

Written evidence submitted by Ben Houchen, the Tees Valley Mayor (LRS0080)

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1. The Impact of Mayoral Combined Authorities

The creation of Mayoral Combined Authorities, headed by directly elected mayors, established a new form of governance to accountably drive economic growth across functional economic geographies. Since 2017, when I was elected as the first Tees Valley Mayor, there has been demonstrable progress in using the new powers and resources confirmed in the Tees Valley Devolution Agreement to deliver benefits for the local and national economy.

At the time of the Mayoral election, the Tees Valley economy was still feeling the effects of the economic shock created by the closure of the SSI Steelworks in 2015. Despite being an area of significant opportunity, there were also significant challenges associated with high levels of unemployment and regional productivity that lagged national averages. The creation of a Mayor and Mayoral Combined Authority allowed me to provide the leadership and direction to kick-start progress across a number of challenge areas, charting a path to growth that supports the government's levelling-up agenda and can enable the Tees Valley to realise its full economic potential in the interests of the whole country. This includes:

- Securing ownership of 4,500 acres of land at the former site of Redcar Steelworks, turning a symbol of regional industrial decline into the UK's biggest development opportunity – home of the Net Zero Teesside carbon capture project, a partnership of six leading energy firms seeking to deliver a net zero cluster by 2030, and potentially a nationally significant offshore energy cluster.
- Being named the UK's first ever hydrogen transport hub, taking a national lead on driving forward national plans to embrace hydrogen as an alternative fuel for buses, lorries, rail, maritime and even aviation.
- Securing the future of Teesside International Airport and 819 acres of prime development land attached to it, safeguarding connections to continental Europe and reintroducing direct flights to London and all four corners of the UK.
- Beginning work to transform our regional rail network with £20million and £25million respectively to support the redevelopment of Middlesbrough and Darlington stations, schemes of significant benefit to the regional and national rail network.
- Approval for a £50million scheme to improve town centres within our five constituent local authorities.
- Completing construction on the National Horizons Centre in Darlington, a national centre for excellence for UK bioscience.

- Delivering a demand responsive bus service pilot to provide better access to jobs and key service centres for previously underserved communities.
- Securing resources from the Housing Brownfield Fund to deliver a minimum of 1000 new homes on former industrial land.
- Delivering almost 600 apprenticeships and a Routes to Work pilot which has engaged almost 3000 residents furthest away from the labour market, supporting almost 500 local people into employment.
- Establishing a £96.2m Business Growth Programme to attract and support new businesses to Tees Valley, support companies to introduce new products or processes, support start-ups and help businesses to grow.
- Creating a new destination marketing service aiming to attract more than 20million people to the region and add £1billion per year to the local economy.

This provides a brief introduction to what I as Mayor and the Mayoral Combined Authority have already achieved – I am confident that we can achieve much more in the future, and as I shall address in part 3 of this submission, I am calling on the government to give Mayors and Mayoral Combined Authorities the tools we need to go even further, even faster.

2. Mayoral Combined Authorities – leading economic recovery in response to Covid-19

Following the outbreak of the Covid-19 pandemic, the Mayoral Combined Authority I lead quickly stepped up as the central agency in the Tees Valley to effectively coordinate the local economic response to the outbreak, alongside providing vital intelligence to central government to inform the national response.

In the first phase of the outbreak I established a 24/7 Business Support Helpline to act as a single point of contact for Tees Valley companies and individuals in relation to Covid-19 and the support available to them. To date over 2000 enquiries have been received. I have also launched the Buy Local Tees Valley website to connect local people with businesses and tradespeople operating differently during the lockdown and beyond. Over 700 businesses are now registered.

As we moved into a recovery phase I launched a Welcome Back Fund, helping 355 small and medium-sized businesses in the leisure, culture and tourism sectors reopen as part of the July easements. As part of our Back to Business Fund, over 200 small businesses have also been provided with funding for professional support, helping them adjust to new challenges. 24 business owners have also joined a Peer to Peer Network providing business support for common coronavirus related business challenges.

We are supporting over 100 apprenticeships with a subsidy for new apprentices in priority sectors. We are also supporting the government's Kickstart Scheme of six month paid work placements for young people aged 16-24 years of age, supporting 63 businesses to create 223 placements.

None of this would have been possible were it not for the existence of a Mayor and Mayoral Combined Authority.

And as lead regional agency for economic development, we are now taking leadership of Tees Valley's economic recovery.

The scale of the challenge cannot be over-emphasised.

The Tees Valley already has over 14,000 more unemployment related claimants than a year ago and our analysis indicates that up to 37,200 workers are at risk of permanently losing their job by the end of 2020 – including over 6000 young workers.

To put this into context, this is eight times the number of job losses the Tees Valley experienced with the closure of SSI Redcar Steelworks in 2015.

We are finalising work on a comprehensive Tees Valley Economic Recovery Plan, a package of targeted measures designed to help businesses and residents impacted by the pandemic recover quickly, diversify, thrive and become resilient to future shocks.

