



# Capitalising on the Industrial Strategy

How can counties make the most  
of Britain's economic future?





# Contents

<b>Introduction</b> .....	<b>05</b>
<b>Brexit &amp; County Economies:</b> Uncertainty & opportunity.....	<b>06</b>
<b>Skills &amp; Employment:</b> A recruitment crisis? .....	<b>10</b>
<b>Connected Counties:</b> Delivering the infrastructure to grow.....	<b>13</b>
<b>Strategic Planning:</b> Homes where they are needed.....	<b>16</b>
<b>Collaborative Partnerships:</b> Counties & LEAs.....	<b>19</b>



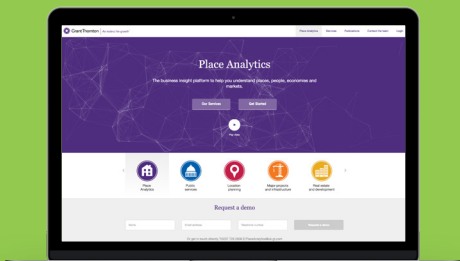
## Place Analytics explained

Grant Thornton's Place Analytics tool is used throughout the report, providing statistics that create a clear and specific picture of local economies.

Place Analytics is an online platform that provides organisations with deep and rapid insight into the performance of individual places and the levers that fundamentally affect it. It distils thousands of key data sets on people, businesses, markets and the environment.

Through its intuitive user interface and suite of visualisations, benchmarking tools and proprietary algorithms, it transforms data into a clear 'story of place' that can be used to underpin strategy and planning with a robust analytical evidence base.

For this report Place Analytics has been used to analyse a range of national statistics and proprietary measures to better understand and benchmark county economies. In doing so it has provided rich insight into both the opportunities and challenges facing counties as they seek to respond to the Industrial Strategy.



[www.gt-placeanalytics.co.uk](http://www.gt-placeanalytics.co.uk)

# Introduction

## Can counties be turned into economic powerhouses?

Britain's economy is about to undergo a period of major change. Brexit is about to force a major rethink of how business is done, the government has published its industrial strategy whitepaper and automation is promising to revolutionise the economy.

County economies already account for 41 per cent of national gross value added and are net contributors to the Treasury, but they face many challenges. National policy continues to concentrate on what Brexit means for London and the city regions, and many counties face structural challenges ranging from poor infrastructure and low productivity, to workforces that lack the skills businesses want.

Whilst the County Councils Network (CCN) has argued that county authorities should be the ones to develop local industrial strategies, the government's national industrial strategy has looked to local enterprise partnerships (LEPs) rather than local government as the main vehicle for delivering economic reform.

With this in mind Grant Thornton UK LLP have worked with the CCN over recent weeks to examine the challenges counties face in preparing for Britain's new economic future and the best way to develop effective local industrial strategies. This included bringing together a group of council leaders for a roundtable event and providing new insights into county economies through Grant Thornton's *Place Analytics* platform<sup>1</sup>.

Building on the roundtable discussion, this report takes CCN's narrative to explore the challenges and opportunities facing counties, with expert analysis from Grant Thornton supported by data from Place Analytics. It asks how counties can capitalise on the 'place-based' narrative of the Industrial Strategy and take back control of their economic futures in the post-Brexit landscape.

### Who was at the roundtable?

Mr. Guy Clifton,  
Head of Local Government Advisory,  
Grant Thornton

Mr. Paul Dossett,  
Head of Local Government,  
Grant Thornton (roundtable chair)

Mr. Simon Edwards, Director,  
County Councils Network

Councillor Martin Hill,  
Leader, Lincolnshire County Council (Con)

Councillor Ian Hudspeth, Leader,  
Oxfordshire County Council (Con)

Councillor Colin Noble, Leader,  
Suffolk County Council (Con)

Councillor Roy Perry, Leader,  
Hampshire County Council (Con)

Baroness Jane Scott, Leader,  
Wiltshire Council (Con)

Councillor Ian Stewart, Deputy Leader,  
Cumbria County Council (Lib Dem)

Councillor Martin Tett, Leader,  
Buckinghamshire County Council (Con)

Dr. Wendy Thomson, Managing Director,  
Norfolk County Council

<sup>1</sup> <http://www.gt-placeanalytics.co.uk>

# Brexit & County Economies: Uncertainty & opportunity

England's 37 county councils are home to 26 million people, their businesses collectively contribute 41% of the country's GVA, and their residents provide a £54bn tax revenue surplus to the Treasury.

Beyond the stereotype of rolling hills and countryside, counties are the backbone of the English economy. There is little doubt they will be affected by both the challenges and opportunities of Brexit, but much national policy, to date, overlooks counties.

Residents living in counties voted comprehensively to leave the EU (55.4% on average), partly due to a prevalent feeling that Westminster was remote, and globalisation and national politics had left those communities behind.

Despite this, counties have been conspicuous by their absence in discussions over the impact of Brexit on the country.

While three northern counties are outlined by Grant Thornton's data as being the most vulnerable to Brexit, there are no regional trends to how exposed local authorities are to the risks of leaving the European Union. Counties spanning Cornwall, Norfolk, and Lancashire all make the 'top ten' most vulnerable counties.

It is important that policy reflects all four corners of the country, and resource is directed the length and breadth of England, rather than concentrating on a handful of major towns and cities in devising a post-Brexit strategy.

## Brexit vulnerability score

Rank	CCN Counties	Vulnerability score
1	County Durham	119.61
2	Northumberland	104.67
3	Cheshire West and Chester	104.40
4	Norfolk	98.35
5	Lancashire	97.84
6	Lincolnshire	97.25
7	Northamptonshire	97.05
8	Shropshire	94.81
9	Staffordshire	93.91
10	Cornwall	92.57
11	Nottinghamshire	91.41
12	Herefordshire, County of	89.61
13	Worcestershire	86.47
14	Cumbria	86.11
15	Warwickshire	85.86
16	East Sussex	85.74
17	Essex	84.65
18	Somerset	84.56
19	Kent	84.21
20	Suffolk	84.15

Source: Grant Thornton UK LLP

## Methodology

The methodology used by Grant Thornton to construct the table above brings together factors that could make a population more vulnerable to the impacts of Brexit. This includes unemployment rate, youth unemployment, proportion of working age population claiming benefits, resident earnings, proportion of residents with no qualifications, proportion of residents with lower level occupation types and overall deprivation levels.

At the same time, counties receive the biggest slice of EU Structural Funds, at £4.1bn – over five times the amount London receives (but nowhere near the same airtime on Brexit). Under the current round of these funds, from 2015-2020, county residents get £75 each. With the phasing out of these funds, there is no doubt counties' abilities to invest in services and grow their communities will be hampered without counties getting their equal and proportionate share of the fund's replacement, the Shared Prosperity Fund.

The Prime Minister has spoken repeatedly about her desire to create 'an economy that works for everyone'. And whilst the revised Industrial Strategy – published in November – does contain more county-specific and localised policies, the strategy and subsequent government policy still retains an urban-and metro-mayor focus. If the strategy is to be successful, and regional economies are to grow up and down the country, then counties need to be firmly part of the conversation.



