decision makers throughout the pharmaceutical and process chemical industry sectors. The mission will run once more in February 2018.

In June, NEPIC hosted a delegation from the Indian Chemical Council (ICC) and the Karnataka Drugs and Pharmaceutical Manufacturers' Association (KDPMA). The ICC conducted visits to the Wilton 11 plant and Northumbrian Water's Bran Sands facility. They joined a

delegation from the China Petroleum and Chemical Industry Federation at SABIC's L&D area in the Wilton Centre to hear presentations from SABIC, Sembcorp, Falck, PD Ports, Tees Valley Combined Authority and NEPIC.

KDPMA visited the Department of Applied Sciences at the University of Northumbria and toured the facilities, alongside attending presentations from the Knowledge Transfer Network. KDPMA met with CPI at its facilities at NetPark in Sedgefield and the Advanced Biologics Centre in Darlington. NEPIC hosted a dinner for the delegation, funded by the Department for International Trade, with the Mayor of Tees Valley attending and addressing the companies present.

Both ICC and KDPMA attended NEPIC's Meet the Members event, with representatives providing a summary of their priorities and activities. NEPIC has been invited to participate at the trade show and conference of both groups in India in February 2018.

In August, a roundtable member discussion on potential export opportunities to Mexico in conjunction with DTI took place. There is scope for member companies to take advantage of the opening of the market to foreign suppliers, as part of the implementation of the 2013 Energy Reform and the subsequent removal of the historic monopoly of national oil company Pemex. We received excellent feedback from members in addition to identification of potential opportunities for UK private companies to participate in storage projects in Mexico.

Most recently, NEPIC held the European Business Opportunity Showcase Event to help

stimulate networking, identify business opportunities for collaboration and growth between European SMEs, clusters and UK based SME businesses. The audience heard of business collaboration opportunities in France, Finland and Germany, spanning a range of sectors and feedback received was very positive indeed.

In addition, during the course of 2017, NEPIC has sought to further build upon its European network through the identification of additional cluster development opportunities in Saudi Arabia, Kuwait, China and Italy.

Industrial Strategy

The Government launched its Green Paper on Industrial Strategy in January 2017. At the time of writing, it is expected that a finalised Industrial Strategy will be published in late November 2017.

The Green Paper proposed ten strategic pillars for a UK industrial strategy, consisting of:

- ▶ Investing in science, research and innovation
- ▶ Developing skills
- ▶ Upgrading infrastructure
- ▶ Supporting businesses to start and grow
- ▶ Improving procurement
- ▶ Encouraging trade and inward investment policy
- ▶ Delivering affordable energy and clean growth
- ▶ Cultivating world-leading sectors
- ▶ Driving growth across the whole country
- ▶ Creating the right institutions to bring together sectors and places

In addition to the strategic pillars, the Government offered industry the opportunity to strike new sector deals, aiming to address sector-specific challenges and opportunities.



Such a sector deal is key to the future of the chemical industry in the UK; the Chemistry Growth Partnership, with significant input from NEPIC members such as Harry Swan and Paul Booth, are negotiating with Government a sector deal aimed at dealing with regulatory barriers, innovation, investment and growth and trade and investment deals to increase exports as well as securing a stronger supply chain.

Clean Growth Strategy

In conjunction with the Industrial Strategy, the Government published its Clean Growth Strategy. There is considerable scope for the North East economy to take advantage of some of the proposals contained within the Strategy. It is estimated that the low carbon economy could grow 11 per cent per year between 2015 and 2030 – faster than the rest of the economy.

Measures contained within the Clean Growth Strategy, which could be beneficial for North East based firms, particularly those within the chemicals and process industries, include:

- ▶ up to £10 million for innovations that provide low carbon heat in domestic and commercial buildings;
- ▶ up to £10 million for innovation that improve the energy efficiency of existing buildings;
- ▶ an additional £14 million for the Energy Entrepreneurs Fund;
- ▶ up to £20 million to support clean technology early stage funding;
- ▶ up to £20 million to demonstrate the viability of switching to low carbon fuels for industry; and
- ▶ up to £20 million in a Carbon Capture and Utilisation demonstration programme.