Our Economic Recovery Plan is based upon robust economic analysis and econometric modelling, alongside extensive stakeholder engagement. This ensures that our approach to support businesses and communities responds to the real needs and experiences of our economy, both now and in the future. The visibility of the my role as Mayor and the impact I had been able to make to date meant that stakeholders naturally looked to the Mayor and Combined Authority and sought to engage in shaping an economic recovery plan that can deliver tangible benefits for the area. It enabled a partnership approach and shared ownership in shaping the area's economic future.

Our recovery approach is not just designed to help the regional economy come to terms with the disruption of the pandemic, but to accelerate along the path to future growth already agreed regionally, and set out in our Strategic Economic Plan and locally-agreed Local Industrial Strategy. This aims to position Tees Valley as the UK's hydrogen capital, a pioneer region for Carbon Capture, Utilisation and Storage and clean growth technologies and the development of pioneering capabilities in industrial digitalisation. Our ambitions include a commitment to achieve the world's first net zero carbon industrial cluster by 2040, whilst providing good jobs with long-term prospects that local people can access.

Our recent submission to the Comprehensive Spending Review was based upon the work to develop our Economic Recovery Plan, highlighted how the government could support and accelerate these ambitions. *Specific proposals include:*

- Supporting Clean Growth and Industrial Decarbonisation:
 - Acceleration of business models to finance Power Carbon Capture and Storage (CCS), Industrial CCS, Low Carbon Hydrogen and Bio-CCS.
 - Support for the capital costs of implementing the UK's first Hydrogen CCS plant at scale
 - The introduction of a UK Hydrogen Supply Chain Fund to bring the Hydrogen supply chain into the UK early, and capitalise on the opportunity for first mover advantage
 - The establishment of a UK Offshore Wind Supply Chain Fund to attract supply chain manufacturers to the UK (centred around a UK Offshore Wind Port)

- Using innovation as driver for clean and inclusive growth – investing to level-up the economy, increase productivity and enable job creation:
 - Enhancing the role of our proposed Net Zero Innovation Centre with government funding for the creation of a Centre of Excellence to attract internationally renowned researchers and developers to the Tees Valley

- Confirmation of the announcement in the March 2020 Budget of funding for research and innovation in the steel and metals sector through the Materials Processing Institute

- Supporting Department for Transport proposals to establish a National Hydrogen Transport Hub in Tees Valley, with complementary funding aimed at harnessing the power of clean energy to support the environment and the economy:
 Developing the UK's largest Hydrogen Train, the UK's largest rollout of Hydrogen Buses, decarbonisation Port Trials – with potential to fully decarbonise port operations, including container and bulk movers, and harbour vessels - additional fuelling infrastructure and a public vehicle Hydrogen trial, including emergency vehicles, rubbish collection and local authority fleets.
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 - Urgently determining the role of Hydrogen in the gas grid to unlock significant investments in infrastructure, Hydrogen production and heating technologies
 - Considering Hartlepool as a location for a possible new build nuclear power station, and site of for the development of Nuclear Fusion and Small Modular Reactor technology
 - Enabling Local Energy Hubs with a National Project Development Fund aimed at supporting project development through high risk, early stage project development before external finance can be sought

- Identifying Tees Valley as a pilot Freeport to test the Government's policy model:
 - This could increase regional GVA by £2 billion over 25 years, and create 32,000 jobs

- Accelerating digital investment:
 - The rollout of universal ultrafast broadband and making other investments in digital infrastructure such a 5G Neutral Host and testbed, trunk fibre connection and data centre in our region could transform the Tees Valley into an innovative hub for digital innovation, particularly for health and bio-science and deliver £170m GVA

3. Expanding the levelling up agenda

I and my team have previously outlined to government the proposals we believe would maximise the impact of the next phase of devolution – these include:

Funding

In addition to our specific proposals for investment detailed above and in our Recovery Plan, we believe the government should pursue a new long-term approach in which greater levels of funding are devolved to Mayoral Combined Authorities, in order to deliver regional priorities. This funding should be devolved on the basis of common ‘Single Pot’ funding rules providing the flexibility and long-term certainty of resources which will unlock and ‘level-up’ opportunity across the country.

Short term and overly defined funding can be a barrier to local areas implementing a long-term view to support economic growth and increase productivity. To address this challenge, it is proposed that a streamlined accountability and funding relationship is agreed, improving alignment of funding and decision making.

Central to this will be the UK Shared Prosperity Fund. We believe this fund can build upon the added value, governance and accountability arrangements that have been established to manage the devolved Tees Valley Investment Fund. As a result we continue to propose that UKSPF is fully devolved, aligned to Industrial Strategy Funds and allows for departmental match. Funds should be maintained at least at the level of the current EU Structural Funds and allocated on the basis on need.

