

North East Covid-19

Economic Response Group

Recovery and Renewal Deal for the North East

September 2020

North East
Local Enterprise Partnership

neca
north east combined authority

**NORTH
OF TYNE
COMBINED
AUTHORITY**

on behalf of business:

C|B|I|

on behalf of regional universities:

**Newcastle
University**

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Foreword

COVID-19 has had a far-reaching and continued impact on the UK and across the globe. The toll on the North East has been profound.

The crisis has hit many people hard and the repercussions will be long-standing – we know that COVID-19 will leave its scars. But it has also created an unparalleled opportunity for us to look at the region through a new lens and reimagine our way of life and work. A once-in-a-lifetime chance to determine how we will build resilience to mitigate the impact of future shocks in a volatile world.

For us, it's not just good enough to say we want to get back to where we were pre-COVID-19. We want to be bigger and bolder, more innovative and more imaginative and to build a thriving region in which there is economic prosperity for all of our communities.

Our goal is to rapidly create 100,000 jobs and ensure that the jobs that have been lost are replaced with good quality and secure jobs. We'll give a particular focus to jobs in data ageing, low carbon, life sciences and pharma. This will help us transition to a stronger, higher productivity and higher wage economy, with people primed to adapt to challenges and new opportunities.

We will need help to do this. The challenge is significant and therefore requires significant investment. The North East has not achieved its potential for over a century and to effect real change, we need the support, powers and financial resources to allow us to stand on our own two feet.

The scale of our ambition is not to be underestimated. Our levelling up agenda is designed to create a fair playing field for everyone and the plan puts sustainability and decarbonisation at its core. It ensures communities continue to improve and provide a strong offer for people to live, work, study and visit. It will help our businesses to grow, our global profile to flourish and develop our connections to a post-COVID global economy.

People will know the North East for our support for wider UK plc, for our productivity, for our innovative solutions to global challenges, for our expertise in offshore wind and zero carbon transport, and for our ability to seize opportunities and create competitive advantage. We want government to work with us as a trusted partner and we will work closely to meet the challenges created by COVID-19.

The prize



55,000 FTE jobs
22,000 in construction
26,000 Training and skills opportunities



A new economy: green, inclusive, resilient, productive and innovative



100,000 homes retrofitted
1,500 more homes built



New forms of local partnership



New and growing businesses and cluster stimulus



A series of new projects to empower our rural and coastal areas and reinvigorate our towns and city centres

Regions and nations will look to us as we lead the way transforming our economic opportunities into reality.

Our response comes at a time when there are other forces impacting our economy than just COVID-19.

Climate change demands us to think and act more sustainably and move purposefully towards net zero.

Forces such as the EU exit, which will change our relationship with the EU and the rest of the world, as well as the way in which our businesses trade, invest and operate.

These are things we need to tackle with focus and determination. People are more aware than ever that the fabric of society and economy can change overnight. Such radical change demands us to be imaginative in our thinking, brave in our approach and robust in our delivery in order to recover and thrive.

Our role as North East leaders is to harness these forces for good, using them to transform our economy, to present a better future for our people and to build greater resilience and depth to our areas of competitiveness.

Our message to you is that we have come together to think bigger, greener, more inclusively and with innovation to reimagine our economy and develop an approach to get 100,000 more and better jobs back to the North East.

The commitment is there and now the hard work is also underway to make it all happen. We cannot afford to lag behind any longer and we will not be left behind. Join us and support us as we create a new North East in which we all live, work, contribute and thrive.



Lucy Winkell
Chair, North East Local Enterprise Partnership



Mayor Jamie Driscoll
Mayor, North of Tyne Combined Authority



Cllr Iain Malcom
Chair, North East Combined Authority

Executive summary

COVID-19 hit the North East economy and it hit it hard. An economic shock of this nature requires a response of the same scale. COVID-19 has been a catalyst for change and the North East is ready and prepared to harness this catalyst to transform and reimagine the North East economy.

Our goal

To create and sustain 100,000 more and better jobs in a greener and more inclusive economy.

This has been our goal since 2014 and we were doing well – with 68,000 more jobs and 128% of these being better job in March 2020. But the impact of COVID-19 will reset that clock.

