

CCN Briefing – Industrial Strategy White Paper

The Government's flagship [Industrial Strategy White Paper](#) was launched on Monday and sets out how Government intends to build a Britain fit for the future. It proposes policies that will help businesses to create better, high-paying jobs in every part of the United Kingdom with investment in the skills, industries and infrastructure of the future. The White Paper outlines five foundations for a transformed economy, which link to the key policy announcements;

- Ideas – focussed on building the world's most innovative economy
- People – good jobs and greater earning power for all
- Infrastructure – a major upgrade to the UK's infrastructure
- Business environment – the best place to start and grow a business.
- Places – prosperous communities across the UK.

This short [County Councils Network](#) briefing provides an overview of the most important announcements for member councils, CCN's response and an overview of the next steps in our advocacy in relation to local growth and devolution.

Key policy announcements for CCN members include:

- Increasing the National Productivity Investment Fund to £31 billion, supporting investments in transport, housing and digital infrastructure.
- Local Industrial Strategies that build on local strengths and deliver on economic opportunities. These will be led by Mayoral Combined Authorities, or by Local Enterprise Partnerships. The first strategies will be in place by March 2019.
- A new Transforming Cities fund that will provide £1.7 billion for intra-city transport. This will fund projects that drive productivity by improving connections within city regions.
- Launching the next phase of the Industrial Strategy Challenge Fund investing a further £725 million over the next four years.
- New sector deals – partnerships between Government and industry aiming to increase sector productivity. The first sector deals are in life sciences, construction, artificial intelligence and the automotive sector.

Next Steps

CCN will be engaging with the relevant Government departments over the coming months and will continue to make the case for counties in achieving inclusive economic growth in the context of the Industrial Strategy. Of particular importance will be;

- Engaging in the LEP review, putting forward the key messages coming from CCN's survey of county leaders and wider research.
- Continuing to engage the Department of Communities & Local Government over the development of the 'common devolution framework'. Building on the Localis and Republica reports, making the case for ambitious devolution proposals based around county geographies and positioning counties as 'strategic authorities' in non-mayoral governance and reform options.
- Linking the industrial strategy to CCN's advocacy on housing and planning. In particular making the case for a strengthened statement of common ground that sees Counties as a key partner in order to join up infrastructure delivery and planning for housing, and responding to the Government forthcoming consultation on reforms to developer contributions.

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CCN View

CCN
COUNTY COUNCILS NETWORK

Alongside [our formal response](#) to the Industrial Strategy Green Paper in April 2017 CCN has been undertaking a range of advocacy work to influence the direction of Government policy. This includes the publication of an independent analysis of county economies by [Oxford Economics](#), our report [A New Deal for Counties](#) and, most recently, commissioned studies by [Localis](#) and [Respublica](#) exploring local labour markets influencing, devolution and governance reform.

Following our advocacy, we believe the Government has responded to the concerns raised by CCN that original proposals were too focused on growth in city regions. The strategy sets out that a place-based emphasis must ensure “every part of our country realises its full potential” whether cities, towns and rural areas, with a national framework that reflects and makes the most of these economic opportunities and challenges.

Whilst we welcome the place-based narrative that the Industrial Strategy sets out, we have concerns the approach outlined prioritises investment in city-regions, while proposals for developing and delivering local growth initiatives may fall short in counties.

In particular, the proposals for LEPs to lead on local industrial strategies outside of mayoral combined authorities is concerning to the majority of our member councils. In our submission to the Industrial Strategy Green Paper, CCN argued that county authorities are best placed to lead on local industrial strategies.

However, it is clear that Government remains firmly committed to LEPs, although they will be reviewing their role, remit and geographies to ensure they are more effective, accountable and transparent, with the intention to publish a clear set of objectives for reform over the coming months.

While CCN will continue to make the case that counties, as strategic authorities, should be lead authorities for local industrial strategies and ambitious devolution deals, it imperative that CCN work constructively with LEPs and focus on influencing the outcomes of the review to maximise the role of county authorities, and ensure our local communities benefit from the proposals outlined in the White Paper.