### Workplace employment by broad industrial group (%)

Row Labels	1: Agriculture, forestry & fishing (A)	2: Mining, quarrying & utilities (B,D and E)	3: Manufacturing (C)	4: Construction (F)	5: Motor trades (Part G)	6: Wholesale (Part G)	7: Retail (Part G)	8: Transport & storage (inc postal) (H)	9: Accommodation & food services (I)	10: Information & communication (J)	11: Financial & insurance (K)	12: Property (L)	13: Professional, scientific & technical (M)	14: Business administration & support services (N)	15: Public administration & defence (O)	16: Education (P)	17: Health (Q)	18: Arts, entertainment, recreation & other services (R,S,T and U)
Counties	0.19	1.25	10.05	5.41	2.23	4.59	10.05	4.96	7.90	3.43	2.21	1.51	7.90	8.20	3.58	9.18	12.76	4.58
London Boroughs	0.01	0.59	2.20	3.58	0.67	2.92	7.76	4.65	8.00	7.97	7.52	2.25	14.80	10.51	4.21	7.34	9.79	5.24
Metropolitan Boroughs	0.07	1.22	9.37	3.93	1.71	4.22	9.61	5.38	6.32	2.91	3.30	1.59	7.52	9.38	4.62	9.81	14.85	4.19
English Unitary (Non CCN)	0.05	1.29	8.37	3.98	2.11	4.05	9.81	5.15	6.61	4.81	3.06	1.45	6.94	10.16	4.19	9.59	14.11	4.25

Source: Business Register and Employment Survey (2016) analysed by Grant Thornton UK LLP

Whilst at this stage it is still unclear on what Brexit will look like for UK Plc, it is arguable that manufacturing, retail, and health (due to the higher proportion of EU workers) are three sectors that will be adversely impacted upon leaving the European Union. As the graph on the previous page shows, 33% of county jobs are in these three sectors.

With this in mind, and Brexit being the single-biggest issue facing the country in a generation, it seemed apt to begin the CCN and Grant Thornton roundtable with a discussion on Brexit – its impact and opportunities for county leaders.

Given the national stasis over many key Brexit questions, it is perhaps unsurprising that one clear area of concern for county leaders is the uncertainty generated from leaving the EU.

#### Top ten exporting counties

Rank	County Councils	Export of Goods and Services (% of GVA)
1	Hampshire CC	37.8
2	West Sussex CC	36.7
3	Lancashire CC	36.6
4	Cumbria CC	35.9
5	Gloucestershire CC	34.7
6	Oxfordshire CC	33.3
7	Hertfordshire CC	32.8
8	Somerset CC	29.8
9	Surrey CC	29.7
10	Warwickshire CC	29.6

Source: Oxford Economics

“I think it’s uncertainty rather than a long-term problem but we’ve got companies like Bosch that had major investment plans that are currently on hold because they don’t know what the trading relationships are going forward,” said Cllr Martin Tett, the leader of Buckinghamshire County Council, who added that “business just wants to know what is going to happen so they can start planning for that.”

Around the table there was also a real fear that counties could be overlooked as urban areas, the future of agricultural subsidies and threats to university incomes dominate the Brexit agenda. “All the focus will be – for understandable political reasons – elsewhere: the cities, the Midlands and the northern cities,” said Cllr Tett. “The rural areas across the country will just be regarded as dormitory suburbs where you can dump housing but not provide the infrastructure.”

This issue can already be seen in the unanswered questions about the prosperity fund, which the government has mooted as the replacement for the European Social Fund, argued Simon Edwards, the director of County Councils Network.

“Many of our members get access to the social fund but we’re not that far away from Brexit so there’s an issue about long-term planning, access to those funds for some of our vulnerable areas, and the timescales,” he said. “We need to start thinking about transitional funding that will at least keep places going while we develop our answers to how we’re going to invest in infrastructure more generally in the UK.”

But British business still has a very long way to go to on exports said Mr. Dossett: “Grant Thornton has done lots of research upon the reach of companies and how much they export abroad and it is pitiful really. Many, many companies don’t do anything and it’s going to take a long time to get them into the right space in terms of improving their exports.”



## CCN View

Under the current round of EU Structural Funds, counties are by far the biggest beneficiaries, receiving five times the amount of London. However, their residents voted comprehensively for Brexit.

Clearly, this was due to a variety of reasons, not least a feeling of remoteness from Westminster that is felt more keenly by those beyond the M25. Nonetheless, Brexit does allow the opportunity to re-calibrate in the counties.

The slogan 'take back control' clearly resonated strongly for county residents. Therefore, the replacement for EU grant money, the Shared Prosperity Fund, should be devolved directly to county authorities, so this money is decided on and spent locally. This would also be an important message to illustrate that powers are not only flowing from Brussels, but they are flowing directly to communities.

It is also paramount counties continue get a fair share of the Shared Prosperity Fund.

When it comes to domestic infrastructure policy, government must ensure that county authorities get a fair share of funding. Currently, almost five times the amount of identifiable infrastructure funding from the National Infrastructure Pipeline goes to London, and if the government is to build an economy that grows the length and breadth of England then it must address historical underfunding of counties when it comes to vital infrastructure.

Bearing in mind only one third of England is living under a mayoral combined authority, there is a risk the country is divided into 'haves' and 'have-nots' when it comes to government policy and funding for vital infrastructure and growth-related deals. However this government has shown a commitment to consider non-mayoral county devolution deals, as well as to devise a 'common devolution framework' to provide clarity for local authorities as what new powers could be made available and what structures they will need to agree to access these. The next phase of the devolution agenda must be progressed, to empower counties to take back control of their economic destinies.

## Grant Thornton view

Counties illustrate the risks and opportunities inherent in Brexit. Sectors of vital importance to county economies, such as agriculture and social care, are heavily reliant on migrant workers while many local businesses depend on easy access to the European and world markets. EU structural funds provide an invaluable source of income for some counties with the potential end of this revenue stream being a great concern. This will require innovative thinking and forward planning to mitigate these risks.

Conversely Brexit does offer opportunities for counties to reset the dial on their ambitions- they need to move away from the low wage and low skills economy, linked to low aspiration and an insular view of where business should be done. There is too big a gap between the counties with dynamic export businesses, those with outstanding educational attainment and training and those that are marked by low wage, low aspiration static communities. Addressing these challenges is about using Brexit to drive a different way of thinking- recognising that we will need a workforce that can compete with Singapore and South Korea as well as France and Germany.

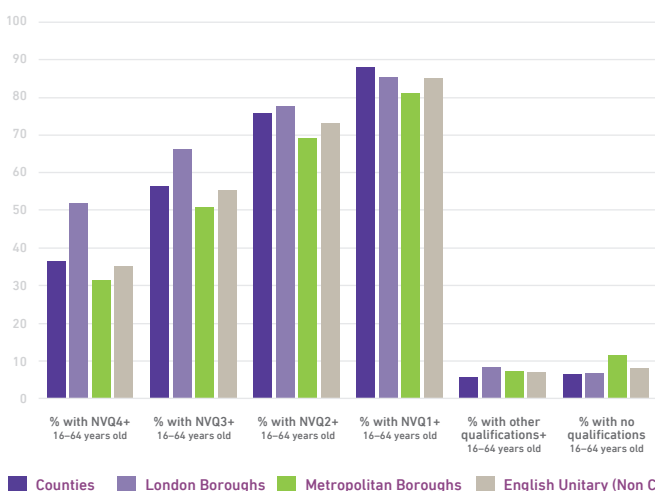
This cannot happen without investment and it's vital that the Government supports LEPs covering county areas, devolves skills and education to local people, provides adequate funds for investment in infrastructure and empowers counties to attract inward investment with new dynamic propositions. This will take time and money and we need to be patient. We need to give counties the room to attract new businesses and their employees to their place with tax incentives and a vision of a dynamic business. There should be a shift in focus, offering higher wages and a higher standard of living amidst the natural beauty, rugged landscape and glorious beaches of many of our coastal towns. We would also urge the Government to ensure that the replacement for EU structural funds should be controlled locally from Whitehall and that further fiscal devolution is needed to modernise 21st public services so that levers and controls are appropriate to place.

