



Policy Position:

INDUSTRIAL STRATEGY

June 2018

ADEPT

The Association of Directors of Environment, Economy, Planning & Transport

POLICY POSITION: INDUSTRIAL STRATEGY KEY MESSAGES

- We welcome the Government's Industrial Strategy and support the ambition to drive good, sustainable growth to close the gaps between places. The Industrial Strategy is central to economic success once the UK has left the EU, and it is vital that the Government remains focused on it.
- We believe successful Local Industrial Strategies require real devolution with councils and Local Enterprise Partnerships (LEPs) trusted to deliver in key areas, including skills.
- Local Industrial Strategies must make the case for genuine competitive advantage, emphasising what makes a place unique, primed for Government investment, and ready for the extra powers needed to make a great environment for business.
- Our offer is to work with Government departments, agencies and partnerships to help deliver Local Industrial Strategies, focusing on the place-based elements that are integrated with policies on housing, planning, transport, environment, health, and clean growth.
- We would like to see the Government avoid a two-speed approach, where places without a Mayoral Combined Authority get left further behind, exacerbating differences in growth and prosperity.

What ADEPT will do to make the most of the opportunities provided by Local Industrial Strategies

- Make the case for investing in places to make them more attractive and competitive.
- Bring together public and private sectors to tackle issues collaboratively.
- Work with corporate partners to understand the position of international providers and develop solutions jointly e.g. a task force on the challenge of productivity.
- Provide a community of practice, collective thinking and sharing innovation particularly around new business models and funding streams for public/private partnerships – disrupt, innovate, collaborate.
- Secure local political buy in (particularly in two tier areas) so that elected members will agree to pooling some sovereignty and working across boundaries to collaborate at a larger scale to secure backing and investment.
- Work collaboratively with partners to help align plans and delivery at the local level – helping to align partners/stakeholders across a geography.
- Foster collaborative tension to drive challenge and innovation.
- Work with LEP Network to agree some common messages and asks of Government.

Background

The Association of Directors of Environment, Economy, Planning and Transport (ADEPT) represents Place Directors from county, unitary and metropolitan authorities, along with Local Enterprise Partnerships and corporate partners drawn from key service sectors. **ADEPT members are at the very heart of maximising sustainable growth in communities throughout the UK.** We deliver the projects that are key to unlocking broader economic success and creating more resilient communities, economies and infrastructure.

Introduction

The Government published its White Paper *Industrial Strategy: building a Britain Fit for the Future* in November 2017. **This followed on from the Green Paper ten months earlier, to which ADEPT submitted a detailed response to the consultation questions (available at www.adeptnet.org.uk).**

The White Paper sets out a national strategy for improving productivity and driving growth across the country under five foundations – ideas, people, infrastructure, business environment, and places. The strategy will be implemented by Government working in partnership with places – strategic authorities and LEPs, the private sector, universities, etc. – to develop Local Industrial Strategies. These will be evidence-based and reflect local challenges, strengths and opportunities. The first Local Industrial Strategies will be agreed by March 2019, at the start of the transition for the UK leaving the EU. The Government will prioritise places with the potential to drive wider regional growth, and places in England with a Mayoral Combined Authority.

ADEPT position

ADEPT welcomes and supports the Government's ambitious vision for long-term, sustainable economic success and supports unequivocally the objectives of the Industrial Strategy.

A well-conceived and effectively implemented Industrial Strategy will be essential to the UK's prosperity and wellbeing once we have left the EU. The White Paper rightly recognises that productivity and prosperity inequalities between and within different parts of the UK is a fundamental problem for the whole country, not just for the less productive and prosperous places and people. The challenge is to boost productivity in those places while continuing to develop already successful areas.

We believe that growth must be inclusive, sustainable and high quality if it is to be successful. It is hugely encouraging that the Prime Minister and Secretary of State are committed to active government to build on Britain's strengths, tackle underlying weaknesses, and drive growth across the whole country.

ADEPT considers that local, as well as national government has a key role to play in creating the right conditions for prosperity across all parts the country. We need a long-term approach to identify the proposals and opportunities that will drive good, sustainable growth and close the gaps between places, making the UK one of the most competitive countries to start or grow a business.

Good growth must take account of environmental and public health issues, including air quality. We welcome the Government's ambition to be the first generation to 'leave our environment in a better state than we found it', as set out in A Green Future: Our 25 Year Plan to Improve the Environment.

