



CBI



# Tees Valley Revival Plan

A business manifesto for regional prosperity

February 2021

Regional Growth

# Foreword

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The COVID-19 pandemic has shown that when business and government work together, it delivers hugely positive outcomes for all. It is this partnership that will be vital to securing a swift recovery from the impacts of the pandemic, but also to ensure this hard working and influential region thrives in the future. The mayor, to be elected in May 2021, will be the champion of the region, and in prime position to build these new relationships to capitalise on the strong history of industry, connectivity, and innovation, and shape its economy today and into the future.

To deliver a thriving Tees Valley, the mayor can build on the strong foundations, such as those in chemicals and process, advanced manufacturing, bioscience, and low carbon and hydrogen. Foundations which are underpinned by the strength of the region's networks of higher and further education providers, research organisations and international hubs.

However, a newly elected mayor will be entering office at an extremely challenging time. Not only will the mayor have to contend with existing pockets of deprivation, and long-standing, low productivity rates, but also the impacts of COVID-19. This includes a high unemployment rate, a challenging job market within pockets of the Tees Valley Combined Authority (TVCA) and rising Universal Credit rate, which grew to 6.9% compared to 4.3% in February<sup>1</sup>.

To address the short-term challenges of COVID-19, and to turn Tees Valley into a healthier, more productive, and thriving region, the mayor should develop and champion a strong economic vision. This should be based upon the draft Local Industrial Strategy (LIS), as well as the recovery plan. It should consider how to turbocharge recovery planning, focusing on key projects and outcomes. This economic vision must enable businesses to succeed, focusing on key sector strengths that leverage public investment to support the private sector. This should recognise that a strong economy that delivers growth and good jobs can raise living standards.

To be a success, this requires a renewed partnership. The mayor should work collaboratively with businesses, neighbouring authorities, unions and the third sector, as well as all parts of government to revive and thrive in the future. Business is ready to step up and support in this endeavor, working closely with the mayor to develop this economic vision, and to embed it.



**Sarah Glendinning**

CBI Regional Director, North East



# Introduction

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The mayor of Tees Valley once elected in May 2021 will oversee regional recovery and set the foundations to thrive in the future.

In the short term, the mayor will need to consider how to support businesses and their supply chains forced to close because of the pandemic. Provisions must also be made to support in the mental health of business owners and workers. Not just for those who have faced the uncertainty of long periods of furlough, but also for those who have worked so hard to keep their businesses alive, navigated support, kept their staff safe, all whilst trying to keep morale high across the firm.

Looking to the future, the mayor must consider how to drive productivity growth. An economic vision is needed to leverage private sector investment and strengthen the foundations of productivity, such as connectivity and skills, which make the region attractive for investment.

The challenges faced by the region and existing inequalities that have been exacerbated by the pandemic are not insurmountable. This manifesto sets out a way, where business and government can work together and ensure that Tees Valley achieves its full potential in recovery and beyond. This is based upon three guiding principles:

## **Champion regional dynamism and global competitiveness to raise living standards**

At the forefront of any plan to revive and thrive must be a strong economic vision. This must ensure that the Tees Valley is an attractive place for businesses to invest. To succeed this should build on our distinctiveness and align with the transformational opportunities for the TVCA. These include chemicals and process, advanced manufacturing, bioscience, and low carbon and hydrogen, alongside existing exporting strengths and assets, as set out within the draft LIS.<sup>2</sup>

## **Transform digital and physical infrastructure on the race to net zero**

There must be a concerted effort to improve connectivity across Tees Valley and beyond to give firms access to the widest pool of talent possible, and to transport goods more easily. Connectivity plans should be locally developed and delivered with an eye to our new ways of working, and the future of towns and cities as we look to recover from COVID-19. They must also be cognizant of the race to net zero, as well as the important role digital connectivity has played throughout the pandemic.

## **Stimulate job creation and secure an inclusive workforce for the future**

Underpinning any plans to drive productivity is the need for a skilled, healthy, and productive workforce, supplemented by a strong business base to create inclusive jobs for the future. The mayor must take a multi-layered approach to overcoming the challenges which include the high unemployment rates, low levels of qualifications, and the impact of COVID-19 on the job market. This therefore requires a focus firstly on addressing the existing low levels of skills, secondly, on delivering good jobs at pace, and finally, on reskilling residents to meet future skills needs. It is vital that this starts from school-age, providing children with the tools to learn, and setting out a clear path, whether through apprenticeships, further or higher education.