Our values



To have a greener more sustainable economy



Level up the North East economy



To be innovative and think bigger



To do the right thing locally for our region



Be a trusted partner for government



For the impact of our recovery to reach all of our communities

Our challenges

97% of businesses impacted by COVID-19

30% reduction in footfall in city/town centres

36,500 more people on unemployment benefits

32% of workforce furloughed at its peak

12% of workforce still furloughed in August 2020
(108,000)

Our opportunities



A series of new projects to empower our rural and coastal areas and reinvigorate our town and city centres



Achieving zero carbon emissions targets



Utilising new digital construction and advanced manufacturing techniques



Leading the national offshore wind revolution



Delivering the first Digitally Connected Free Zone for the UK

Asks of government

- Significant devolution of resources and powers to reflect scale of COVID-19
- £2.8bn to directly unlock half of required 100,000 additional jobs quickly
- Accelerated confirmation of existing business cases, including Transforming Cities funding
- Commitment to joint working in areas where the North East can lead the national recovery, specifically low carbon energy
- Flexibility within national programmes to allow for maximum leverage local and national resources

Our plan

- To keep people in jobs and training
- To support businesses and sectors to restart and recover
- To support the transition of our communities and places as they adapt to living with COVID-19.
- To build the future economy by maximising the potential of our existing assets and exploring new opportunities
- To invest in digital and transport connectivity

The prize



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A new economy: green, inclusive, resilient, productive and innovative



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New forms of local partnership



New and growing businesses and cluster stimulus



A series of new projects to empower our rural and coastal areas and reinvigorate our towns and city centres

Our approach and rationale

Everyone is aware of the speed with which COVID-19 took hold. The speed of the mobilisation of our response had to match – our teams and partners delivered rapidly in a way we are incredibly proud of.

Our local authorities issued over £500m of grants to 95.1% of eligible business at pace. Our North East Growth Hub provided support to over 35,000 businesses during March and April 2020, connecting businesses to Local Authority services and the national COVID-19 response.

We worked with our partners to rapidly develop and implement COVID-19 restart plans, which saw the unlocking of resources across the public, private, education and third sectors to get vital support to businesses.

We introduced bespoke services and funding to help businesses pivot and provide vital PPE and ventilator supplies to the NHS. We introduced crowdfunding solutions to support businesses which had fallen through the cracks. We put measures in place to support those made redundant and facing a weak jobs market to find opportunities and start their own business.

Most powerfully, we took control and directed the collective passion, energy and resource of our dedicated partners towards the common goal of supporting people and businesses through the crisis.

Why? Because we believe in our region, our businesses and our people. United we stand in order to deliver.



Playing our part nationally Today our collective approach is focused on the future

The North East is a region with many assets. We have fantastic towns, cities, coasts and rural areas, none of which are over-populated by people and businesses but offer space and good connectivity for industry and productivity to thrive. This, combined with our health assets, positions us as a national exemplar for government if we can secure the investment in this blueprint to make our vision a reality.

We are committed to playing our part in the effective delivery of national initiatives and to ensuring the North East benefits from them. To achieve this, we need timely economic stimulus from government that will put us

on a level playing field and allow us to effectively contribute to the national and international economy, strengthening the UK's place in the world.

It's now essential that we build on the momentum created to work with government on a dynamic new partnership that will deliver lasting, positive and transformative change.

We want the North East to be the case study that government uses to show how it has levelled up economic opportunity across regions and nations, and how it has improved outcomes in public services, from healthcare and policing to education.

We are incredibly well placed to help achieve its ambition of leading the way in net zero-related technologies thanks to our energy, life sciences, manufacturing and natural assets.

We understand that response is very different to recovery and recovery is a long-term challenge – but this is a challenge we will continue to meet with energy, evidence and equanimity.

This document defines our immediate challenges and opportunities. It sets out how we intend to tackle these and the support that we are seeking from government to make it all happen.



A phased approach

Any approach to recovery needs to be phased and the first phase, as described in part above, ensured support for all was received following the release from lockdown.

Now phase two and three require urgent attention and our asks of government have been split into two areas to reflect this.

There is a requirement for immediate investment, alongside investment for programmes and initiatives to be delivered collaboratively over time.