ADEPT's key issues for the successful delivery of the strategy:

- **Place focus – the national Industrial Strategy requires robust local industrial strategies to be developed and delivered locally.**
- **Policy alignment and delivery integration – the national Industrial Strategy must be aligned with policies on housing, planning, environment, and clean growth. Delivery must be 'joined up' across government with departments working to a common agenda.**
- **Infrastructure – priority for future infrastructure investment should be given to those places that are lagging behind in productivity and prosperity, and also in the key sectors of transport, digital and energy.**
- **Skills – a greater emphasis on STEM skills and technical education, with more skills policy, funding and delivery devolved to local institutions.**
- **Funding streams – to plan for the successor to EU regeneration funding, to provide greater certainty and co-ordination of Government funding of growth, regeneration and skills, and to reduce competitive bidding. Innovation and infrastructure need to be funded over the long term.**
- **Effective local leadership and governance – councils and LEPS, public and private sectors, working together in effective partnerships.**

Place focus: Place and the right economic geography

ADEPT welcomes the strong focus on place as one of the five foundations of productivity. Like the Local Government Association (LGA) and the LEP Network, we believe place is the building block for Local Industrial Strategies. If we are to have a successful economy that works for everyone, it is essential that the national Industrial Strategy recognises the different challenges, strengths and opportunities that each area brings, and the key role of local leadership.

The policy think tank Localis in its report *The Delivery of an Industrial Strategy* (March 2018) argues that many people feel estranged from the economy. They do not believe that they share in its benefits when it is doing well and they feel estranged from the political system. It considers that these were among the reasons why people voted to leave the EU. It is vital, therefore, that we look at the whole country, not just the most prosperous/fastest growing areas.

The White Paper is pitched at a very general level and does little to help clarify what the right scale of place is for a Local Industrial Strategy. We recognise the difficulty of defining a “functional economic geography”. Some places have a clear geographical focus with obvious partners and links to the rest of the country; others have a far more complex position, facing in different directions and with a wider set of neighbours/partners, and more complex transport links.

The Government has a range of different approaches:

- **Regional approaches – Northern Powerhouse and Midlands Engine**
- **(Smaller) city regions – Mayoral Combined Authorities**
- **Corridors – e.g. Cambridge / Milton Keynes / Oxford**
- **Sub-national Transport Body (STB) areas**
- **Town Deals**
- **Clusters**
- **A sectoral approach (non-adjacent areas) – e.g. nuclear (Somerset, Cumbria), rural productivity (Wiltshire, Cornwall)**

What is the right scale and focus for a Local Industrial Strategy? It needs to be big enough to have a coherent evidence base and narrative, and to gain the benefits of agglomeration, but flexible around the edges. It must not create new silos that inhibit innovation and constrain prosperity – boundaries must be viewed as spaces, not walls. It must fit with the regional transport investment priorities developed by STBs. With the Government setting LEPs as the underlying geographies for Local Industrial Strategies, it is important that we do not lose sight of the differences within areas and the nuances of place. The idea of having the whole country covered by a series of Local Industrial Strategies makes it easy for Government to co-ordinate by sector and place. However, this risks an over-simplification by branding places for one thing only rather than fostering diverse and sustainable growth in places.

ADEPT considers that there is a real risk of a two-speed approach, where those places that are not part of a Mayoral Combined Authority find themselves on the slow track, with a weaker Local Industrial Strategy. If this happens, it might exacerbate the variances in growth and prosperity that the Industrial Strategy is meant to address. In addition, there is concern that the Government's

devolution agenda has stalled and left an incomplete patchwork of arrangements across the country. It would be damaging if this led to some parts of the country being left further behind.

We support the proposal in the White Paper to relocate some Government departmental functions and arms' length bodies away from London and the South East in order to support growth elsewhere and to reduce gaps in productivity and prosperity. There are many successful examples of relocation being used to boost local economies, but while the UK remains a centralised country, more can be done.

Policy alignment and delivery integration

We believe that an effective Industrial Strategy can only be delivered with consistent focus and strategic co-ordination across Government departments. It should not be left to the Department for Business, Energy & Industrial Strategy (BEIS) and the Ministry of Housing, Communities & Local Government (MHCLG).

In our response to the Green Paper, ADEPT welcomed the creation of BEIS, with an explicit focus on industrial strategy at the heart of its remit. We believe that it will be vitally important that the final Industrial Strategy has the full and active support of all departments and agencies acting consistently if it is to be implemented successfully.