# Champion regional dynamism and global competitiveness to raise living standards

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**Delivering a welcoming business environment through a strong economic vision and pro-business agenda will be vital to attracting growing world-class businesses to invest in the Tees Valley.**

## **Use the recovery plan to provide a strong economic vision for the region**

To turbocharge recovery and create a strong economic vision for the future, the recovery plan should focus on key projects and outcomes. This includes opportunities for high growth industries such as chemicals and manufacturing, health and biosciences and net zero. It should also recognise the needs of energy intensive industries who need continued support if they are to remain competitive on the race to net zero. Whilst the mayor has a vital role to play in 'talking up' the region, dynamic business support is also required that is accessible and reflects the needs of local businesses. The strategy should also be the result of collaboration. The mayor is not only uniquely positioned to act as an advocate but also a coordinator, working closely with key stakeholders, and selling the potential of the TVCA, nationally and internationally.

### **Recommendations:**

- Develop and implement an economic vision for the region, with clear, locally agreed delivery plans for each of the five local authorities, alongside regular performance reviews for the whole TVCA. This vision should come from strong collaboration with business, academia, and other partners, and make the case for public investment in priority projects to leverage vital private investment.
- Engage with businesses, unions, the third sector, local and neighboring authorities, and national government by using existing lines of communication and groups set up during the pandemic. These forums should continue to be adapted according to need, to ensure businesses of all sizes and sectors are represented in the development and delivery of an economic vision.
- Champion the role of social value in procurement, leading the way with how the combined authority procures goods and services. This can be achieved by providing opportunities for businesses to engage with their corporate social responsibility and social value potential, going beyond the balance sheet to drive meaningful change.

## **Raise the international profile of the region and be pro-active in attracting new investment.**

The mayor has a vital role to play in raising the profile of the TVCA nationally and internationally, pitching it as a great place to live, work and visit. This is vital to driving overseas investment.

### **Recommendations:**

- Ensure Tees Valley is prepared for new investment, including through the continued development the South Tees Development Corporation (STDC), the first mayoral development corporation outside London. As a priority, this should include a renewed focus on business partnership, vital to ensuring the STDC delivers against the ambition of securing economic growth and private investment to the region.
- Support measures to attract inward investment, including by creating a comprehensive [non-financial] landing package for inward investors that helps them navigate and understand the opportunities of the region. This should be extended to support domestic companies planning new projects that align with the economic vision. The mayor can play a valuable role in promoting this package overseas, such as in consulates and embassies.
- Lead successful trade missions, both inward and outward, and work in partnership with business organisations and other stakeholders such as the universities, utilising their experience leading overseas engagement. These trade missions should be tied to the existing sectoral strengths including chemicals and processes, advanced manufacturing, health and biosciences and logistics, as well as areas of opportunity including offshore industries, green hydrogen production and carbon capture and utilisation/storage (CCUS).



## **Promote export as a driver of prosperity and recovery.**

With exports being a key driver of productivity, improving consistency of exporting across the business community in Tees Valley will be key to success. Whilst the region performs above average on exports, which account for 24% of GVA, compared with a national average of 18%, this is driven by the strength of specific sectors, namely chemicals and manufacturing.<sup>3</sup> Efforts must be made to learn from the success of these high performing sectors within the TVCA. This is particularly important as we look to new EU and global trading relationships, where the mayor can support businesses understand the value of new trade agreements and navigate these new schemes.

### **Recommendations:**

- Develop a fully integrated export strategy that sets out the benefits of trade alongside targeted business support. This business support should include identifying local and regional exporting champions who can act as mentors, as well as programmes to help businesses grow international sales online. Support should help businesses identify marketing opportunities overseas, develop exporting plans and manage risk as they undertake these new endeavors.
- Ensure businesses have a clear 'one-stop-shop' for support services, delivered in collaboration between the mayor, combined authority, the Department for International Trade, and new Northern Powerhouse Export Academy, alongside the Local Enterprise Partnership (LEP) and the Growth Hub.
- Support existing exporters navigate new trading relationships with the EU, as well as diversify into new export markets as the UK strikes new global trading agreements. This should be delivered through improved information sharing on trade intelligence, and through the development of new trading relationships with priority markets.