The last two initiatives particularly play to the existing strengths of the North East economy and strategic ambitions of the Tees Valley Combined Authority. NEPIC will work to lobby decision makers in Whitehall and Westminster of the unique competitive advantage of the North East to capture value and employment through the low carbon economy and to ensure that commercial opportunities arising from such Government announcements are made available to local firms.

Carbon, Capture, Storage & Utilisation

NEPIC continues to be active in supporting the development of Industrial Carbon Capture, Storage & Utilisation particularly through the Teesside Collective project, including supporting the collective response to questions from Richard Harrington MP, Minister for Energy and Industry, following a letter of support from Simon Clark MP for Middlesbrough South and East Cleveland.

Following a period of inertia awaiting the release of the Government's Clean Growth Strategy, engagement has resumed. It is hoped that a further supportive announcement will be made in the near future.

Science & Innovation Audit

During October, NEPIC was named as a member of the core project delivery group selected by the Government to undertake a Science and Innovation Audit (SIA) to establish the Northern Powerhouse as a globally competitive location for the chemical and process sector.

Led by Tees Valley Combined Authority, the Northern Powerhouse Chemicals and Process Consortium, is made up of experts from Tees Valley

and other northern institutions including Durham and Teesside Universities, the Materials Processing Institute, the Centre for Process Innovation, the Welding Institute and NEPIC.

The SIA is one of twelve such audits commissioned by the Department for Business, Energy and Industrial Strategy. The audit supports the Government's Strategy for Chemistry-Fuelled Growth which aims to grow the contribution of the chemical and process industries to the UK economy from £195 billion a year to £300 billion by 2030.

Brexit

Brexit, and the accompanying uncertainty regarding the negotiations, any subsequent transitional period and the nature of our future trading and regulatory arrangements with the European Union, continue to dominate the political and economic landscape.

The end of Britain's membership of the Single European Market could have profound consequences for inward investment decisions, particularly for multinational companies, who will seek to have access to the largest possible number of customers and frictionless borders, as well as regulatory harmonisation. In these circumstances, it is vital that the region and this sector pull together in a collaborative and co-ordinated fashion to secure as much investment into the chemicals and process industries in the North East as possible.

The Chemical Industries Association have signalled three broad priorities for the UK Government to negotiate for the chemicals and process sector to maintain growth:

Frictionless tariff-free trade

60 per cent of UK chemicals exports travel to the European Union. Three-quarters of all UK chemicals imports come from the European Union. The imposition of tariffs and – perhaps even worse – non-tariff barriers such as border controls and excessive bureaucracy causing delays, could adversely impact on trade.

Regulatory consistency

The industry is highly regulated to ensure confidence in health and safety and environmental protection for employees, customers and communities. The industry is not arguing for lower regulatory standards but alignment and consistency to ensure continued and harmonised access to the market place.

Access to skilled people

The chemical industry is global, employing skilled people from around the world. The North East chemical and process industry is owned by companies from across the globe, utilising talent from the home country with local skills. Restrictions on access to skilled people may deter future foreign investment and lead to growing skills shortages, undermining the competitiveness of UK-based industry.

NEPIC has a deep and growing relationship with the CIA. We play a significant role in providing local evidence to the national association. We are fully aligned to the CIA's priorities and will continue to work closely with them.

Free Ports

In June, Womble Bond Dickinson hosted a round table meeting of political and

business leaders, including a large number of representatives from NEPIC members, to discuss the practical implications of the report "The Free Ports Opportunity: how Brexit could boost trade, manufacturing and the North", authored by Rishi Sunak, Member of Parliament for Richmond.

A free port or free zone (FTZ) would be an area inside the UK geographically, but legally outside of the UK customs territory, whereby goods can be imported, manufactured or re-exported inside the FTZ without incurring domestic customs duties or taxes.