# Skills & Employment: A recruitment crisis?

If counties are to capitalise on opportunity from 'localised' industrial strategies and 'placed-based' economic policies, as well as Brexit more widely, they need a workforce to do the jobs of tomorrow, coupled with high-value job opportunities to retain their residents as county workers rather than commuters.

Whilst it varies between areas, the overall picture for counties is that they do have an increasingly skilled workforce – 36% of their working-age populations are trained to NVQ level 4 and above (higher than metropolitan boroughs and non-CCN unitaries, but lower than London) – but there is a question on whether counties contain the high-skilled, high-value jobs for its workforce.

## NVQ levels (%)

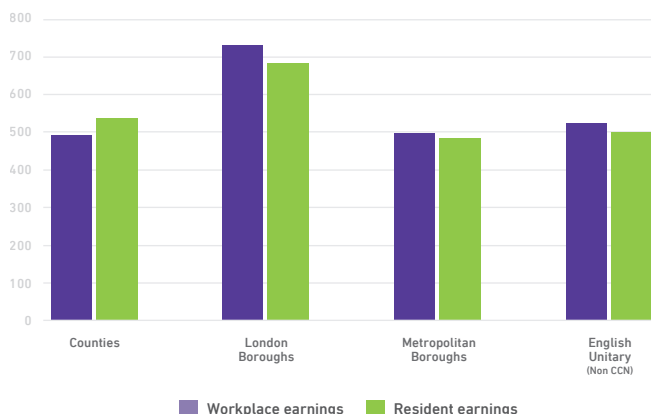


Source: Annual Population Survey (Dec 2016) analysed by Grant Thornton UK LLP

As county economies' historically high manufacturing base naturally erodes over the next decade – and is replaced with more financial and professional businesses, county leaders will need to ensure that their workforce is skilled enough to transition to these jobs, but also to ensure that counties have the high-skilled jobs so their residents are local workers rather than commuters.

CCN member councils are the only group of local authorities to have higher average resident weekly earnings than workplace earnings (£494.70 to £539.90); illustrating the increased prevalence of commuters in county areas. Hertfordshire, Surrey, and Buckinghamshire contain the largest gap between resident and workplace earnings; perhaps reflective of them being on the London commuter belt.

## Workplace and Resident weekly earnings (£)



Source: Annual Survey of Hours & Earnings analysed by Grant Thornton UK LLP

## Largest gaps between resident and workplace earnings

Rank	CCN Counties	Difference (£)
1	Hertfordshire	111.6
2	Surrey	103.5
3	Buckinghamshire	90.8
4	Shropshire	81.6
5	Northumberland	81.5
6	Central Bedfordshire	80.6
7	Essex	79.4
8	East Sussex	77.4
9	Kent	70.3
10	Hampshire	66.7
11	Cheshire East	59.7
12	Nottinghamshire	59.5
13	North Yorkshire	58.3
14	Worcestershire	53.6
15	East Riding of Yorkshire	53.4
16	West Sussex	51.9
17	Derbyshire	47
18	Wiltshire	46.4
19	Staffordshire	46.3
20	Cheshire West and Chester	45.9

Source: Annual Survey of Hours & Earnings analysed by Grant Thornton UK LLP

Ensuring that county residents have the skills to do the jobs of the future, and ensuring that local economies contain high-skilled roles will both be a key driver of local growth; so crucial in the context of Brexit.

Channelling these two challenges into reshaping local economies and workforces was a focal point of the next stage of discussion at the roundtable.

Baroness Jane Scott, the leader of Wiltshire Council, explained that while high-value businesses are increasingly moving further afield due to London prices, her concern was ensuring that her county has a skilled workforce to take advantage of these new opportunities.

“Wiltshire is classed one of the top 20 places to do business and it’s going to get more successful with electrification of the railway to London,” Baroness Scott said. “As London gets more and more expensive we’re seeing London businesses coming out to Wiltshire and just keeping a Canary Wharf office as a centre and to host clients.”

But that opportunity could be at risk if Wiltshire can’t provide the skilled labour force incoming companies need. “Wiltshire has traditionally been a low-wage, low-skilled economy and that is our biggest challenge,” she said. “The fact that we do not have control over the skills agenda even as a unitary authority and that the LEP gets in the middle and probably slows us down is a big challenge.”

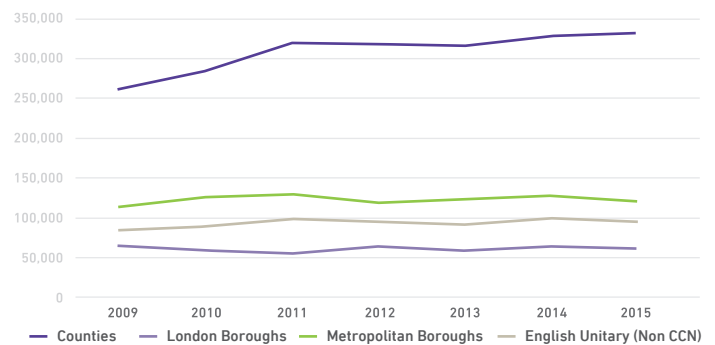
Councillor Martin Hill, the leader of Lincolnshire County Council, agreed that the local workforce is a key issue, noting that since the devaluation of the pound many eastern European workers can now earn similar wages back home. “So in agriculture and some other sectors we rely on there is a recruitment crisis rapidly developing,” he said.

“This is affecting us too”, said Suffolk County Council leader Councillor Colin Noble. “One of the UK’s major salad growers close to my division, had a recruitment crisis for the first time ever this summer so this isn’t something down the line – it is happening right now,” he said. “They are not getting people coming in for construction and agriculture and because their partners often work in the care industry we are hearing that our care providers are really starting to struggle to.”

Councillor Ian Stewart, the deputy leader of Cumbria County Council, said the shortage of care workers is a national problem: “The issue there is that having a job in the care industry isn’t seen as being a valued job with status and prospects. If these issues are not resolved we will struggle to attract care staff.”

The graph below shows county areas, perhaps due to their increased prevalence of elderly people, have seen an increase in employees in residential care, in contrast to other parts of the country. This places them at an increased risk of national shortages or impacts of Brexit.

### Employees in Residential Care activities (no.)



Source: Business Register and Employment Survey (2009-2015) analysed by Grant Thornton UK LLP’

Oxfordshire County Council leader Councillor Ian Hudspeth said part of the solution is to make care work more valued as a career. “One of the problems we’ve got is that now to be any sort of nurse you’ve got to have a degree,” he said. “Should we be revisiting that and having an apprenticeship approach so people can progress by being part of the care industry?”

But these labour issues were a problem that Britain was going to have to face up to eventually, said Cllr Scott. “Despite Brexit, we needed to have been planning for this anyway because as their economies got better this was going to happen anyway,” she said. “We should have been planning for this with our own workforce or found other areas of the world where we might be doing deals to bring people in.”

Buckinghamshire County Council leader Councillor Martin Tett questioned whether these gaps can be filled with the local workforce. “We have very low unemployment generally so getting into employment the people who are not employed currently is actually quite hard,” he said. “Vocational training is going to be needed. There are also people who have, in some cases, made a career of not working and we’ve got to try and get them to work.”

## CCN View

Counties perfectly encapsulate the workforce issues faced by the country as a whole: how do we ensure our workers have the skills to do the jobs of tomorrow, and how can we ensure all four corners of the country are thriving in a post-Brexit world, rather than a clutch of major cities?

Allowing counties to shape their own local labour and workforce strategies will allow them to tailor solutions to their own areas. CCN, backed by influential think-tank Localis, has made the case for counties, working alongside LEPs and other local private and public partners, to devise their own local labour strategies.