In July 2018 the Government announced that the objective of the UK Shared Prosperity Fund would be to tackle inequalities between communities by raising productivity. We welcome this, and fundamental to achieving these stated ambitions, will be basing the funds around a strong regional policy that can strengthen economic productivity, social cohesion and reduce inequalities between communities. Particular attention needs to be paid to regions furthest behind in terms of economic activity and those with increased levels of deprivation, areas affected by industrial transition, and regions which suffer from severe and permanent natural or demographic challenges. Taking a new approach to regional policy is an opportunity to develop an ambitious vision for regional development that will unlock the potential of UK regions to be the drivers of inclusive growth.

In determining allocation of UKSPF, there is a need to balance increasing productivity with efforts to increase employment. Unemployment can be the main drag on productivity in many areas, and for this reason, places that are doing poorly on earnings and employment should be the focus for the UK Shared Prosperity Fund. There should however be flexibility within the fund so that local places can respond to their own challenges and resources should be weighted towards the places with the most ground to make up.

It is likely that GVA (per capita), as an indicator of the area’s journey towards a modern economy through industrial restructuring, will be an important measure to determine the allocation of the Shared Prosperity Fund. Alongside this, measures relating to business density, start-ups and survival rates will be important, as will indicators that measure innovation activity, such as R&D investment and export activity. Levels of unemployment, wage levels and skills, will also be essential to understand the gap in productivity, levels of poverty, to address the challenges experienced in low-income households and the barriers to entering the workforce. Basing the allocation of resources around a basket of metrics as above, will enable resources to be effectively targeted at areas of need, and ensure that that UKSPF demonstrably supports levelling-up.

Government intervention does not necessarily require new investment, but more strategic and focused use of existing funds. For example, through the utilisation of:

- Increased use of flexible capital investments, as already implemented with the Transforming Cities Fund, where autonomy is granted to regions to identify and fast-track the delivery of infrastructural investment priorities.
- Regional devolution of R&D funding, again allowing regions to fast-track major local opportunities to deliver economically and environmentally significant projects.
- Devolution of BEIS innovation funds, such as the Industrial Energy Transformation Fund to Combined Authority areas.
- Increased flexibility of apprenticeship funding, particularly with regards to unspent levy funds to support the growth of local skills.
- Multi-year, flexible funding allocation to help deliver regional and national ambitions identified through our locally-agreed Local Industrial Strategy.

Civil Service Relocation

Over the past decade there has been a 5% increase in the number of Civil Service jobs in London and a 25% reduction in the Tees Valley. This fails to align government functions with regional specialisms and strengths and does not recognise the wider regeneration benefits that can be achieved in support of “levelling up”.

To address this, Tees Valley Combined Authority proposes the establishment of a Civil Service Campus in the area. This would offer a considerable cost saving to the Government, by moving services to a low cost, high quality area, whilst also supporting the wider regeneration of Tees Valley by acting as an incentive to retain skilled workers and attract further Business and Professional Services to the area.

Delivering the potential of the South Tees Development Corporation (Teesworks)

The only Development Corporation outside of London, the Teesworks site is a nationally, and internationally significant industrial zone, with excellent transport links and infrastructure, skilled labour, local business commitment and leadership. The potential of the site has been recognised by government in the designation of a Special Economic Area, and more recently through the Tees Valley Mayor’s role in the national Freeport Advisory Group, which we propose uses the STDC site as a test case to develop a Free Trade policy post Brexit.

To further increase the development potential of the South Tees site, we have proposed that:

- Enhanced capital allowances are available to new businesses locating on the site
- The Development Corporation builds upon its ability to encourage public utilities to assist development, through a Duty to Co-operate. This could particularly apply to electricity companies who want to charge up front for a supply from which they will derive income, similarly with the Highways Agency
- Devolved responsibility to approve planning applications for Electricity Power Stations (over 50MW). It is proposed that this is restricted to the Special Economic Area, so as not to set a precedent nationally, and to support timely development of infrastructure that can meet the needs of Energy Intensive Industries that will be attracted to the site.

Further skills devolution

It is more vital than ever that the government ensures that the current and future workforce has the skills they need to secure high skilled, well paid jobs and that local regions have the power to deliver those jobs.

The current skills system is complex, and funding driven. Workers would benefit from a simplified, regionally-defined employer-led learning offer, including:

- Devolved multi-year, place-based, funding settlements to enable the delivery of integrated skills, work and education systems, focused on the needs of each place.
- Increased flexibility in the use of non-devolved skills and employment funding, enabling individual regions to maintain, develop and repurpose provision to support economic recovery.
- Support for apprenticeships, including extending the current two-year limit for use of apprenticeship levy funds to ensure funds are not lost due to inevitable recruitment or training freezes and greater flexibility for unallocated levy payments.
- Increasing Adult Education Budget funding to enable responsiveness, growth and recovery for those at risk of or made redundant and those requiring retraining - regardless of prior entitlements.
- Devolving technical 16-19 skills and all age careers provision to Mayoral Combined Authorities.

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