## **Kickstart R&D investment through a long-term strategy for regional research, development and innovation investment and make the case for the creation of a Catapult Quarter.**

When considering innovation, the region performs below average. Only 1% of GDP in the TVCA is spent on R&D, putting it in the bottom half of the country on this metric.<sup>4</sup> The mayor should build new partnerships to drive further R&D investment across all sectors. If done right, these actions have the capacity to translate research from the regional academic and business network, to the development of commercially viable products. By offering the right blend of public and private funding, this would encourage new start up and scale up businesses to choose the Tees Valley as their home, contributing to productivity growth, offering new job opportunities, and making the TVCA an attractive place to live and work.

### **Recommendations:**

- Work with partners including the LEP, universities and colleges, industry, regional investors, and national government to develop a long-term strategy for driving both private and public investment in innovation. This should build upon existing local strengths, including the three national scale research and technology organisations (RTOs), the strong industrial base, and the high-quality academic institutions, to strengthen business led innovation and deployment, and encourage knowledge exchange between industry and academia.
- Develop the case for the creation of a Catapult Quarter within the region, working with industry, academia, and innovation leaders. This could be attached to anchor institutions like existing Catapults, RTOs or applied university research facilities and would incentivise co-location and knowledge exchange through a targeted benefits and support package.
- Align advice and support to increase R&D and innovation within the region to the previously mentioned “one-stop-shop” for Tees Valley businesses and stakeholders. This should develop alongside any future Catapult Quarter and should be focused towards fostering industry innovation around areas of potential – net zero, biosciences and chemicals manufacturing and future industrial digitisation through 5G testbeds – and would create a brand for attracting international investment.



# Transform digital and physical infrastructure on the race to net zero

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The TVCA has an important role to play on the race to net zero. However, by focusing on a green recovery and the evolving nature of towns and cities there is an opportunity to improve equity as well as deliver a low-carbon economy.

## Back a green recovery by ensuring projects and funding promote a more sustainable future.

Within Tees Valley there are several areas of focus for a newly elected mayor, including ensuring that policy decisions are 'future proof' with net zero at the heart of a long-term economic vision. This will allow the region to not only maximise the value that comes from the net zero transition, but also improve living standards for residents. This includes through initiatives to tackle poor air quality and energy-inefficient housing.

### Recommendations:

- Deliver projects that consider sustainability and promote a greener future. This includes using future government funding or initiatives, such as the proposed UK Shared Prosperity Fund and Levelling Up Fund. As a priority this should include low-carbon methods of retrofit and construction to ensure all homes are energy efficient and future ready.
- Develop a local energy plan that set out routes to decarbonise power, transport, and heat. This local approach will ensure the most appropriate heating solutions for Tees Valley residents, that any advice on technology choices comes from a locally trusted body, and that local jobs and supply chains can be developed to match area needs.
- Ensure the plan evolves to align with announcements within the Heat and Buildings Strategy, due from national government this year, and includes a strong role for local delivery mechanisms to decarbonise heat.



## **Showcase the opportunities from the net zero transition, and the role of Tees Valley businesses in delivering it.**

COP26 provides a unique opportunity for the country and the region. Authorities across Tees Valley have established clear commitments to the zero-carbon economy, and this year's conference provides the opportunity for the mayor to cement that reputation. Collaboration with businesses and leaders will be vital to selling the opportunities of investment within the TVCA.

### **Recommendations:**

- Promote the sizeable opportunities of the Tees Valley and the North in low-carbon innovations and solutions at the upcoming COP26, in partnership with mayors, the LEP, businesses, higher and further education, the RTOs, and local authorities. This includes the unique offer the Tees Valley has in providing a platform for Green Hydrogen and CCUS within the UK. Something that will be vital to reaching national net zero targets, and to decarbonising industry.
- Drive positive policy change nationally and support in supply chain development locally by acting as a key voice for the transition to net zero within the TVCA, using influence to promote projects and initiatives. This should build on the work underway within the Net Zero Teesside, and on recent announcements such as the establishment of a hydrogen transport centre, which offer a route towards the decarbonisation of heavy goods vehicles, and potentially zero carbon sea freight.