Having these powers are crucial: the Localis report 'In Place of Work' identifies that county authorities are the type of council most under threat of increased automation and a shrinking skills base.

To begin to address this, government should devolve new powers to county authorities so they can begin to shape their own local strategies. 'Local' is key here, as there is a striking variance in economic need for each county; a centralised 'one size fits all policy' would not address specific issues in specific localities.

To that end, government should consider devolving powers in skills, apprenticeships and further education, and devolve the Adult Skills Budget to local areas (as it has done for mayoral combined authorities). Ministers should also consider ways in which to address workforce recruitment and retention issues, such as pooling together council resource with the NHS to address projected workforce issues.

The foundations are already there: counties are already pulling together private and public partners to address growth issues and skills shortages, but lack the powers to truly make a difference.

Counties know their economies intimately, and have shown themselves able to work effectively with local partners and LEPs. Government should free up, and allow counties, working alongside LEPs, to take back control of their local economies.

## Grant Thornton view

The county workforce reflects the challenges of England as a whole. Our English born workforce is dwindling with an ever growing ageing population which needs supporting. Automation threatens many county jobs based on low skills. As London and other cities expand, county towns and villages risk further decline into commuter belt territory, whose sole purpose to provide services to city workers at the weekend. Meanwhile agricultural and social care jobs, largely shunned by English born workers due to low pay, long hours and challenging conditions, need doing by someone and EU migrant workers may not be the reliable source going forward.

To drive up skills and support the creation of high value jobs, it's vital to drive up aspiration in county areas everywhere. This is about creating a culture where education attainment is the key goal for children and their parents, teachers, providers of further education and its businesses. Aspiration needs to be the watchword in everything that counties do. Expect more of our children and teachers, more of our businesses and more of our politicians. We should embrace change in counties not oppose it. We should look to attract new communities with new ideas and new business propositions. Government should devolve skills and education budgets meaningfully and universities in county areas need to be engaged and use to drive new business ideas.

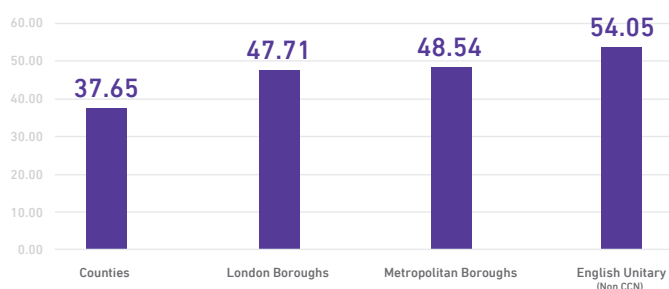
We should set targets for start-up and digital led companies, we should set targets for the number of students from county areas attending the Russell group universities and returning to bring new skills to their place. Counties will continue to be places where people like to live in their later years. It vital that we make health and social care jobs far more valued than they currently are and need to be properly remunerated so that care workers can aspire to live and bring up their children in good housing.

# Connected Counties: Delivering the infrastructure to grow

**Over the next ten years, county economies will undergo a transition. As their historic manufacturing employment base declines (with a projected loss of 144,000 jobs), new businesses are likely to spring up in its place, from the likes of financial and professional sectors.**

With new business comes a new set of requirements and new ways of working, such as home-based working. To attract these kinds of businesses with modern workplaces to rural areas, counties must be connected: not only in the hard infrastructure of A-roads and dual carriageways, but in digital infrastructure.

## Average download speed (Mbit/s)



**Source:** Analysis of data by Grant Thornton UK LLP from major fixed telecom operators (BT, Virgin Media, Sky, Talk Talk, Vodafone, and KCOM)

Whilst broadband coverage in rural areas has slowly improved over the past decade, with more rural homes connected, their average download speeds still lag far below other parts of the country. For example, a household in Leicester (a non-CCN unitary) could enjoy download speeds of 16.4 mbit/s more compared to a household less than ten miles away in Kibworth Harcourt in Leicestershire.

If counties are to attract, and become 'incubators' of small and medium business start-ups, as well as established businesses in the financial and professional services sector, then the connectivity gap needs to be closed otherwise there is a real risk business choose to set up in locations that can provide far greater download speeds, curbing the entrepreneurial side of county economies.

There was clear agreement that digital infrastructure is crucial, at the roundtable.

Guy Clifton, the head of local government advisory at Grant Thornton, said: "As someone who has been travelling around the country for the last 15 years largely by train I would add to the rail and road infrastructure, effective broadband."

And mobile coverage, Cllr Stewart chipped in. "Absolutely," said Mr. Clifton. "I live in a fairly large town close to London but I can't get a mobile reception. I would be more productive at home and on the move if there was effective broadband with national coverage."

Improving the digital infrastructure will be vital if counties are to make the most of the large number of new small and medium enterprises (SMEs) that start in their areas, said Cllr Tett. "The backbone of our rural economies tends to be SMEs and they rely on high-speed broadband, and I'm defining that as including cellular communications," he said. "Our rural economies will not thrive and grow unless we can get that rolled out fast, not in 20 years' time."

But, participants noted, many of these small companies are lifestyle businesses run in spare rooms or on kitchen tables. The question is how to grow them. Cllr Noble felt that county councils need to move on from being regulators of business to become facilitators, and eventually champions, of business. "What's our connection to these businesses? Are we in touch with them?" he asked. "We have a fully functioning LEP and we like our LEP but I still go into business communities and talk to groups of business people and they have never heard of the LEP. They've never heard of the support they can get."

Infrastructure will also be vital if Britain is to become a more export-driven economy after leaving the European Union, said Hampshire County Council leader Councillor Roy Perry. "Southampton is the biggest port for exporting goods to non-EU destinations and we're seriously worried about the infrastructure and road network and, indeed, the rail network getting into Southampton," he said. "There has been serious underfunding for decades and that needs to be addressed."

"Just before we went unitary companies were leaving our county because no district would have on its plan a big enough economic development site for them to grow into, so they were going to other areas," Cllr Scott said. "The first thing we did was create a strategic plan that gave us sites of all different sizes connected to the infrastructure – the important infrastructure, not just the infrastructure in that particular district."

As the table below shows the majority of counties are well connected; they are the transport and road hubs connecting Britain. However what this does not show is that many of these motorways and railways were first built many years ago; keeping them in a good state and enhancing them is key to getting England moving. However counties are the country's poor relation when it comes to infrastructure funding.

When looking at the distribution of Governmental infrastructure funding, through the National Infrastructure and Construction Pipeline, CCN found that while Greater London covers less than 5% of the nation's road network it received over 55% of identifiable funds. This sees London receive almost 4½ times more funding per person than any other part of the country.

When considering local authority spend there has been a significant and worrying trend in counties – between 2010/11 and 2015/16 CCN members have seen a 58% reduction in maintenance and transport budgets. Metropolitan areas have seen much smaller decreases over the same period at just over 22%. Bucking the national trend Greater London is the only area which has managed to increase its expenditure on maintenance and transport. The benefits to London are demonstrable. For example the only area that has seen bus usage increase rather than decline in recent years.

### Transport nodes count

Rank	CCN Counties	Railway stations	Motorway junctions	Major airports	Airports	Sum
1	Kent	98	23	0	2	123
2	Surrey	84	13	0	0	97
3	Essex	58	6	1	2	67
4	Lancashire	52	29	0	1	82
5	Cumbria	48	9	0	1	58
6	Hampshire	48	28	0	2	78
7	Hertfordshire	47	22	0	0	69
8	North Yorkshire	46	12	0	0	58
9	East Sussex	38	0	0	0	38
10	West Sussex	38	5	1	2	46
11	Devon	38	5	0	1	44
12	Cornwall	36	0	0	2	38
13	Derbyshire	34	5	0	0	39
14	Norfolk	31	0	0	1	32
15	Nottinghamshire	28	2	0	0	30

Source: Grant Thornton UK LLP Place Analytics

## CCN View

Providing the 'hard' and digital infrastructure to allow county economies to grow will be crucial to the success – or otherwise – of counties in a post-Brexit landscape.