Therefore, CCN will engage with the LEP review over the coming months, using the findings of our on-going survey with Council Leaders on LEPs and wider research and resources to advocate on behalf of our member councils.

More specific reaction policy proposals are provided below.

Related documents:

[ResPublica - Devo 2.0: The Case for Counties](#)

[Localis: In Place of Work](#)

[A New Deal for Counties: Devolution, Industrial Strategy & Housing](#)

[CCN Response to Industrial Strategy Green paper](#)

[Oxford Economics: Understanding County Economies](#)

Spokesman Media Reaction:

Cllr Philip Akins, Vice-Chairman & CCN Spokesman for Housing, Planning & Infrastructure

"An increased focus on place in the Industrial Strategy should be strongly welcomed, as is the government's recognition that to increase national prosperity, all four corners of the country – counties as well as cities – must be part of the equation.

"Whilst the direction of travel is promising, this strategy could represent a missed opportunity and its aims may fall short in counties because of an over-emphasis on cities. Counties ought to be in the driving seat to lead local industrial strategies, not just Local Enterprise Partnerships, whilst investment appears to be city focused.

"County authorities already work closely with their own LEPs, but we have concerns they are not always the most effective bodies to dynamically lead local industrial strategies: counties contain the size to do business nationally and the intimate knowledge of their economies to grow communities locally, while offering the democratic transparency that LEPs currently cannot."

"Indeed, a recent County Councils Network survey showed that only one fifth of council leaders believe LEPs are democratically accountable, whilst over half believed they should not lead local strategies.

"However, we welcome the government's proposed LEP reform, including reviewing overlapping LEP boundaries. This is hugely important – reducing complexity of overlapping LEP geographies is crucial for business and important for local economies. CCN looks forward to engaging with this review."

People

The White Paper notes that Higher Education plays a significant role in bringing benefits for the UK economy, particularly in the provision of higher-level skills that are needed by employers both nationally and within local areas. However, Government also wants the countries technical education system to be as prestigious as the higher-education system.

The White Paper acknowledges that tackling regional differences in skills and educational attainment is vital if we are to boost earning power across the country. They will do this not only by investing in technical education, but by addressing the specific needs of local areas through opportunity areas. Government will also:

- Invest an additional £406 million in maths, digital and technical education, helping to address the shortage of science, technology, engineering and maths skills.
- Create a new National Retraining Scheme that supports people to re-skill, beginning with a £64 million investment for digital and construction training.

CCN Response

- CCN welcomes the proposals to invest in education as well as addressing specific needs of local areas. This will be vital to ensuring that people can access well paid employment opportunities across the country.

- It is vital that county areas benefit from the reforms outlined, alongside a wider focus on skills devolution and labour market influencing. Recent research by Localis for CCN showed that 10 of the most 'at risk' labour markets are county strategic authority areas. Government should consider the reforms proposed by Localis in their report *In Place of Work*, to provide strategic authorities with new powers and influence over skills, adult education and local labour markets.

Infrastructure

The White Paper rightly acknowledges that having modern and accessible infrastructure is essential to future growth and prosperity and that investment in infrastructure must support our long-term productivity. The paper promises to transform the country's economic geography by a surge of infrastructure investment heralding a new technological era, with the National Infrastructure having been designed to independently advise Government on how to invest in infrastructure.

Government has pledged £31 billion through the National Productivity Investment Fund to 2022/23. So far the following has been allocated

- £4.9 billion to transport
- £11.5 billion to housing
- £0.7 billion to digital
- £7.1 billion to research and development.

The White Paper proposes that the Government will take a more strategic approach to investment which will:

- Invest in ways that support all the objectives of the Industrial Strategy: increasing innovation, developing skills, growing business, and driving productivity and earning power in urban and rural places across the UK;
- Take greater account of disparities in productivity and economic opportunity between different places, ensuring investments drive growth across all the regions of the UK; and
- Invest to increase UK competitiveness in relation to long-term global economic changes.

The £1.7 billion Transforming Cities Fund, announced at last week's budget, will improve connectivity and reduce congestion. It aims to transform local productivity in city regions by linking towns around cities to city centres and each other. Half the funding will be allocated on a per capita basis to six Mayoral Combined Authorities, and the remaining half subject to competitive bids via LEPs.

