

The Rt Hon Rishi Sunak MP  
Chancellor of the Exchequer  
HM Treasury  
1 Horse Guards Road  
London  
SW1A 2HQ

Dear Chancellor,

As you prepare to deliver the Government's Budget and Comprehensive Spending Review, I write on behalf of the members of the North East England Chamber of Commerce to set out the spending decisions and policies we believe are necessary to support the recovery of our region's economy.

The Chamber is the largest business membership organisation in the North East located in Tyne and Wear, Northumberland, Tees Valley and County Durham. Our members are drawn from organisations of all sizes and sectors and employ over 40% of the regional workforce.

The pandemic dealt an enormous and disproportionate blow to the North East. At the time of writing, more than 7,200 people have tragically lost their lives due to Covid. That is the second highest per capita rate in the country. The same is true for the total number of cases. Covid has not been blind to economic circumstances; its effects have been most profound where deprivation is the highest.

The human cost of the pandemic has been appalling, yet there is also a tremendous economic cost to the regional disparities that have given rise to the unequal impact of the virus. Levelling up was of huge importance prior to the pandemic. It is critical now.

Our businesses have performed admirably throughout the pandemic and are now beginning to see encouraging signs of recovery. They want this recovery to be sustainable, fair, and long-lasting. We must learn the lessons of the pandemic to put right some of the biggest wrongs that hold our regional and national economies back.

In addition to the pandemic, the North East was particularly exposed to the consequences of Brexit. Many businesses saw an almost overnight fall in their European sales and have been struggling to adapt to rules, costs and subdued demand. This has undoubtedly compounded the challenges they have faced in recent months. On top of this, we see continued problems created by disruption to global supply chains and staff shortages.

We fully appreciate the pressure on public finances caused by the unprecedented demands of Covid and the resulting economic crisis. Firms right across the North East have relied on the support made available to them to get through the past 18 months; the absence of which would have resulted in catastrophic business failures.

However, we urge you not to make spending decisions that will exacerbate business difficulties and set the progress of levelling up back even further. Our businesses have the desire, capability, and ingenuity to grow our economy and bring greater prosperity to our region and the country. We want to see a stronger North East economy; one that is influential, global, competitive,

0300 303 6322

[your@neechamber.co.uk](mailto:your@neechamber.co.uk)

[www.neechamber.co.uk](http://www.neechamber.co.uk)

[@neechamber](https://twitter.com/neechamber)

North East England Chamber of Commerce, Aykley Heads Business Centre, Durham DH1 5TS

North East England Chamber of Commerce. A Company Limited by Guarantee. Registered Office: Aykley Heads Business Centre, Durham, DH1 5TS. Company Registered in England: 02938084. VAT Registration Number: GB454990806.

connected, dynamic and working. The measures set out in the enclosed submission would help us achieve that goal and must form part of your Budget and Spending Review.

Levelling up is a long-term project that will not be resolved through one Budget. However, the decisions and investments you and the Government make on 27 October will be judged by how effective they are in moving us towards a fairer, more balanced economy. The proposals we have set out would undoubtedly be a step in the right direction and we hope to see them adopted by Government in a collective effort to rebuild and strengthen the North East economy.

As part of that collective effort, I would like to personally invite you and your team to meet with us to discuss our aspirations for levelling up and how we achieve our aspirations for the region. I hope you will be able to accept this invitation and look forward to speaking with you soon.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'John McCabe', written in a cursive style.

John McCabe

Chief Executive

# NORTH EAST ENGLAND CHAMBER OF COMMERCE SUBMISSION TO OCTOBER 2021 BUDGET

## About us

The North East England Chamber of Commerce is the North East's largest business membership organisation, representing approximately 3,000 businesses located in Tyne and Wear, Northumberland, Tees Valley and Durham. Our members are drawn from businesses of all sizes and sectors and employ over 40% of the region's workforce.

