SOUTH EAST ENGLAND COUNCILS
ALL-MEMBER MEETING

Date: 8 November 2012

Subject: **UK Industrial Strategy & the local government role in growth**

Report of: Heather Bolton, SEEC Director

Recommendation:
Members are asked to:
i) Consider how best South East authorities can contribute to a new industrial strategy and wider economic growth
ii) Agree what help or freedoms councils need to be able to maximise their contribution and whether these should be set out as a formal case to Ministers in response to Lord Heseltine's report on growth
iii) Support the proposal for a meeting between SEEC and LEP representatives to agree the key resources the South East needs to deliver strong economic growth.

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1. Industrial Strategy and wider economic growth

1.1 In September 2012 Business Secretary Vince Cable outlined his vision for the future of British Industry. He wants a strategic partnership between central government and business that will support long term planning to maximise growth. The focus will be on specific sectors with potential to establish and maintain a competitive advantage for the UK, such as advanced manufacturing, knowledge-based businesses and enabling industries (eg energy & construction).

1.2 Other key elements of the industrial strategy will include:
- A new Government-backed bank to help companies invest and expand
- £165m for skills, including pilots where employers develop their own training programmes
- Speeding up the route from research to commercial products, including a new Innovation & Knowledge Centre in the field of synthetic biology
- Reforming government procurement to improve business confidence via long term commitments.

1.3 In October former Deputy Prime Minister Lord Heseltine published a report commissioned by Government called *No Stone Unturned: In Pursuit of Growth*. It includes 89 recommendations on how public and private sectors can work together better to deliver economic growth.

1.4 The report includes radical proposals for central government, local authorities and LEPs, as well as addressing areas such as business support & higher education. Lord Heseltine wants to reverse 100 years of centralism by devolving budgets over skills and infrastructure to a more local level. His aim is growth in all areas of the UK – not just cities – without holding back successful areas, such as London.

1.5 Some of the key recommendations relevant to local government include:
i) A single, national funding pot (up to £49billion) open to competitive local bids. Funding to be awarded for at least 5 years to support long term plans.
ii) More funding and powers for LEPs alongside a duty to produce a local economic strategy. Accountability via LEPs' local authority members.

iii) A statutory duty for local authorities on economic development and encouraging formal collaboration between local authorities within LEP areas.
iv) Encourage all 2-tier local authorities to move to unitary status and support longer term vision by standardising on all-in/all-out elections every 4 years.
v) Speed up planning decisions to 3 months, with power for inspectors to review any decision that takes over 6 months.
vi) Quicker intervention in failing schools and publication of 'destination measures' for schools showing employment outcomes.
vii) LEPs to review boundaries, including removing any overlaps.
viii) LEPs to influence further education provision & to work with schools on skills.
ix) A development corporation to realise the potential of the Thames Gateway.
x) Measures to encourage pension funds to invest in infrastructure projects.
xi) 'Local Growth Teams' of civil servants to join up central and local work across departments on a geographical basis.
xii) A national growth strategy overseen by a group chaired by the Prime Minister.
xiii) Improvements in central and local government procurement.
xiv) A statutory role for Chambers of Commerce, including business support.

1.6 At present, measures such as City Deals and the Regional Growth Fund (RGF) support economic growth, with some recent success for the South East:

- In the third round of RGF, 3 out of 24 South East bids (12.5%) were successful. The North East had 24 successful bids out of 71 (33.8%).
- In October 20 cities, including 5 from the South East, were invited to compete to win city deal status by November 2013. Successful bids will join 8 'core' cities already awarded deals including devolved budgets – eg for transport/ skills – and, for some, the ability to 'earn back' tax paid to central government by local businesses. A third round of city deals is expected by 2015.

1.7 Amanda Brooks, BIS Deputy Director, Growth, will attend the SEEC meeting to explain more about the department's economic aims and how South East local authorities can contribute.

2. How can the South East authorities support growth?

2.1 The South East has long been the engine room of the UK economy, providing the UK's largest net contribution to the Treasury. From 2003-4 to 2008-9, South East residents and businesses paid £86.6bn more to the Treasury than the area received in public spending. This is more than 20% higher than London, which made a net contribution of £71.2bn in the same period.

2.2 By 2008-9 the South East surplus was down to £1bn but by then we were the only area of the UK providing a surplus to the Treasury.

2.3 Given this strong economic record, SEEC members believe the South East has excellent potential to deliver growth that will help stimulate the wider UK economy and provide a substantial return on investment. However, to achieve this many more areas will need greater delegation of funding and powers akin to those in city deals. Greater freedom to raise funding to invest in growth is vital and waiting for a third round of city deals by 2015 risks missing opportunities.

2.4 SEEC's work suggests some of the measures needed to secure South East growth are similar to Lord Heseltine's proposals. Member views are welcome on the list below and any additional issues:

i) Devolution of central budgets in areas such as skills and transport.

ii) The ability to generate additional investment funding by earning back national tax income that results from South East economic growth.

iii) Recognition of the need for investment in the South East to maintain global competitiveness – for example the space sector in Oxfordshire, aerospace/ marine sectors in Hampshire and the IT sector in Surrey/ Thames Valley.

iv) Greater Government investment in transport infrastructure that will provide a strong return by supporting South East growth and improving access for the rest of the UK to reach export markets via South East ports and airports.

v) Greater freedom for councils to borrow funds/attract investment for long term infrastructure development that will support economic growth.

vi) Greater business rate incentives for councils attracting high value jobs in technology or knowledge-based businesses. The South East is strong in these areas that are essential for a modern economy, yet business rate incentives currently focus on large floor space developments rather than high value but small footprint businesses.

vii) Reviewing the centralised portion of business rates, including the tariff and top-up systems, which risk undermining investment in growth by drawing away too much funding from South East authorities.

viii) Tackling the national lack of financial liquidity that is preventing developers from taking forward approved sites.

ix) A period of stability in the planning system allowing authorities to focus on resolving any local issues that may be delaying planned developments.

2.5 Members are asked to consider whether SEEC should now develop a short document for Ministers responding to the Heseltine report, setting out measures needed and how they would support economic growth. Discussions are in hand around essential transport projects and there is now potential for a meeting between SEEC representatives and LEP Chairmen on the key resources the South East needs to deliver strong economic growth.