**Provide a clear direction and vision on the future of housing and connectivity including digital connectivity, considering its impact on net zero ambitions, and in improving wellbeing.**

For the economic vision to be a success, it is crucial that it aligns with housing and connectivity plans. In doing so it will ensure the Tees Valley is an attractive place to live and work, and that those with the right skills can access jobs. These plans should be developed in partnership with local stakeholders and businesses and consider the impacts of new ways of working. Plans must also champion a more inclusive environment within the Tees Valley recognising how access to transport, digital infrastructure and housing can impact opportunities.

**Recommendations:**

- Galvanise partners including local authorities, housing associations and major employers to develop a strategic vision for housing and connectivity. Housing plays an important role in driving economic growth, in supporting regeneration in deprived areas, and in achieving net zero targets. This should support in ensuring funding and initiatives, bid for by local authorities, are delivered in a joined-up way. Plans should consider the opportunity for innovation, including new methods of construction to deliver affordable, low-carbon, environmentally sustainable, and high-quality homes at pace, and reflect changing living and working patterns.
- Prioritise the roll-out of gigabit capable broadband and 5G, making the case for becoming a 5G testbed. The mayor can play an important role in supporting local authorities to work closely with network providers, embed digital infrastructure in their economic development plans, and to identify a champion for digital connectivity at cabinet level.
- Develop an integrated, low-carbon public transport system. This includes promoting and facilitating active travel options such as walking, cycling, and building on recent e-scooter trials. It also requires continued collaboration with transport providers to deliver integrated and sustainable travel options, and deploying an electric vehicle charging network. The mayor should consider the opportunities that will come from being home to the first hydrogen transport hub, and the impact this will have on decarbonising heavy goods vehicles, creating the opportunity for net-zero logistics within Tees Valley.



# Stimulate job creation and secure an inclusive workforce for the future

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**To meet future needs, the workforce of today will need reskilling and retraining. The existing powers held by the mayor, including the devolved adult education budget puts them at an advantage to make sure Tees Valley is well equipped to revive and thrive.**

## **Focus on making the skill environment work for Tees Valley, with an emphasis on aligning local skills provision with current and future needs.**

The UK has experienced an ongoing reskilling and retraining challenge. Research based on pre-COVID data showed that nine in ten workers will need some form of reskilling by 2030.<sup>5</sup> This issue is likely to be compounded by the regionalised impacts of the pandemic and the uncertainties around the new UK-EU trading relationship, as well as the impacts of artificial intelligence and automation, which is set to disproportionately affect the North through job losses.<sup>6</sup> The TVCA has the opportunity to address some of these challenges, both through the ability to link the local skills agenda with a regional economic vision, and also through the devolved adult education budget.

### **Recommendations:**

- Address the challenges within the local skills system. In the first instance the mayor can support in the creation of a locally led Jobs and Skills Hub, to align support for individuals seeking employment with opportunities to retrain. This should align with the work of the Growth Hub and LEP. Beyond this addressing the local skills system will require greater support for careers information and a simplified business offer to ensure good engagement.
- Deliver against local retraining and reskilling needs using the devolved adult education budget. Bring together higher and further education providers alongside businesses to identify and remedy skills gaps, with new mechanisms to ensure businesses have influence over the design and delivery of local training. This should consider where growth opportunities are and where skills gaps may emerge in the future, such as in low-carbon housing retrofit.
- Establish mechanisms to support Apprenticeship Levy matchmaking. This scheme would allow those businesses in Tees Valley with levy underspend, to redirect it. This could be particularly focused on supporting SMEs within their supply chain, with the aim of spending more levy funding within the region. This matchmaking service should look to extend to those firms who have significant regional operations.