The government's Industrial Strategy is welcome, as is its emphasis on 'place-based' strategies to ensure that local areas have a large say in how to grow their economies. But strategies only go so far without adequate funding: counties are the poor relation to urban areas when it comes to infrastructure funding, and government must back up its rhetoric by providing a fairer allocation for all four corners of the country.

At the same time, reform within the two-tier planning system is necessary if counties are to share amongst the spoils of highly-incentivised housing development in counties. Too often, funding does not follow development, and as a result, county authorities face huge infrastructure gaps, compared to their projected increase in households.

One county, for example, faces a £4.4bn infrastructure funding gap over the next 20 years. CCN has argued that closer alignment between planning and infrastructure, and developer contribution reforms (more on this in the next chapter) are necessary to ensure that infrastructure matches new development.

Government must also turn its attentions to ensuring that rural residents are as well connected as their urban counterparts. Grant Thornton's data shows that rural download speeds lag considerably behind the speeds enjoyed by those living in urban and city areas.

In order to attract the businesses of tomorrow and to encourage growth in county areas, efforts must be made to close these sizeable gaps otherwise there is a real risk counties will be shunned when it comes to new business, relocations, or start-ups.

## Grant Thornton view

Over decades, the UK has generally been poor at national strategic planning, which is why the Industrial Strategy is welcome. Competitor nations have been able to take long term strategic decisions to invest in infrastructure, which has contributed to the UK, in particular outside London and the South East, being less competitive and productive in the global market.

County areas have the geographical scale to really make a difference in infrastructure planning, but are inhibited by county councils being responsible for spatial and strategic planning at a local level, and district councils responsible for planning decisions. Responsibilities for infrastructure are also split, with county councils responsible for highways (with Highways England responsible for motorways and key trunk roads) and district councils responsible for maintaining council house stock and housing planning. This can lead to a break on growth, where strategic planning decisions are unable to be delivered due to local government tiers not being joined up. This is not a criticism of either county or district councils – they are discharging their responsibilities as elected representatives of the communities they serve. But at a county wide level, they are serving the same communities, who can be affected by a collective inability to deliver the infrastructure needed to support growth.

Infrastructure also includes the need for effective broadband, of the same quality, across the country. County areas are particularly badly affected by poor broadband coverage and speeds, as our data shows, inevitably impacting on productivity and business growth in shire areas.

The national and local Industrial Strategies are an opportunity for all tiers of government to break free from decades of failed infrastructure planning.

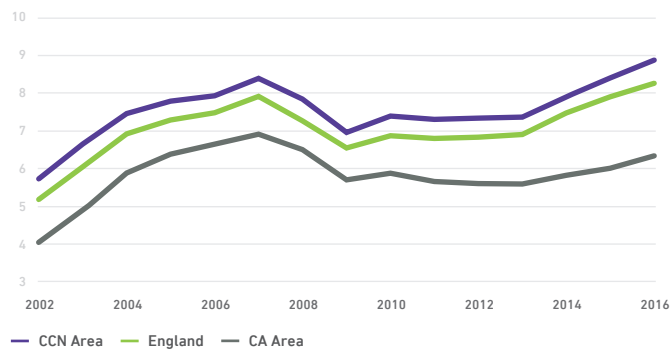
# Strategic Planning: Homes where they are needed

Whilst reforming the planning system is unlikely to be a popular topic of discussion in the pub, the issue of house prices certainly is. The two are linked – and government recognises this. Counties saw the largest rise in house prices in the entire country in 2017, treble the rise in London, and average house prices are now eight times average earnings – second only to the capital in unaffordability.

Local Authority Type	Av. Price Increase 2017
Shire Counties	5.9%
Metropolitan Borough	4.9%
Non-CCN Unitary	5%
London	2%

Source: National House Price Index (December 2017)

## House prices to annual earnings ratio, 2002–2016

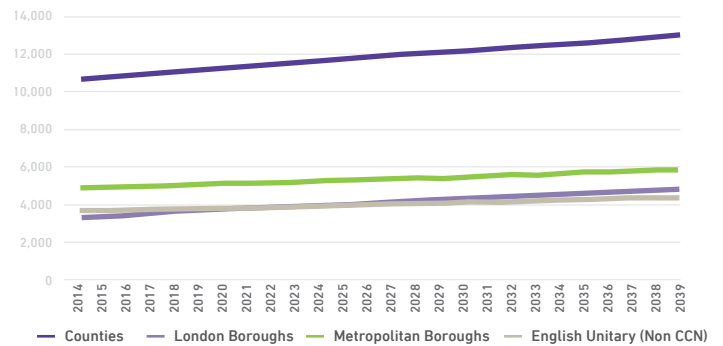


Source: ONS, Oxford Economics

This is why the Chancellor announced several tweaks to the system during his flagship housing announcement in his November budget. County leaders have long argued that planning on a more strategic scale in two-tier areas, will assist in the delivery of homes with infrastructure to match development. This could include a greater alignment of housing and infrastructure and reforms of developer contributions so counties receive more funding for infrastructure in tandem with new homes.

Over the next two decades and beyond, counties are projected to see housing growth of some 2.2million extra homes. Some counties, such as Kent, will see over 30% more homes built. Ensuring that infrastructure matches this is important in ensuring that local road networks will not grind to a halt, and that extra pressure is not placed on public services.

## Household projections (2014-2039)



Source: ONS, Household projections for England and local authority districts (2014 based) analysed by Grant Thornton UK LLP

As a final question for the discussion, Mr. Dossett asked the roundtable what wider reforms in economic and housing policy would help make the industrial strategy a success. Perhaps unsurprisingly, reforming the planning system was mooted.

“It’s creaking,” said Cllr Noble. “The way planning is structured at the moment is you have the adopted core strategy and then you move to site specifics and eventually you end up with a little yellow, green or orange notice on a field. That’s the only point when the public get involved. I have never seen the public get involved with the local adopted core strategy – it’s way too ephemeral.”

“So they say when did we agree to 150 houses in the village? Well, five years ago there was an adopted core strategy and at that point they just completely disengage and think the whole thing is rigged. So there is a real problem around how the whole thing is structured in terms of when do the public get involved.”

It’s too slow, too complex and involves too many inspectors, said Cllr Scott. “This is a big, big issue and the planning papers and legislation that comes out actually makes it worse because it makes it more complex rather than simplifying it,” she said, adding that what is really needed is strategic planning that is consulted on and then starts to deliver quickly.





Cllr Stewart said there needs to be a total re-examination of the planning system: “It needs someone to take that step back and say, ‘What is this here for, what is it meant to deliver and how can that best be achieved?’ because at the moment it is not working and it is taking a lot of time in not working.”

Going back to the county structure plans that were abolished in 2004 would be a good idea, suggested Cllr Perry. “When we look at housing in Britain we have got the smallest housing and the most expensive housing in Europe, so we have definitely got something wrong,” he said. “I guess nobody wants to admit that abolishing the county structure plans was a mistake because it obviously was a mistake.”