We are focused on more and better job creation, as well as job security and the quality of employment so the impacts are positive and embedded over the long-term. Prioritising jobs and skills will strengthen the economic recovery, as we invest in our people, alongside infrastructure and innovation.

This next, second phase of work is focused on adapting and transitioning as we learn to live with COVID-19. This sees the need for:

- Financial support for sectors facing significant new challenges or opportunities
- An enhanced business support offer – start-up, scale-up and inward investment
- The delivery of sectoral growth and recovery plans
- The launch of innovation programmes
- A good work pledge
- The revised delivery of employment support, including local delivery of national initiatives
- The mitigation of increases in educational inequalities, including catch up programmes
- The re-start of apprenticeships
- Upskilling and future skills programmes
- The development of ‘place deals’ and plans for city/ town centres
- Revised transport delivery to keep people mobile while protecting health

It is also imperative we deliver components of the national response programme and start delivery of our bespoke North East plan.

The third phase incorporates recovery and reimagining:

- A transformed business support ecosystem and innovation stimulus
- Skills and employment support programmes
- A new education challenge
- A transition to property supply / demand
- Supply chain consolidation and inward investment
- A cleaner and greener economy
- A revised access to finance offer
- The reinvigoration of the events and cultural / creative offer
- A hopeful future for towns and high streets
- An acceleration of the North East’s market share in specific growth markets / sectors
- The right regional infrastructure



What we need to recover

Our ambitions are big and we cannot deliver these without the necessary resources.

We need £2.8bn of immediate economic stimulus and we need that funding to be controlled and allocated by us so we can ensure it goes to the areas that need it the most.

We will use this funding to prevent increases in redundancies and business closures as early interventions are eased back. For example, there may be a need to increase the job retention bonus beyond £1,000 and we will need to monitor the impacts of any cut to VAT and the 'eat out to help out' scheme.

We will amplify the impact of national measures such as vouchers for energy efficiency where lower income may impact take up.

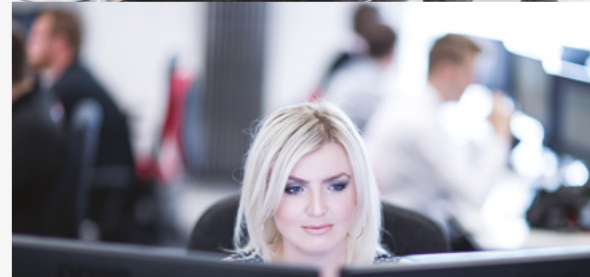
We'll use it to invest in a fit-for-purpose business support ecosystem, support the transport blueprint and leverage our regional resources innovatively to increase the impact of national initiatives, just like we did when we utilised Enterprise Zone receipts to increase the £47m Getting Building Fund to £55m. We intend to strongly lobby for as many flexibilities around national funding initiatives as possible.

In the longer term, we want to work with government to shape the Shared Prosperity Fund that will underpin our wider investment programme and are committed to enhanced devolved arrangements to support local delivery across a wide range of policy areas.

We want to ensure recovery benefits all communities. As such, we'd welcome discussions with government about new models of partnership with government departments and agencies, as well as place specific deals.

We've outlined throughout this document how £2.8bn investment by government will directly unlock 55,000 jobs and an additional 22,000 construction jobs, creating conditions for further private sector jobs growth and support the levelling-up agenda.

We'll say it again. We want the North East to be the poster region for the UK, a regional leader held up by government as a national exemplar thanks to its global contribution. This financial contribution will be the first step in making this a reality.



The proposal


This is a bold proposal, reflecting the scale of challenge which COVID-19 has brought to our region and we have framed it around a five-point plan:




If ever there was a time for radical change and transformation it's now – and the North East is ready.


The impact of COVID-19 so far


Many sectors effectively came to a halt during lockdown and face uncertain times as the economy restarts

 **97%**
of businesses have been impacted by COVID-19, with 35% worried about potential closure.

 **30%**
reduction in footfall in city/town centres compared to last year. Much greater during lockdown.

 **65%**
of culture sector face financial losses of over half.


 **Building back**
Construction has now largely restarted, although the sector faces uncertainty about levels of future demand.


 **Digital defies**
Digital infrastructure generally coped well, although lockdown had disproportionate impact on those without access.