We are an accredited member of the British Chambers of Commerce (BCC) and play an active role in shaping their campaign positions. This submission should therefore be considered alongside, and seen as complementary to, the proposals put forward by BCC.

## The state of the North East economy

The impact of the pandemic was not felt evenly across the UK. At time of writing, North East England has the second highest per-capita death rate from Covid of any region. This is a tragedy and is a by-product of longstanding economic and social inequalities. We will never achieve the Government's aims of levelling up if the disparities between regions are not recognised and addressed.

While rises in unemployment were not as bad as initially feared, over 27,000 more people are currently claiming Job Seeker's Allowance or Universal Credit in our region than two years ago. Similarly, we still have the second highest unemployment rate in the country; continuing a frustratingly long trend.

This is the background against which we seek to build an economic recovery. Thankfully our businesses are increasingly positive about the future, but at the same time are realistic about the damage the pandemic inflicted on our economy:



Source: North East England Chamber of Commerce Economic Survey Q3 2021. The balances are calculated as the percentage of respondents reporting an increase (e.g. in UK Sales) minus the percentage reporting a decrease. A positive balance indicates growth in respect of a particular indicator, whilst a negative balance reflects contraction.

## Budget and Spending Review recommendations

The pandemic tested the strength and resolve of our North East business community. Yet the resilience and positivity we see every single day from Chamber members gives us confidence that we can recover and build a stronger economy.

Recovery in our region must be built on four principles. We must leverage the renewed sense of community that we have seen during the pandemic and never lose sight of the importance of fairness, both between and within regions. We must address long term goals such as sustainability and ensure that businesses are able to make the most of every opportunity available to them.

Our mission is not just to repair the damage done to our economy over the past 18 months. It is to come back stronger. We must correct historic unfairness, tackle inequalities and show the world our full capability. The right investment in our region by Government and businesses alike will deliver huge social and economic returns.

This Budget and Spending Review must:

- provide a clear, bold definition of levelling up
- fund departments and public bodies in a way that makes them responsible and accountable for levelling up
- advance the cause of decentralisation and devolution
- provide support for exporters
- establish the UK Shared Prosperity Fund based on regional economic need
- deliver on aspirations for broadband investment
- properly fund rail investment across the North, including the eastern leg of HS2
- ensure the long-term success of regional airports
- incentivise investment in low-carbon housing and retrofitting
- support arts and culture as a means of regenerating communities
- properly fund and support our further and higher education sectors
- increase funding flexibility to encourage employer investment in training
- recognise the damaging economic impact of welfare cuts in our region
- put in place the necessary business support measures to reduce the impact of future Covid restrictions, including a limited reintroduction of the Job Retention Scheme

### Influential North East

We are yet to hear a clear articulation from Government of what 'levelling up' is and what it aims to achieve. Instead, the idea has been changed and stretched far beyond what was suggested in the 2019 Manifesto. We are very clear – the aim of levelling up must be to close the economic performance gaps that exist between regions. This will require difficult decisions about where to invest, with some places inevitably losing out. If this is done on the basis of solid economic evidence and with the intention of correcting historic underfunding and deprivation, then we will support it. The Budget and CSR are the right time for Government to **provide a clear, bold definition of levelling up and how it will improve the economic wellbeing of our region.**

Levelling up must be a mission for the whole of Government, not just one minister or department. As you set out your spending plans for the next three years, **all departments and national public bodies must be both required to report on how they are contributing to levelling up and be funded in a way that enables them to make that contribution.**

We must also ensure we have the right powers and funding in our region to develop our own approaches to levelling up and to allow decisions relating to economic recovery to be taken as close as possible to those who they affect. **Government must press ahead with devolution; engaging with regional politicians and businesses to determine how existing structures can**

**be strengthened and how long-term funding can be decentralised to achieve regional ambitions.**

### **Global North East**

As a region with a strong track record of exporting to the EU, the North East has felt the disruption and trade barriers created by Brexit especially keenly. Earlier this year, we wrote to the Prime Minister to highlight the consequences of this disruption and the extent to which it is harming our economy. Our own survey work ascertained that 75% of our internationally trading members experienced that the trade deal between the UK and the EU had negatively impacted their business, while 37.5% of respondents reported a drop in their UK-EU trade.