The interdependence of key policy areas – economic, housing, planning and environmental – is essential to the overall strategy of delivering sustainable and inclusive place-based growth. Core strategies that must be aligned with the Industrial Strategy are the Housing White Paper, the National Planning Policy Framework, and the 25 Year Environment Plan *A Green Future*.

In addition to policy alignment, economic success depends on Government providing stability and certainty for business. Where Government decisions take too long or are liable to be changed, uncertainty impacts on investment decisions for the future, which are delayed, deferred or cancelled, simply because business does not have confidence in the long-term.

Growth needs to be sustainable, but cannot be at any cost. Successful growth is dependent on creating inclusive and vibrant communities that build upon the wider environment. It has an impact on whether and where companies invest or locate. Put at its simplest, the quality of the environment we live and work in directly relates to our health and wellbeing and subsequent productivity.

Infrastructure

For ADEPT, the two key foundations in the White Paper are infrastructure and people/skills. This message comes through clearly from our own members and public sector partners, and from discussions with our corporate partners who include some of the major players in the infrastructure and environment sectors.

The UK economy is being held back by historic under-investment in both infrastructure and skills. The UK lags internationally, our perspective is often too short term and our payment methods for infrastructure lacking imagination. This Parliament has a unique opportunity to start to put this right, and to lay the foundations for the successful global economy for all envisioned by the Prime

Minister. This is a long-term ambition that requires joined-up central Government, complemented by effective partnerships with local government and other place-based organisations, supported by commitment from the private sector. We acknowledge that investment cannot all be funded by taxation and public spending; private sector investment is required. The role of government is to create the conditions to facilitate and maximise this investment, developing innovative ways of recovering some costs by way of direct charges to customers and end users.

In our response to the National Infrastructure Commission's call for evidence (available via www.adeptnet.org.uk) we set out our belief that priority for infrastructure investment should be given to areas that have lagged behind and where growth in productivity and prosperity is needed to close the gap with more prosperous areas.

We agree that transport, energy and digital are key sectors for Government investment:

- **Transport - it is vital that we get the right road and rail infrastructure to overcome current problems of capacity, speed and quality that can hold back growth.**
- **Digital (broadband and mobile) - productivity is increasingly about digital connectivity. It is essential that this meets the highest standards of speed and reliability across the entire country.**
- **Energy – investment in new technologies to ensure secure, affordable and sustainable generation and supply.**

ADEPT is looking towards the horizon at what new technology will be needed to support manufacturing and infrastructure, for example driverless vehicles, low carbon technology and robotics. We are working with private sector partners Kier, Ringway, EY, Atkins, O2 and the Department for Transport on a SMART Places Innovation Research Programme, to encourage innovation and collaboration in the delivery of place-based services. Our initial focus was on digital innovation in the construction, use and maintenance of highways assets, then on digital innovation in planning places. We are now looking at how to test new techniques and practices, and how to share best practice through a knowledge hub. We are also collaborating with the Environmental Industries Commission.

Infrastructure includes housing, and we support the Government's aim to mend the broken housing market and deliver a step change in the supply of new homes – affordable, quality homes in the right places to support local growth and meet local needs. ADEPT's views are set out in a separate policy position statement on housing.

Skills

ADEPT supports the LGA's view that councils and LEAs, working with local businesses and partners, are best placed to understand the current and future skills needs of their local economies.

Employment and skills funding is fragmented and nationally commissioned schemes do not necessarily meet the specific needs of different areas. We need to ensure that places with low unemployment but low skills levels do not get left behind in the drive to improve productivity. We believe that more employment and skills policy, funding and delivery should be devolved to local institutions; this is a key area in which devolution should be made real.

We see the development of STEM skills as an intrinsic component of long-term economic development. **All the place-based services that ADEPT is concerned with – transport, planning, engineering, housing, energy, waste management and so on – rely on STEM skills.** All our corporate partners from the infrastructure and construction industries are concerned by existing skills gaps and how these may be exacerbated by restrictions on the free movement of labour when we leave the EU. These concerns will deepen as major infrastructure projects such as Hinckley Point and HS2 take off.

We must continue to challenge gender inequality and break the stereotypes around women and the built environment professions. In addition to the overall skills shortage, there is a significant gender imbalance in many of these industries. **At our conference last November, ADEPT launched its 50 / 50 Leaders Network with the Women's Engineering Society to support female talent and the Place Directors of the future.**

It is crucial that we continue to provide opportunities for people to retrain and upskill throughout their lives, particularly in relation to technical and computer skills. We need to make training free or affordable and easily accessible and promote distance learning to provide essential flexibility.