Cllr Hudspeth felt that land supply policies need a rethink too. “The five-year land supply is meant to make sure everybody’s got sufficient stock and are actually delivering housing but what it means is you go for small developments whereas we should be planning 10, 15 or 20 thousand units,” he said. While this would take longer to deliver it would mean that new housing could be built in a more sustainable way: “Then people in the future won’t turn around and say, ‘Why did you build all these houses that are just dormitory towns?’”

Cllr Tett shared the concerns about the quality of the housing developments now coming through. “It will be sprawl everywhere built on appeal and they won’t have the right infrastructure,” he said. “It will be: ‘Oh, it has a railway line’. That’s ok, but lots of people have to drive to and from work and what about the schools, health service and everything else?”

One challenge for the industrial strategy is that developers are more interested in building homes than economic development land, said Cllr Scott. “We’re finding that they have economic development land and then say they can’t get anybody interested and so they ask to build houses instead,” she said. “So if the industrial strategy takes off and if, after Brexit, the country starts to really grow, are we going to have the economic development land to build what is required?”

Another challenge is that because new housing developments often involve 10 or fewer homes they are exempt from section 106 agreements and the community infrastructure levy (CIL). “Section 106 does not deliver, nor does CIL,” said Cllr Tett. “What’s happening in my area is a lot of in-filling which accumulatively is masses of housing from which we don’t get a penny.”



These kind of developments are just storing up social problems for the future, added Cllr Perry. “Cllr Tett is right the CIL procedures and section 106s are not paying for the schools and the other infrastructure,” he said. “I think we could perhaps do a little bit more in encouraging older people who are often under-occupying houses to release family housing by developing housing that would be appropriate for them.”

“So we’re back to how we balance housing markets rather than just building four-bedroom detached houses,” said Cllr Stewart.

The way housing is now being developed illustrates the problems that arise within a two-tier system, one roundtable contributor said. “We’re building more housing than in history and the settlements are going to be terrible,” they said. “You can’t get the development where you want if you don’t have an overarching strategic plan. So people are getting little one-road-in, one-road-out developments off dual carriageways. I know we need the houses but we are going to regret this – they have no amenities. With a two-tier system we seem to be unable to do anything about it.”

## CCN View

Housing and infrastructure are two parts of the same jigsaw, but the planning system in two-tier areas is out of sync; with responsibilities split between the differing tiers of councils. The county council is responsible for infrastructure, whilst district councils are responsible for planning and housing. CCN would like to see greater collaboration and alignment between the two, to ensure that the right homes go in the right places, and are matched by the right infrastructure.

Indeed, these infrastructure mismatches and underfunding in counties were previously touched on in the last chapter.

The Statement of Common Ground could provide the impetus for joined up planning and infrastructure, but it is a toothless instrument in its current guise. The county should be a formal signatory to matters relating to infrastructure, economic growth, education, and social care, and should not be implemented until the county council signs in agreement, the organisations argue.

This could, in effect, re-write strategic planning back into the system after it was abolished during the Coalition years. CCN has long advocated planning on a more strategic scale, as districts sometimes lack the large geography to successfully plan for homes on the scale necessary to resolve the housing affordability crisis.

The Oxfordshire 'housing deal' is an important prototype for strategic planning, and includes joined up planning and infrastructure over a county-wide scale, with districts and the county council coming together to deliver proposals. CCN would like to see this rolled out to other county areas.

Developer contributions, such as s106 and the Community Infrastructure Levy are also to be reviewed; CCN welcomes this. In many areas, county authorities are not receiving an adequate amount of developer contributions to finance vital infrastructure to match development. In Kent alone, the county's infrastructure gap, based on its projected housing increase, is £2bn. Unless this is addressed, either local areas will struggle through a lack of added infrastructure, or development will struggle to get approval due to local opposition and concern over added pressure on public services.

## Grant Thornton view

Housing remains a fundamental challenge for government in both our cities and counties. It's too expensive, it gets built too slowly, it lacks appropriate infrastructure development and too large a proportion of it is substandard.

The Government has set very aspirational targets in excess of 300,000 homes per annum but reforms proposed to the planning system feel like they will make a difference only at the margins. The LGA have been very clear that councils continue to give significant volumes of planning permissions, but developers and house builders are driven by different motives to councils in terms of the housing crisis. They will only want to release housing units when it's profitable to do so.

Councils are motivated to support affordable housing; and the Government needs to lift the HRA Cap. County areas suffer from two key problems. The planning system in two tier areas can be dysfunctional and leads to uncoordinated developments, and funding for county infrastructure and the processes for accessing it have been very poor in recent years. The vast majority of infrastructure investments has gone into cities and county areas have been marked by limited investment in roads and railways and a decline in bus networks.

A number of counties are under severe pressure for school places and do not have the funding to properly provide the infrastructure costs. County areas needed to be supported to create sustainable new communities with the full infrastructure package of roads, public transport, health care and services and super-fast broadband. Unless this happens, homes won't get built in sufficient numbers and communities won't be sustainable.

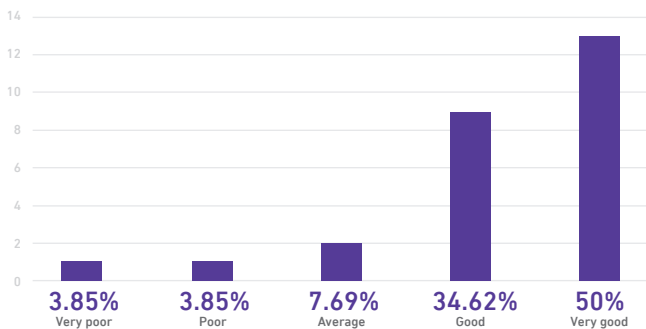
# Collaborative Partnerships: Counties & LEPs

The government's Industrial Strategy green paper, released last November, outlines proposals for local areas to create their own 'local' industrial strategies. These would be led by the Local Enterprise Partnership (LEP) in specific areas, with support from local councils.

First introduced in 2010 under the Coalition, LEPs are clearly here to stay, with successive government having channelled billions through them to local areas under the Local Growth Fund. However there has been some criticism of LEPs, which has prompted the government to announce a review of their accountability, transparency, and crucially, their geographies, in the green paper.

In a recent CCN survey of county leaders on LEPs this showed that the vast majority (85%) had either a 'very good' or 'good' relationship with their LEP, and the bulk of respondents (60%) believe LEPs' economic growth plans are tailored to the needs of local communities. There is also plenty of evidence that shows counties work well with local business leaders and LEPs to drive investment, funding, and growth to their local areas.

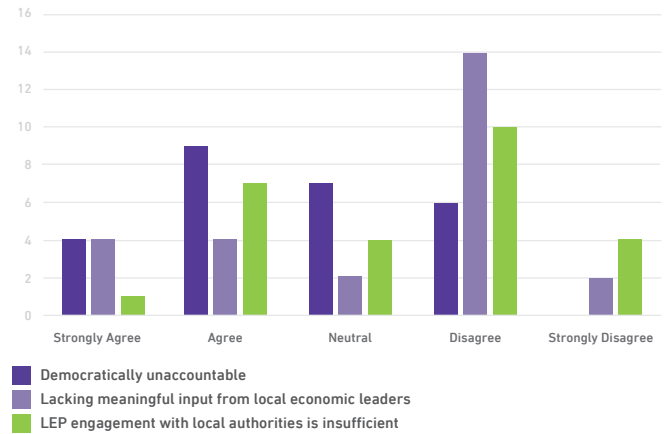
## How would you describe your council's relationship with your LEP?



Source: CCN survey of county leaders

However, just one quarter of respondents disagreed with the statement that LEPs are 'democratically' unaccountable, whilst a similar number (26%) said LEPs should have greater financial responsibility.