The most vulnerable and disadvantaged have been the hardest hit; those who were 'just about managing' face an uncertain future


 **35,000**
more people on unemployment benefits since March – up by two thirds.


 **30%**
of the workforce was furloughed (July 2020).


 **Young people suffer**
Young particularly vulnerable – apprenticeships and training schemes are already being impacted.

 **Lower skills**
Relatively low skills base in the North East, and previous lack of resilience to economic downturns.

Additional North East vulnerabilities

 **A lower base-line before COVID-19:**
Our employment, business density, productivity and public and private R&D rates are below the national average.

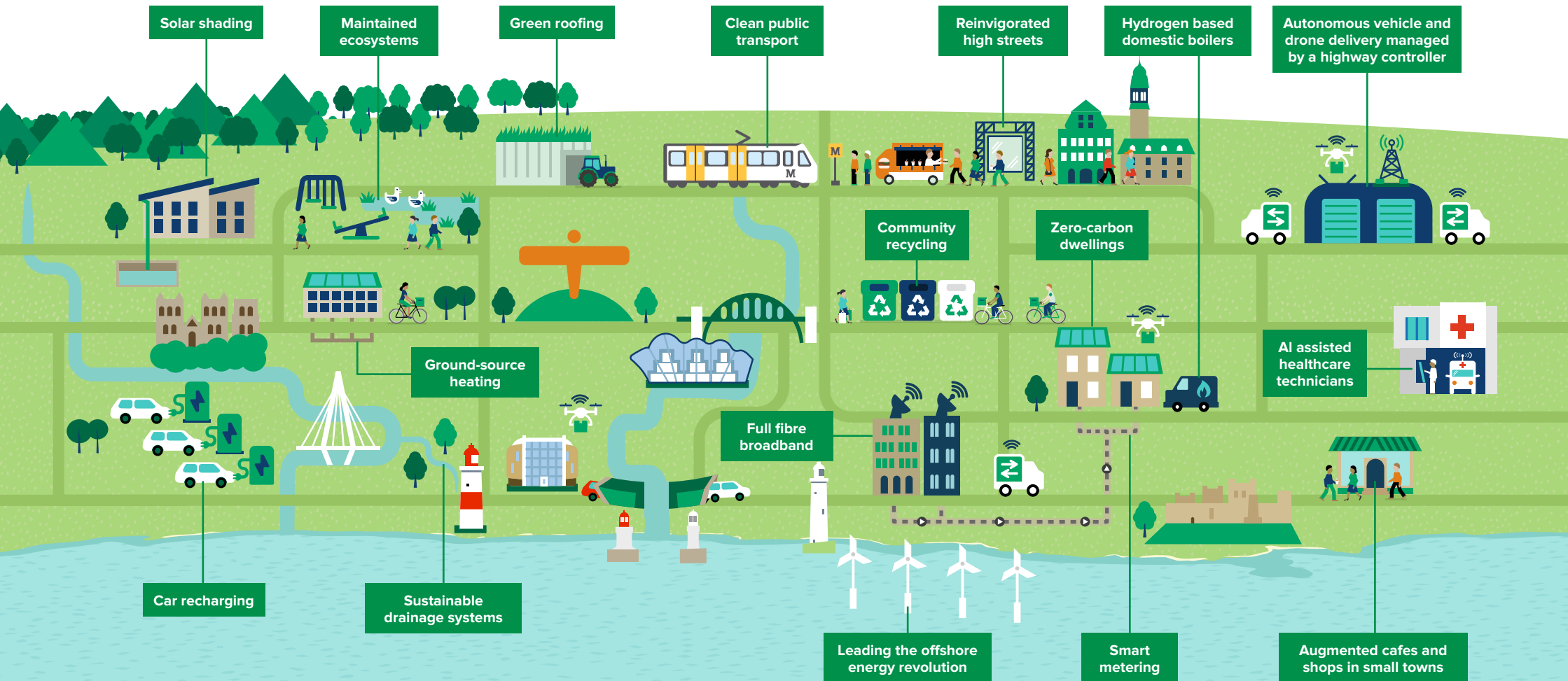
 **Sectoral vulnerabilities**
A diverse economy, with some sectors particularly vulnerable.

