

## SOUTH EAST ENGLAND COUNCILS EXECUTIVE MEETING



Date: 24 March 2017

Subject: **Industrial Strategy consultation: SEEC input**

Report of: Nick Woolfenden, SEEC Head of Policy Co-ordination

### Recommendation:

Members are asked to comment **by 6 April 2017** on key issues set out in this paper, or suggest any additional vital aspects, to inform SEEC's response to the Government's Industrial Strategy Green Paper. The Chairman and Deputy Chairman will approve the final response.

### 1. Context

- 1.1 The Government's 'Building our Industrial Strategy' Green Paper was published in January 2017, for consultation until 17 April 2017. The Government aims to develop a modern industrial strategy to improve living standards and economic growth, by increasing productivity and driving growth across the whole country. It highlights that the UK has some great economic strengths, but the productivity gap against other leading countries must be addressed to achieve faster growth in wages and improve overall economic success. The Green Paper focuses on tackling three key challenges for the UK, now and post-Brexit:
- Build on UK strengths and extend excellence into the future.
  - Ensure every place meets its potential by closing the gap between the best performing companies, industries, places and people and those which are less productive.
  - Make the UK one of the most competitive places in the world to start or grow a business.
- 1.2 The Government identifies 10 'pillars' where action is needed: (1) Investing in science, research & innovation, (2) Developing skills, (3) Upgrading infrastructure, (4) Supporting businesses to start & grow, (5) Improving procurement, (6) Encouraging trade & inward investment, (7) Delivering affordable energy & clean growth, (8) Cultivating world-leading sectors, (9) Driving growth across the whole country, (10) Creating the right institutions to bring together sectors and places.

### 2. SEEC's response – suggested key issues

- 2.1 The consultation raises a wide range of issues in 38 questions. Focusing on themes that are most relevant to SEEC members' concerns, key points for SEEC's proposed response are set out below. These draw on recent SEEC member discussions and submissions on similar issues. **Member comments, or suggestions for any vital additional issues, are invited by 6 April 2017 to [nickwoolfenden@secouncils.gov.uk](mailto:nickwoolfenden@secouncils.gov.uk).** The Chairman and Deputy Chairman will approve the final response.

#### **Key questions from the consultation, and headline issues to shape SEEC's response:**

- 2.2 Does the Green Paper identify the right areas of focus ie. extending strengths; closing gaps; and making the UK one of the most competitive places to start or grow a business? (Consultation Q1) & Driving growth across the whole country (Qs 34-35).
- The Government's aim to 'extend strengths' is a key part of ensuring a strong economic future for the whole UK. The South East has a strong economic track record (eg. net contribution of £80bn to Treasury 2002-12, the highest in England, is profit which can be re-invested across the country). Our ongoing economic success must be supported for the whole country's benefit. We ask for clarity re how government plans to extend the South East's strengths, and build on sectoral excellence such as life sciences, engineering & electronics, marine, motorsports, aerospace & defence, telecoms and computing.
  - To help further strengthen performance, the Government's aim of ensuring all parts of UK are among the 'most competitive places' globally is important. Whilst the South East performs well on many economic measures, a range of factors currently hold back our full productivity potential and need addressing eg. number of unemployed people, productivity gap compared to London, existing overstretched infrastructure (including global trade gateways used by the whole UK), and significant numbers of deprived people.
  - The Government's aim to 'close gaps' in economic performance should focus on all parts of the country performing well – it must not be achieved by holding back better-performing areas such as the South East as this would ultimately harm the success of the whole nation.

2.3 Are the 10 pillars (see 1.2 above) suggested the right ones to tackle low productivity and unbalanced growth? If not, which areas are missing? (Consultation Q2)

- An additional pillar should also be considered, addressing 'delivery of homes'. The South East had unimplemented permissions for at least 66,750 homes by 2015. Once councils have granted permission, they have little power to ensure timely delivery by developers. This holds back economic success if workers are unable to find homes where needed by businesses, and creates more congestion due to longer commutes. SEEC's recent '[Unlock the housing blockers](#)' report sets out ways this could be addressed, and we will also be pressing Government on these issues in response to its housing White Paper consultation.
- All 10 pillars are important, but we focus our responses below on key aspects where SEEC members have identified Government action will support South East economic success.

2.4 Skills (Consultation Qs 10-14)

- The South East suffers from an existing skills and labour deficit, with a mismatch between provision and the skills businesses need. Members have raised concerns about filling current and future vacancies in a number of sectors that currently rely heavily on the skills and labour of EU nationals including: agriculture, engineering, tourism, creative & digital industry, technology & science, health & social care. Any reduction in skilled-EU workers post-Brexit has the potential to exacerbate this further, and action is needed now eg. transition arrangements, and/or agreeing rights for EU workers with jobs to stay.
- Wider research by think-tank Localis highlighted South East skills deficiencies in a number of industries including construction and the service sector. The SE LEP identified more than one in five businesses in its area suffered a skills gap in 2013.
- The existing skills challenge in the South East needs to be tackled to avoid undermining the South East's economic success for the whole of UK plc. Action is needed to increase the responsiveness of the skills system; this could include more input from councils and other partners to better target funding to the training needed. In addition, education/training routes for technical *and* academic excellence are important and young people should have the option to switch academic or vocational choices at a range of points in their learning.

2.5 Infrastructure (Consultation Qs 15-17)

- The South East's economic success and role as a major funder of public spending nationwide are at risk from under-investment in transport and infrastructure that is essential for local and national economic growth. This includes IT/broadband and utilities.
- Recent announcements on the National Productivity Investment Fund (£23bn nationally) and Housing Infrastructure Fund (£2.3bn nationally), plus proposed lower borrowing rate for councils, are welcome. However these will not go far enough to address vital South East infrastructure needs. LG Futures research shows a £15.4bn South East infrastructure investment funding gap over the next 15 years. This will restrict economic growth, impact on the viability of new home-building and risks harming public services if not addressed.
- We recognise there is no *new* money on offer from Government, but reallocating existing funding and providing councils with more financial freedoms and flexibilities could help address this growing infrastructure gap. Schemes with a national impact (eg. [Missing Links](#)) need allocation of national funding, but other changes could enable more investment from councils for local priorities eg. creating more infrastructure funds; reviewing proposed changes to the New Homes Bonus; retaining first time sale Stamp Duty for infrastructure funding; greater local decision-making over income streams such as business rates. These would all give councils greater certainty to support borrowing for infrastructure investment.
- In addition, national criteria for investment should be updated to take better account of the GVA uplift that infrastructure schemes will deliver. A transparent, accountable approach to investing an agreed proportion of national funds in schemes that deliver this uplift – in the South East and elsewhere – will ensure that both the economy grows and that the Government achieves the best returns on public funding.

2.6 Are the right central government and local institutions in place to deliver an effective industrial strategy? If not, how should they be reformed? (Consultation Q3 and Qs 36-38)

- Councils have a vital democratic mandate and role in identifying investment and policy needed to support local economic success, and so must be central to shaping Government's future plans. Councils also play a key role in Local Enterprise Partnerships and other partnerships for economic growth.
- Central government must also ensure it operates in a more joined-up way eg. via cross-departmental commitments to infrastructure that supports local economic/growth plans.