This cannot be allowed to continue. There are several steps Government could take to support our businesses and to help the North East make the most of global opportunities. We call on you to **re-open and expand the SME Brexit Support Fund** to allow businesses to continue to upskill staff and obtain the required equipment to complete their new customs responsibilities. A number of Chamber members utilised this fund, improving their ability to trade with the EU, but due to the scheme's strict "EU only" criteria, members whose international trade is made up of 90% UK-EU trade were locked out of the scheme.

Moving forward, outside of the EU, it is vital that regions such as the North East retain an element of competitive advantage. Government's long-term role in this will be to support and nurture the sectors where North East companies excel, reducing barriers that impede their development, ensuring that the infrastructure is there for businesses to rely on, and incentivising investment to the region in these sectors, including the automotive industry, chemicals, health and life sciences and renewable energy generation. This will mean a **substantial investment in trade support services** that both operate close to the regional businesses they are there to help and are highly active in overseas markets to generate new opportunities.

### **Competitive North East**

One of the purported benefits of Brexit was the ability for the Government to reclaim control of contributions to shared EU development funding. Years have passed and we have seen painfully little information on the scale, scope, and operation of the UK Shared Prosperity Fund (UKSPF). Instead, we have seen piecemeal announcements and schemes operating on a competitive basis. While our region has been successful in many of these, and the Chamber is pleased to be involved in programmes such as Town Deals, they do not collectively add up to a radical change in regional regeneration.

Our region was a significant beneficiary of EU funding. We must never forget that the reason for this is the high level of economic deprivation we face. **This Budget must set out the full details of UKSPF, which must operate on the basis of allocating long-term funding based on the needs of local and regional economies**, not on bidding competitions which pit areas against one another.

### **Connected North East**

The shift towards home and remote working brought about by the pandemic has exposed the gaps in our region's digital infrastructure. The lessons learned from this enforced experiment have the potential to radically improve business performance and the attractiveness of our region to skilled workers from across the UK. However, too many places and businesses in the North East are hindered by low speeds or unreliable connections. Therefore, **Government must commit to fulfilling its Project Gigabit programme, with dedicated funding allocated and swiftly delivered to our region.**

The North has faced historic underinvestment in its transport network. Better connections will increase productivity and help to encourage more trade between northern cities, as well as giving people a wider choice of employment opportunities, encouraging people to stay and work in the region.

We urgently need the Government **to publish its Integrated Rail Plan and commit to the eastern leg of HS2, Northern Powerhouse Rail and upgrades to increase capacity on the East Coast Main Line.** Increasing capacity in the Northern rail network will be crucial to addressing so many challenges that we face as a nation, including the levelling-up agenda, supporting businesses and traders to transport the goods that they require, and in our efforts to decarbonise our economy. We need Government to be ambitious in its 'build back better' programme and commit to investing in truly transformational projects for the North.

The aviation sector has bit been hit hard by the pandemic, with the connections to and from regional airports under severe threat. Our airports are vital to our international business and tourism ambitions and must be seen as critical pieces of economic infrastructure. Thankfully, routes and passengers are returning as restrictions are lifted, yet we are some way off repairing the damage wrought by Covid. We endorse the recommendations of the Airport Operator's Association in relation to these issues and encourage Government to commit to **a long-term package of support and policy interventions to improve the competitiveness of our regional airports** to enable them to play a full role in our economic recovery.

### **Dynamic North East**

Retrofitting and the decarbonisation of housing is a key part of the Government's net-zero strategy and is an enormous opportunity for the North East. Much of our housing stock remains in desperate need of investment and is therefore a prime target for improving energy efficiency. We urge Government to work with councils and housing associations to reach their targets on decarbonising housing.