Education is key to providing the skilled workforce needed, and the Government has the lead role here. We welcome the references in the White Paper to a range of issues including pre-school education, improving basic skills throughout school, more technical education, apprenticeships, and graduate retention. We support further investment in technical education for 16 to 19 year olds, including financial help to make this accessible. We want to promote a culture of entrepreneurship throughout the education system, and to develop commercial awareness and skills.

ADEPT believes we need to offer technical education through building and improving our current further education provision, rather than putting money into new separate institutions. In addition, Higher Education institutions need to be provided with incentives to offer and promote vocational degree apprenticeships in partnership with providers.

It is important to change the perception of technical education and vocational pathways from an early age. Schools and children should see these as of equal value to a traditional academic pathway. Schools should be incentivised to engage school leavers with high quality apprenticeships. Businesses should be incentivised to provide quality apprenticeships with long-term training and positive outcomes, ensuring that apprenticeships are not used to subsidise unskilled, short-term labour.

Funding streams

Government funding streams announced in the White Paper include:

- **UK Shared Prosperity Fund – to replace EU funding**
- **Transforming Cities - £1.7bn to improve transport connections within city regions (50% allocated to MCAs pro rata, 50% via competition)**
- **Capacity building for Mayoral Combined Authorities - £12m**
- **Strength in Places Fund - £115m pa for collaborative research & innovation programmes between public/private/academic sectors**

- **Teacher Development Premium - £42m pilot in areas with relatively low proportion of good or outstanding secondary schools**

For ADEPT, long-term funding certainty is important – this is one of our key asks of Government. We believe that central government funding for growth, regeneration and skills remains overly complex. There are too many different funding streams, managed by different departments and agencies with too much of it subject to competitive bidding by councils, LEPs and others. We have consistently lobbied colleagues from Government departments individually, through our Sub-national Boards, and directly via Leadership Team contact with senior civil servants on this issue. Competitive bidding is costly, wasteful, and creates delay and uncertainty.

We support the LGA’s view that there is an urgent need for Government to set out its position on the Shared Prosperity Fund as the successor to EU funding. Although the commitment to continued funding till 2020/21 for existing EU schemes is welcome, it is even more important that the Shared Prosperity Fund is developed in time to ensure a smooth transition and that it is adequately resourced.

The UK needs a different procurement model to encourage a longer term view, with innovative proposals for sharing risk and revenue. The market for building and maintaining assets is becoming less competitive as contractors see reduced margins. Councils are likely to be more cautious post-Carillion. There is a need for innovative procurement and business models that will encourage long term partnerships.

Effective local leadership and governance

The Government sees local leadership as being provided by Mayoral Combined Authorities and LEPs. They see a need for greater clarity, and influential local leaders acting as figureheads. The White Paper says that in places where there is no Mayoral Combined Authority, “the development of the (Local Industrial) Strategy will be led by the Local Enterprise Partnership”. However, while saying that it remains firmly committed to LEPs, the Government recognises that their performance has been variable and that there is a need for review and reform. Reforms will cover leadership, governance, accountability, financial reporting and geographical boundaries. LEPs that are ambitious about reform will receive additional funding in future. The LEP Network is committed to more transparency and to implementing the outcomes of this review.

For ADEPT, where most members are from unitaries and county councils, the emphasis on Mayoral Combined Authorities is not entirely helpful. Areas without a metro mayor or other devolution deal risk falling further behind, both in the process of developing and agreeing a Local Industrial Strategy and accessing the capacity building funding. As we have said earlier in this paper, devolution appears to have slowed down or stalled. We support the LGA’s view that “Local Industrial Strategies need the leadership of local government”.

We work closely in LEPs locally as partners, and also as ADEPT members at sub-national levels and nationally with the LEP Network. Like the LEP Network, we support the principle of greater transparency in the governance of local partnerships and await the outcomes of the LEP review. In addition, we are keen to strengthen the role of Local Nature Partnerships and for them to have better links into LEPs and in shaping Local Industrial Strategies, to help ensure that the objectives of the Government’s 25 year Environment Plan are reflected.

- ADEPT members are the place-making strategists and policy shapers across top tier local authority areas
- ADEPT members are specialists, delivering services and sharing best practice across key sectors including environment, planning, housing, transport and economy
- ADEPT members design strategies for the future, taking communities beyond 2035
- ADEPT members operate in networks, cutting through boundaries to work with partners across the political, public, private and community sectors
- ADEPT members provide opportunities to develop new talent, supporting the Place Directors of tomorrow

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