The meeting discussed the potential types of free zone that might be adopted including geographically defined zone and the alternative approach now made possible by technology is the "virtual" zone, linking elements of a supply chain or manufacturing process wherever located within the UK. It was concluded that there is merit from a North-East regional perspective in pressing the case for FTZs, both geographical and virtual as a credible response and perhaps as a practical necessity in the event of a "hard" Brexit.

South Tees Development Corporation

The South Tees Development Corporation is an exciting new enterprise that is crucial to promoting the economic development on the South Tees site in Redcar and represents an international opportunity to grow the region's economy.

It is the first Mayoral Development Corporation outside of Greater London with

significant powers to promote economic regeneration. By converting assets in the South Tees area, covering almost 4,500 acres and incorporating the former SSI zone, into industrial opportunities for business investment, it has the potential to contribute an additional £1 billion per annum to the local economy once fully developed.

The vision of the Development Corporation will see the area transformed into a hotbed of new industry with sustained economic growth and prosperity for the region. The opportunity alone stands to create 20,000 new jobs in skilled sectors with good salaries and is heavily focused on the area's key priorities in manufacturing innovation and advanced technologies.

NEPIC fully supports the South Tees Development Corporation's long-term vision and ambition, which has the potential to transform the entire local economy, providing substantial numbers of well-paid jobs and modern and innovative manufacturing facilities that could compete with anywhere on earth.

Following the launch of the Masterplan in October 2017, NEPIC will work with member companies to ensure they are informed about the prospects and work together to influence the consultation to help make the most of these opportunities and shape the future for the region. ►

WE'RE GROWING



422

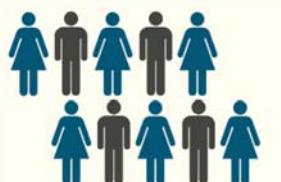
members &
programme
participants



56

events &
workshops
welcoming
over

2,100
guests



15 team
members



Unique
monthly web
visitors



funded projects
supporting growth &
sustainability



6,500
industry contacts



2,210
followers



GROWTH PROGRAMMES

NEPIC is currently undertaking four projects that secured funding during 2016/17, incorporating innovation, business growth, supply chain connectivity, integration and low carbon developments. An overview of each, along with a summary of the most recent activity, is provided here.

SME Growth Programme

The three-year, ERDF match funded SME Growth Programme works to assist small and medium-sized businesses across Durham, Tyne & Wear and Northumberland by providing business growth support to those wishing to become established suppliers within the region's chemical processing industry.

The programme, which is a direct spin-off from BASME, utilises the cluster's extensive knowledge and network to mentor companies into new business and assist with energy management for growth. Over the life-time of the programme, NEPIC will seek to support 120 companies and in turn generate 75 new jobs. To date, 85 SMEs have been signed up to the programme, 27 of which

are from County Durham, a key sub-region for development, and totaling 32% of all sign-ups against an initial target of 20%.

Two of three planned series of Sales and Marketing workshops have been successfully delivered and incorporated key growth themes addressing area such as pitching, selling into the sector and exporting, along with practical assistance to help tackle selling at a higher level and social media. The third and final series will be delivered in Q2 2018. Furthermore, SMEs have been supported through one-2-one mentoring, involvement in EngineeringCONNECT and other group mentoring sessions.

During 2018, emphasis will move from project recruitment and SME help to SME help and conversion to NEPIC membership and a project specific BDM recruited to make sure project targets are met. To date, project claims have been paid up to and including Q2 2017.

Continues...

innovate TEES VALLEY

The match-funded ERDF innovate TEES VALLEY was established to help Teesside's small business community achieve ambition and growth via service and product innovation. Through innovate TEES VALLEY's network of experts, we are working to help businesses take an idea forward, overcome growth barriers and seek success both here and overseas.

The programme, launched in June 2016, supports a range of business sectors and combines the knowledge, expertise and resource of partners Teesside University, the Materials Processing Institute, DigitalCity and NEPIC.