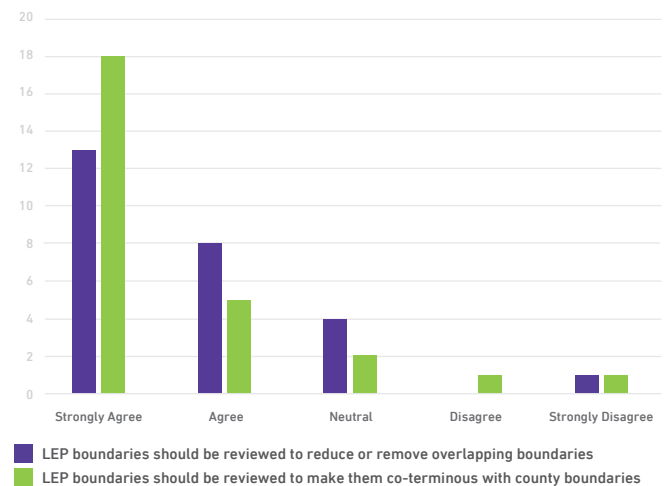
## Do you agree or disagree that LEPs are...



Source: CCN survey of county leaders

Many counties do not share co-terminosity with their LEPs meaning that many work with two or even three LEPs who overlap their county boundaries. This can become a difficult juggling act, considering the different priorities of different locations and LEPs. Therefore, it is unsurprising that the vast majority (84%) of respondents believe LEP boundaries should be reshaped to be co-terminous with counties.

## Government is currently undertaking a review of LEPs. What is your cure on the following potential reforms?



Source: CCN survey of county leaders

Despite the concerns over the transparency of LEPs, and overwhelming issues with LEPs lack of co-terminosity, it is clear that many county leaders have strong relationships with their LEPs, and see the value in having strong links with their business leaders who they feel are presented well on LEPs.

With that in mind, Mr Dossett asked the roundtable whether LEPs need reform, and how much of a role they should play in delivering industrial strategies.

Despite the survey results showing that the majority of leaders felt business and local input was sufficient Cllr Hudspeth stated that “in Oxfordshire we’re quite fortunate to have a co-terminus LEP, which is really useful, but has the LEP been successful because money has been made available to it rather than because the LEP has been successful, if you see what I mean,”. “I agree that if you go around to businesses they don’t know who the LEP is.

“To me LEPs are very well thought out but who is running them? The businesses that should be involved are too busy running their business to be running the LEP. I would like to see people from Polar Technology and Siemens on the LEP. I think local government should be facilitating the LEP and providing the framework for businesses to be successful.”

While most of the roundtable agreed that having a co-terminous LEP is a positive, Dr. Wendy Thomson, the managing director of Norfolk County Council, felt that whilst co-terminosity was essential this could include counties joining together. “Suffolk and Norfolk work together with our joint LEP,” she said. “There is the normal ‘they get more than we do’ debates but that keeps us on our toes.”

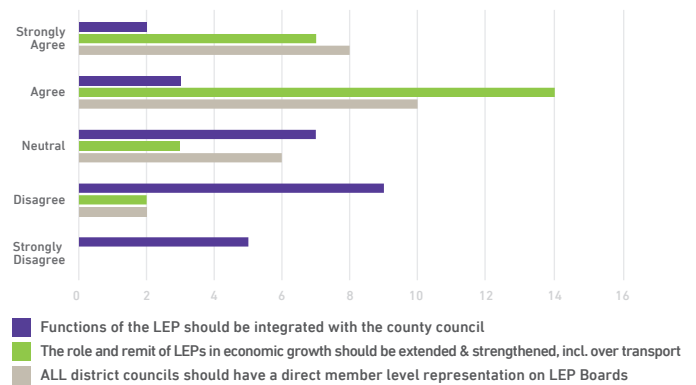
Cllr Noble added that the New Anglia LEP also has major companies on board. “There’s a couple I would like who are not on the LEP but most of my major players are on the LEP,” he said. “I think it’s a really useful space for how we interact with business. It’s the bridge that can allow me to have a closer relationship with business, which I don’t think I get purely as the council. We’re also really clear the LEP’s are about business support, business development, business investment and we do the infrastructure, so we don’t have any debates about that.”

Others, however, had more mixed experiences. Cllr Hill felt that LEPs added another layer to the already overcrowded mosaic of bodies involved in economic development. “You’ve got your LEPs, your combined authorities and then you’ve got your councils,” he said. “It’s a very complicated, unnecessary structure and the government just doesn’t seem to have clarity as to where it is going. It’s a recipe for trouble and for things not to happen.”

The results of the county leaders’ survey did tend to agree that it needed to be clearer what the precise functions of a LEP were, and in two-tier areas, to ensure that too many

partners at the table did not lead to a lack of a strategic focus. In particular, there was strong disagreement with strengthening the LEP role in areas such as transport and all district councils having representation at board level.

**Government is currently undertaking a review of LEPs. What is your view on the following potential reforms?**



Source: CCN survey of county leaders

It’s very variable too, said Cllr Tett. “It’s like lots of bits of a jigsaw on the table but they all build different jigsaws because it depends on your local circumstances,” he said. “We are blessed with a very good LEP and I think the principle of LEP co-terminosity with your county is really important because they identify with us and we identify with them.”

Cllr Perry suggested that the Government should look at reducing the number of LEPs: “There is scope for getting the number of them reduced. I think we should be more focussed. We could do with fewer of them in Hampshire.”

Cllr Perry added that LEPs should not be conflated with devolution. “They are definitely non-democratic,” he said. “Trying to correlate LEPs with devolution, if devolution means giving more discretion to local communities, well, that’s not what LEPs are about. They take discretion away from local people.”

### To what extent do you agree with the following...



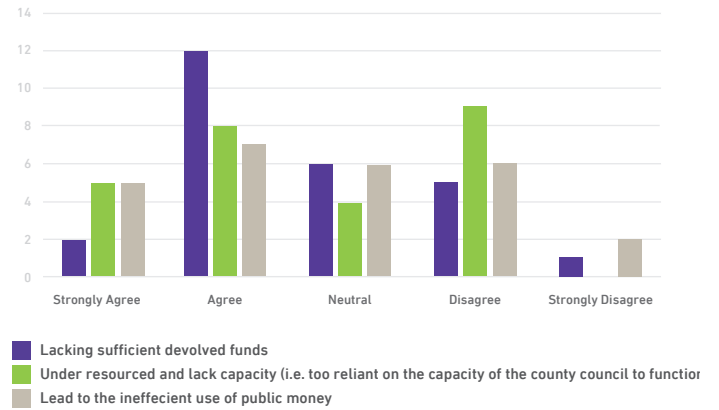
Source: CCN survey of county leaders

The results of the CCN survey show that Cllr Perry’s views are shared across the network, with the only two council leaders responding to the survey supporting LEPs leading devolution negotiations and only seven leaders believed that LEPs should be given a statutory footing. Looking ahead, no-one around the table doubted that LEPs are here to stay. “It’s going to be them or combined authorities with mayors,” said Mr. Edwards. Dr. Thomson agreed: “The LEPs are here to stay. I think the risk is they could enlarge their powers or exclude local government if we become defensive or antagonistic.”

Working with LEPs is the only way forward, said Cllr Scott. “Basically the government – and it’s been successive governments – don’t trust us to deliver,” she said. “I find that very annoying because actually we are delivering most of what government thinks the LEP is delivering because they are not deliverers. But I take a pragmatic view. They are the only game in town and Wiltshire never got anything out of regional government but we do get something out of the LEP.”