We need the Government to help to educate people on retrofitting to increase public awareness and confidence in new heating technology. **Government backed incentives around retrofitting and energy costs would also help to increase initial public demand.** Without this education piece and people agreeing to have gas boilers replaced it will be impossible for the Government to reach its 2050 target.

The failure of the green homes grant and constant changes in schemes has reduce public confidence and disincentivised the wider supply chain. Making it easier for installers to qualify to take part in Government schemes will also be helpful in ensuring that people from industries like plumbing are able to easily retrain without a lengthy process.

As we have seen many times in the past, culture is an essential component of successful economic regeneration. Cultural, leisure and hospitality businesses have been among the most severely affected in our region over the past 18 months and are therefore central to our recovery. **Culture must be placed at the heart of the Government's levelling up agenda, with funding directed towards regional projects and events.** We also encourage you to back Durham's bid to become UK city of culture in 2025.

For some time, the Chamber has been looking into the issue of the recovery and levelling up of our Town and City Centres and have recently written to the Secretary of State for Levelling Up, Housing and Communities on this issue. **We welcome the Government's recent announcements regarding the Towns Fund and the Future High Streets Fund and would encourage further awards to be made to towns who have not previously received funding.** We also recognise that Town Centres need to evolve and change if they are to remain the vibrant heart of the communities they serve, particularly with changes in shopping habits which were accelerated during the pandemic. Such changes, whilst providing challenging conditions could also provide an opportunity for Local Authorities to reshape their town centres.

## Working North East

While the impact of the pandemic on unemployment has not been as bad as feared, thanks in great part to the Job Retention Scheme, we have nonetheless seen our region take a huge step backwards when it comes to getting people into work. In particular, the prospects of many young people in the North East have been severely harmed by the pandemic and urgent action is needed to prevent them from becoming isolated from the labour market.

Our Further Education system plays a critical role in providing training and employment opportunities in support of regional businesses. While there have been some moves to increase funding to the sector, this is still well below the level that is needed. This Budget and CSR should **recognise the importance of Further Education and provide long-term funding settlements that guarantee the viability and sustainability of the sector**. Similarly, Government must **work collaboratively with regional universities to recover from the pandemic** and ensure their vital role as both civic institutions and providers of skills to our economy is not diminished.

Many employers have drastically cut back on their training budgets over the past 18 months. This is not surprising; it is exceptionally difficult to plan for future growth when your survival is under threat, let alone commit to the long-term training of young people. The Apprenticeship Levy is yet to deliver the increase in training it was intended for and we therefore urge you to consider how its **flexibility can be improved to allow for spending on a broader range of training** that fits the needs of modern employers.

The Universal Credit £20 uplift has been a lifeline for people in the North East during the pandemic. It has provided support for those who have lost their jobs and have struggled to find work in a very difficult labour market environment in the region, which has some of the highest levels of poverty and Universal Credit claimants in the UK. Its withdrawal could have a devastating impact on the regional economy. Research suggests that the withdrawal of the uplift could remove £5 million a week from the regional economy, damaging local businesses and their ability to recover from Covid-19. **It is deeply important, therefore, that the government preserves the uplift in order to prevent widescale falls in income and regional economic damage.**

The ending of the Job retention Scheme on the 30 September is also a cause for concern. Whilst businesses have worked extremely hard to bounce back from the pandemic, it is clear that activity has not yet returned to pre-crisis levels. This is particularly true for the most Covid-hit industries, notably aviation and events, as well as small businesses that are still rebuilding their finances. Given the high rates of Covid-19 present as we enter Autumn, government should **keep open the option of a limited reintroduction of the Job Retention Scheme if the pandemic once again escalates.**

In addition, as a result of its generally higher unemployment rates, the North East suffers disproportionately from any national increase in unemployment. With research suggesting national unemployment is set to rise to over 5% and 53,1000 people in the North East still relying on furlough, Government must **invest more in Job Centre Plus services, as well as upskilling and retraining schemes to support people back into high-quality employment.**