Supporting chemical-using and associated supply chain firms, NEPIC have recruited over 40 companies to the programme. Whilst engagement with new organisations continues, our focus moves towards delivery. To date, eight companies have successfully completed the programme, whilst support for a further 20 is underway.

Engineering, HSE and HR managers from the process industry have mentored SMEs through regular CONNECT events and at Meet the Members, allowing companies to develop, adapt and hone their offer for the process industry sector. Bespoke brainstorming sessions have been held to identify new applications and routes to market for new products and services, along with a review of business innovation strategy to identify technology gaps and collaboration opportunities.

In addition to mentoring support, the programme has delivered several sector-focused innovation events and workshops. In June 2017, the project held an Industry 4.0 event which brought IT and

engineering experts from chemical and pharmaceutical manufacturers together with SMEs with a digital offer – exploring the opportunities and barriers to adoption of technological solutions to information managements and optimisation of process efficiencies. An innovation planning workshop took place in November, providing SMEs with the tools and techniques to evaluate the future market opportunity and benchmark their innovation strategy. Further events are planned for 2018.

Participating firms are already reaping the benefits of their commitment to the programme. Intasite, a remote induction provider, made their first sale into the process industry following a NEPIC introduction to mentor firm, Sirius Minerals. Micropore have developed a new product for the pharmaceutical sector and Industrial Thinking are now working with Lloyds Register GMT Ltd at Wilton to prove the capability of their cloud based innovative approach for management of laboratory generated data. Detailed case studies will be released in early 2018.

Project SHAREBOX

SHAREBOX is a four-year, H2020 funded project that focused upon the major economic opportunities that resource efficiency offers to the European chemical and processing industry. Commencing August 2015, NEPIC is one of 15 project partners spanning Europe, seeking major cost saving potential, along with opportunities to offer low carbon products and services.

Industrial Symbiosis is classically defined as the use by one company or sector of by-products, including energy, water, logistics and materials,

from another. The approach that underpins SHAREBOX, centres upon logical work flow that spans from the identification of new symbiotic synergies to optimised connections among companies and organisations in established symbiotic relationships.

The project has 6 distinct phases:

- ▶ Identify industry requirements
- ▶ Methodologies for Industrial Symbiosis and Mathematical tools for flexible energy use and material flow integration
- ▶ SHAREBOX platform architecture definition and software development.
- ▶ Industrial Symbiosis demonstration sites
- ▶ Development of the Business Model
- ▶ Networking, dissemination of the results and standardization

The project is now entering phase 4, in which North East England, via NEPIC, will be one of the Industrial Symbiosis demonstration sites. This provides an opportunity for NEPIC members to be directly involved in the development and feedback for the platform. It is envisaged that NEPIC members will have demonstration access and feedback options during the first quarter of 2018.

Low Carbon Action Plan

The Tees Valley Combined Authority have appointed KPMG, e4tech and NEPIC to support the development of a Tees Valley Low Carbon Industrial Strategy.

The Tees Valley is a key area for export-orientated energy intensive industrial activity. Teesport is a strategic UK port in terms of materials and tonnage. The region is one of

the highest per capita emitting regions in the UK and particularly vulnerable to climate change policies, including carbon price mechanisms. Increasing demands for lower carbon production from customers is also impacting supply chains, whilst creating both commercial challenges and opportunities.

The strategy will identify the areas of the low-carbon economy where the region could have the greatest competitive advantage, allowing it to drive long term growth as well as reduce emissions. As part of this work, cost benefit analysis will be conducted based on a small number of deployment scenarios. The work will compare the regional emission reductions of each scenario with reductions implied by national targets, potentially building a case for regional targets to allow economic goals to be met. Based on this analysis, a commercial assessment will look to identify the potential for early stage projects, and to identify barriers that need to be addressed.

This project will complement central Government initiatives, particularly its Clean Growth Plan, and will allow the region to position itself as a frontrunner in implementing the Industrial Strategy.