## **Be a strong voice to encourage the creation of good jobs at pace.**

Despite several high-quality academic institutions, and a significant number of graduates, the Tees Valley struggles to retain top talent, and a higher proportion of graduates within the TVCA are employed in 'non-professional' roles.<sup>7</sup> This can be attributed to the low business density, lack of business churn, and the second lowest job density of all combined authority areas in England.<sup>8</sup> The mayor should encourage the development of good jobs at pace in order to become an attractive location for business investment and to retain future talent. This must highlight the benefits that are set to come from digital, health and social care, and the clean energy sectors, as well projects such as the South Tees Development Corporation.

### **Recommendations:**

- Deliver projects that result in the creation of good jobs at pace. The mayor can use their convening power to encourage the public and private sector to take part in a shared initiative to increase opportunities. Focus should be on areas with high levels of deprivation in the first instance, followed by geographies and sectors where talent is often lost or hard to recruit due to existing skills deficits or a perceived lack of opportunities for progression and development.
- Champion diversity and inclusion within the combined authority itself, using recruitment best practice for encouraging diverse candidates to apply to positions. This includes work around local procurement and supply chains and learning from and collaborating with initiatives such as the CBI's Change the Race Ratio,<sup>9</sup> or the Good Business Charter.<sup>10</sup>
- Promote the Tees Valley as a destination of choice for those companies considering relocation in the future. This includes showcasing the opportunities through a strong economic vision, as well as highlighting the existing strengths, such as its high-quality academic institutions, its growing cultural offer which makes it an attractive place to live and work, and its strong connectivity across the North and the rest of the country.



## **Create an inclusive environment for all within the Tees Valley**

To thrive in the future, the mayor must address the long-term skills gap and the inequalities that exist. There are several factors the mayor must consider, in the first instance this means identifying skills shortages, both now and into the future to target retraining programmes. However, it also requires a focus on supporting those who are economically inactive back into work – particularly when, compared to national averages, a higher proportion within the Tees Valley want a job.<sup>11</sup>

### **Recommendations:**

- Expand the Routes to Work Programme to address the challenges faced by those in long-term unemployment. This should look to galvanise the private sector and facilitate collaboration between businesses and the local support services, voluntary organisations and local councils. This is vital to ensure that those responsible for delivering work opportunities are helping shape the programme, that it is targeted at those most in need, and that funding streams and initiatives are delivered in a joined-up way.
- Champion education and training to improve youth employment, qualification levels and access to opportunities. Promoting a better standard of careers guidance in schools, linked to labour market information and strong links between businesses and schools in the area is an important first step. Beyond this the mayor can create opportunities for paid internships, apprenticeships, and work experience within the Combined Authority. It also means building on the strength of the higher and further education sectors, continuing to work with business to support in the creation of Kickstarter Jobs, and working closely with businesses, and higher and further education to set out a clear path into work for young people.
- Provide inclusive working patterns and champion inclusivity. This includes supporting and promoting initiatives such as the Good Business Charter and Change the Race Ratio, and celebrating businesses that support youth, part-time and flexible employment, allowing those with other responsibilities to still participate in the labour market.



# References

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- <sup>1</sup> Tees Valley Combined Authority, Economic Assessment (draft), February 2020
- <sup>2</sup> Tees Valley Combined Authority, Local Industrial Strategy, Local Draft, July 2019
- <sup>3</sup> Tees Valley Combined Authority, Local Industrial Strategy Evidence Base Report, July 2019
- <sup>4</sup> CBI analysis based on ONS (2019) Gross Domestic expenditure on research and development, UK, 2017
- <sup>5</sup> CBI, Learning for Life, October 2020
- <sup>6</sup> CBI, Reviving Regions, November 2020
- <sup>7</sup> Tees Valley Combined Authority, Economic Assessment (draft), February 2020
- <sup>8</sup> Tees Valley Combined Authority, Economic Assessment (draft), February 2020
- <sup>9</sup> <https://changetheraceratio.com/> Campaign established to increase racial and ethnic participation in businesses at board level.
- <sup>10</sup> <https://www.goodbusinesscharter.com/>: Initiative to encourage responsible capitalism and celebrate good business practices.
- <sup>11</sup> Tees Valley Combined Authority, Economic Assessment (draft), February 2020



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