 **High levels of internationalisation**
Our high levels of FDI and export have always been a strength, but expose us to risks if trade patterns change.

 **Rural and coastal communities**
with some reliant on one major employer/sector.

Our vision for a greener and more sustainable economy

We will ensure that the investments we make will be focused on a stronger, greener, inclusive and more innovative future for the North East and the potential positive impacts for our region are transformational.



North East Recovery and Renewal Deal – our call to government

This document sets out ambitious proposals for the recovery and renewal of our region. COVID-19 has not dulled our economic ambitions – it has given us an unrivalled opportunity to consider how we can be bigger and bolder, and more innovative and imaginative, in order to build a thriving region in which there is economic prosperity for all of our communities. We are ready to lead aspects of the national recovery, including the transition to clean growth.

We call upon government to support us by investing £2.8bn over the next five years in a Recovery and Renewal Deal for the North East.

This Deal is designed to achieve many things. It will keep people in jobs and training; support businesses to restart and recover; support the transition of our places as they adapt to living with COVID-19 and continue their transformation beyond it; build the future economy by maximising the potential of our existing assets and exploring new opportunities; and invest in digital and transport connectivity.

Critically it will move us to a new economy that is greener and more productive, inclusive, innovative and resilient.

Our recovery ambitions are to create 100,000 more and better jobs, of which about half will be directly delivered by the proposals in this document.

We will create 26,000 training and skills opportunities and deliver a new and growing business and cluster stimulus.

We will have new forms of local partnership and a series of new projects reinvigorating our towns and city centres, within a greener, more sustainable economy that levels up the North East and creates prosperity for all our communities. This will include retrofitting 100,000 homes and building 1,500 more.

All of this will allow us to do the right thing for our region with pace and allow the impact of our recovery to reach everyone.

Looking further ahead, we must ensure the North East allocation of future regional economic development funding, set to replace local growth and European resources, exceeds the previous levels – enabling us to maintain our ambition into the medium and longer term, helping secure our levelling-up ambitions.

This plan is supported across our region

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The North East is a place of innovation and collaboration. We are committed to bringing our research and expertise together with partners to re-imagine and deliver on a future that offers opportunity for all, in a region which acts as a magnet for people to live, work and study. This inspirational deal will transform the region and we look forward to partnering with government to make it happen.



Jane Robinson
Dean of Engagement and Place, Newcastle University

“

This Recovery and Renewal Deal for the North East allows us to quickly deliver interventions that get people back into work, but just as critically, it has a focus on job security. Our people want and deserve quality jobs that offer opportunities to progress through skills development and the creation of new roles as the economy expands. We're asking Government to invest so we can build a jobs market that rivals the best. Our people are a key component of our competitive advantage.



Beth Farhat
Regional Secretary, Northern TUC

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Whether you live, work or study in the North East, we are intent on building an inclusive economy in which every member of the community can play their part. Our vision is ambitious, reimagining housing and green spaces, and focused on delivering better connectivity and improved access to learning and work opportunities. With the right financial resources, we can address inequalities, provide new opportunities for our people and communities and build a sustainable and resilient North East.



Carol Botten - Chief Executive Officer at VONNE
(Voluntary Organisations' Network North East)

“

This plan sets out how a connected North East can increase the prosperity, quality of life and health of the region. Our goal is to create and sustain 100,000 more and better jobs in a growing and decarbonised economy, where social and health inequalities are greatly reduced. Better infrastructure is fundamental to achieving this. This blueprint unites the potential of transport and digital together and by doing so, we are building a connected North East.



Toby Hughes
Managing Director, Transport North East

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Throughout history the North East region has been renowned for its ability to innovate and lead by example in tackling challenges head on – and building on the opportunities they bring. Now is no different. The business community welcomes the spirit of collaboration shaping these ambitions, and now stands ready to play its part as the region looks to build back better from the COVID-19 crisis.



Sarah Glendinning
Regional Director at CBI

“

North East businesses have responded amazingly to the challenges of COVID-19. They have transformed their operations for customers and employees. However, to build an even brighter future we all need to pull together and, with every possible help from government, fully exploit the potential of this region to emerge stronger than before. We are fully prepared for the hard work required – we just require the investment.



James Ramsbotham
Chief Executive of the North East England Chamber of Commerce