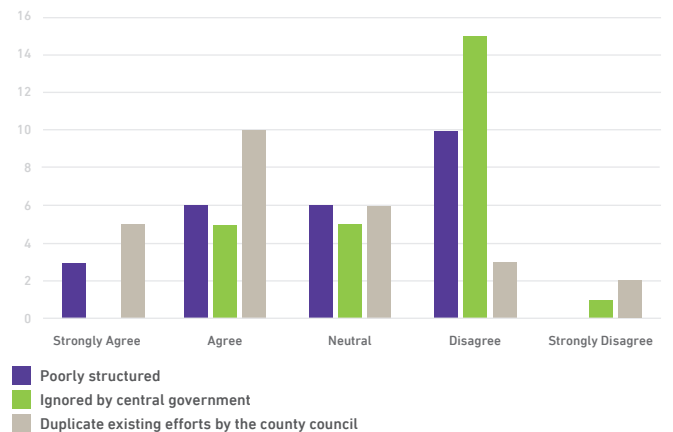
Cllr Scott’s views that LEPs are a priority for Government are shared across CCN leaders. Moreover, so are her views that LEPs lack capacity and are too reliant on the county council to function, with many believing they currently duplicate the role of the county council. The results of the CCN survey shows this is partly a reflection of the views that county leaders believe they lack sufficient devolved funds to operate.

### Do you agree or disagree that LEPs are...



Source: CCN survey of county leaders

### Do you agree or disagree that LEPs are...



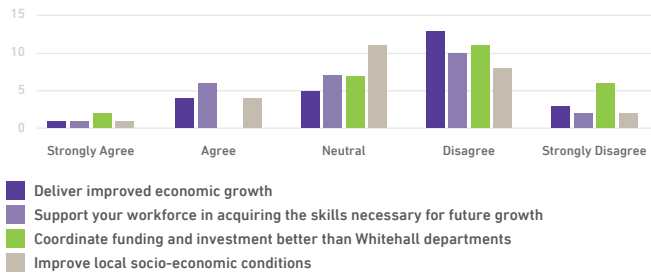
Source: CCN survey of county leaders

Wherever the government goes next with LEPs, Cllr Hill said it is important that they and local industrial strategies stay focused on long-term investment and infrastructure rather than straying into market intervention. “We don’t know what’s needed in 20 years’ time,” he said. “Twenty years ago think what was going well then and what we’ve got now. Trying to second guess the market is a fool’s game. We just need to try and put the infrastructure in place and the climate in place so that businesses can thrive. We’ve just got to accept that LEPs are here to stay and do it as best we can.”

Cllr Hill’s focus on creating the environment for business to grow, and how counties working with LEPs can deliver long-term economic gains, was reflected in the responses to CCN’s survey. The overwhelming majority agreed that LEPs and Strategic Economic Plans would lead to better economic outcomes across a range of indicators, including infrastructure, skills, employment.

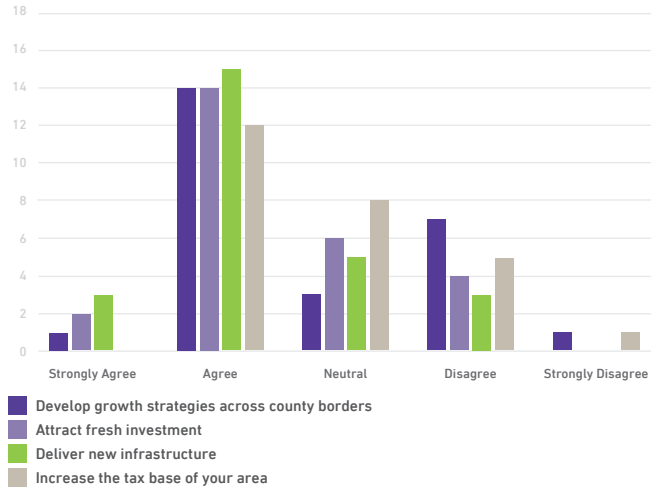
Winding up the discussion, Mr. Dossett said: "In terms of LEPs we had different views about their effectiveness but they appear to be the only game in town and so we have to work with them to make things happen but there is clearly an important role for counties in actually making things happen and collaborating with one another on big decisions.

**How confident are you that your current Strategic Economic Plan will:**



Source: CCN survey of county leaders

**Would you agree your LEP arrangements have significantly enhanced your ability to:**



Source: CCN survey of county leaders



## CCN View

The overriding theme from the results of our LEP survey is that county leaders believe that the partnership arrangement is key to the economic future of their areas. They have positive collaborative arrangements with their LEPs, and they believe their joint work will deliver improved economic outcomes.

It is clear from the roundtable, and CCN's county leaders survey, however that the LEP review provides the opportunity to advocate for specific reforms to improve, streamline and clarify the role of LEPs moving forward.

Our member councils clearly think LEPs would work better for local areas should they be co-terminous with their county council boundary. Having several overlapping LEPs not only creates confusion for local businesses, but also makes joint planning and working harder between business and local authorities, with different areas having different priorities and different needs.

Local industrial strategies will require strong local leadership, and bringing together fragmented public sector partners across appropriate geographies. CCN believes that counties, as strategic authorities, will be the central pillar that ensures reformed LEPs are able to deliver localised industrial strategies, whilst providing local accountability. CCN is committed to supporting member councils in taking forward these strategies with LEPs, but government must recognise the key role counties play in ensuring that LEPs have the capacity to function, and crucially, in ensuring they deliver better economic outcomes locally.

Building on this, CCN will also continue to argue for ambitious county devolution deals for its member authorities, now that government has dropped its requirement for a directly-elected mayor for a 'full' devolution deal, following strong advocacy from counties

## Grant Thornton view

The Government has confirmed that LEPs are the bodies to co-ordinate the development of local Industrial Strategies, supported by councils and others bodies. This has led to a feeling of frustration from some in local government, which includes concerns around the lack of co-terminosity and the democratic accountability of LEPs. Given councils are typically the accountable body of LEPs, and are represented on LEP boards, there are opportunities for building on existing collaboration. The survey results noted above indicate relationships are generally good, and the roundtable indicated there is a definite willingness from counties to work with LEPs to develop local industrial strategies.

Many counties have a long track record of working with local businesses, and indeed, many county councillors have significant business experience. It will be important that this experience, along with their detailed understanding of place, can be used to help shape local industrial strategies.

The Government's announcement to review LEPs accountability, transparency, and their geographies, provides an opportunity for all councils to make a case for change where this has been identified as an issue.



COUNTY COUNCILS NETWORK

Founded in 1997, the County Councils Network (CCN) is a network of 37 County Councils and Unitary authorities that serve county areas. We are a cross party organisation, expressing the views of member councils to the wider Local Government Association and to central Government departments.

To discuss any of CCN's proposals in more detail, please contact:

**Simon Edwards**  
Director  
020 7664 3002  
simon.edwards@local.gov.uk

**James Maker**  
Head of Policy and Communications  
020 7664 3009  
james.maker2@local.gov.uk

Follow us on Twitter



Follow us on LinkedIn



Grant Thornton UK LLP is part of one of the world's leading organisations of independent advisory, tax and audit firms. We help dynamic organisations unlock their potential for growth by providing meaningful, forward-looking advice.

Our underlying purpose is to build a vibrant economy, based on trust and integrity in markets, dynamic businesses, and communities where businesses and people thrive. We work with national and local public services to help build an environment that supports growth.

To discuss Grant Thornton's work in any more detail, please contact

**Guy Clifton**  
Head of Local Government Advisory  
guy.clifton@uk.gt.com  
020 7728 2903

**Paul Dossett**  
Head of Local Government  
paul.dossett@uk.gt.com  
020 7728 3180

Follow us on Twitter



Follow us on LinkedIn