Key objectives of this work include:

- ▶ Promoting the region's contribution to national targets and policies as well as demonstrating the case/need for innovation.
- ▶ Developing a set of scenarios to illustrate how a decarbonised budget could be achieved and analysed in terms of

employment, investment, and business growth prospects as well as robustness to change.

- ▶ Supporting implementation of the Tees Valley Strategic Economic Plan.

The key focus for NEPIC to date has been engaging with and interviewing senior management of key local industrial businesses. They have asked to provide a view of the short, medium and long-term future for their organisation in the Tees Valley, in a low-carbon context.

A high-level analysis of this work is due to be published and in the public domain by the end of Q1 2018. ▶

"NEPIC provided an opportunity that has since created a long-lasting relationship with one of our biggest clients."

INTASITE, innovate TEES VALLEY programme participant



FINANCIAL STATEMENTS

INCOME & EXPENDITURE ACCOUNT FOR THE YEAR ENDED MARCH 2017

	2017	2016
	£	£
Turnover	902,485	1,068,997
Cost of sales	209,864	309,589
GROSS PROFIT FROM BUSINESS ACTIVITY	692,621	759,408
 Other income		
Dividend income	53,913	-
NI allowance received	3,000	2,000
Exchange gains	-	1,271
Bank interest receivable	-	234
GROSS INCOME (A)	749,534	762,913
 Expenditure		
Admin costs & expenditure	743,359	733,327
Finance costs (bank charges)	1,151	1,062
Depreciation	4,288	4,053
GROSS EXPENDITURE (B)	748,798	738,442
NET PROFIT	736	23,931

BALANCE SHEET FOR THE YEAR ENDED MARCH 2017

	2017	2016
	£	£
Fixed assets		
Tangible assets	9,845	12,107
 Current assets		
Debtors	357,292	145,298
Cash in the bank & in hand	271,412	511,303
	628,704	656,601
 Creditors		
Amounts falling due within 1 year	376,983	408,198
Net Current Assets	251,721	248,403
Total assets less current liabilities	261,566	260,510
 Reserves		
Profit & loss account	261,566	260,510
	261,566	260,510



The Company Secretary comments on the audited accounts:

The statements show a surplus of £23,931, which is unchanged from the management accounts for the period. The only revision concerns the inclusion of a tax provision of £4,892, meaning that £19,039 to be transferred to reserves. Total reserves as at 31 March 2017 amount to £260,256.

Turnover for the 2016/17 financial year was £1,068,997. This amount was down by 34 per cent from the previous year due to public projects coming to an end. In the short term, financial risks arising from the loss of some project income were mitigated by project staff leaving as their projects came to end. In the medium to longer term, in the light of an ending to European-funded projects, there is an acute need to adapt to a new business and financial model to maintain current operational levels. This is recognised by management and the Leadership Team. It will be achieved through a combination of greater budgetary cost control and reduction, increasing membership income through higher numbers of members and deriving more revenue through events and some consultancy work. Further work on this is ongoing and will be developed in the first quarter of 2018.

The audit of the Financial Statements is complete and the auditors have issued an unqualified opinion.

The full report of the Directors & Financial Statements for the Year Ended 31 March 2017 for the North East of England Process Industry Cluster Limited is available within the official Annual General Meeting notification. ►

BOARD OF DIRECTORS

IAN SWALES, CHAIRMAN

Partner at AJ Partners & former Member of Parliament for Redcar

MARK KENRICK, VICE CHAIRMAN

Chief Executive Officer at px Group

RICHARD SMITH, VICE CHAIRMAN

Managing Director at Surfachem Ltd (2M Group)

IAIN WRIGHT, DIRECTOR

Chief Executive at NEPIC

STEVE BAGSHAW, DIRECTOR

Chief Executive at Fujifilm Diosynth Biotechnologies

MARTIN INSKIP, DIRECTOR

Consultant & former Site Director at MSD

STAN HIGGINS, DIRECTOR

Consultant & former Chief Executive at NEPIC

MARTIN PORTON, COMPANY SECRETARY

Financial Director at RTC North

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