The White Paper states that local decision making on infrastructure will be strengthened, and that places strengths will be made the most of through Local Industrial Strategies and City Deals. Local authorities will be lent up to £1 billion at a discounted interest rate to support local, high-value infrastructure through the Public Works Loan Board.

The White Paper also notes that respondents to the Green Paper highlighted the importance of housing to the economic success of cities and regions. It responds to this by reinforcing its commitment to housing, including £15.3 billion of financial support for housing over the next five years to help reach the figure of 300,000 homes per year. It outlines the proposals announced in the budget for Housing Deal in Oxfordshire and taking a more strategic and zonal approach to housing.

CCN Response

- CCN welcomes the recognition that infrastructure is vital to unlocking opportunity and encouraging growth and increased productivity, however we remain concerned that funding

for major infrastructure is being disproportionately channelled to London and the city regions, and the Transforming Cities Fund does not help this situation.

- CCN believes we should build on the devolution agenda to consolidate infrastructure funding and devolve a substantial growth pot to each area. We should also ensure that county areas are provided with the means to work with their businesses to raise infrastructure funding in the way big cities are – this could easily be achieved by extending the Strategic Infrastructure Tariff announced in last week’s budget to county areas.
- CCN welcomes the recognition that housing is vital to strong local economies, and also welcomed many of the measures to increase housebuilding that were announced in last week’s budget – including the Oxfordshire Housing Deal and adopting a more strategic approach to planning. However, without wider reforms, CCN believe Government will miss the opportunity to deepen working between counties, districts and key partners in order to better join up planning and infrastructure delivery outside of combined authority areas.
- CCN will continue to push for a stronger formal role for county councils in planning arrangements to ensure that economic growth and infrastructure considerations across the broader area are built in from the outset. In the short term, this will include pushing for a stronger, more robust, guidance on the role of counties for the statement of common ground.

Business Environment

Business environment is one of the five foundations of productivity identified in the Industrial Strategy, and the White Paper sets out policies to achieve the aim of making Britain the best place to start and grow a business and become a draw for global innovators. The White Paper states that it will drive productivity in businesses of all sizes by increasing collaboration, building skills and ensuring everyone has the opportunity of good work and high paying jobs. It will ensure the financial sector is better connected to the rest of the economy, driving impactful investments. Key policies include:

- Launch and roll-out Sector Deals – these are partnerships between government and industry aiming to increase sector productivity. The first sector deals are in life sciences, construction, artificial intelligence and the automotive sector.
- Driving over £20 billion of investment in innovative and high potential businesses, including through establishing a new £2.5 billion Investment Fund, incubated in the British Business Bank. The fund, through co-investment with the private sector, will unlock a total of £7.5 billion investment, ensuring businesses can get access to the capital they need to scale up.
- A review of what actions could be most effective in improving productivity of SMEs, including how to address the ‘long tail’ of less productive businesses.

In terms of the construction sector deal, which was agreed between the government and Construction Leadership Council, this aims to boost the sectors productivity through greater investment in innovation and skills. The deal contains commitments to work collaboratively in three areas:

- Procuring for value – ensuring construction projects across the public and private sectors are procured and built based on their whole life value.
- Industry-led innovation – a joint commitment to invest in a transformative programmed which brings together the construction, digital technology, manufacturing, materials and

energy sectors to develop and commercialise digital and offsite manufacturing technologies.

- Skills for the future – driving increased investment in skills development, whilst adopting a more strategic and co-ordinated approach to recruitment, and equipping workers with the skills that they will need for the future.

CCN Response

- The recent study by Oxford Economics for CCN showed that not only do counties produce 41% of GVA, 44% of jobs and a net tax surplus, they contain the largest amount of business start-ups and have higher concentrations of employment and GVA in manufacturing, construction, wholesale and retail, and produce 40% of exports.
- Nonetheless, counties are underrepresented in key growth areas such as finance and insurance, information and communications. They also have a disproportionately large number of low-productivity sectors and, overall, counties have productivity lower than the national average.
- The announcements, particularly the industry-led innovation in manufacturing, will be vitally important to county economies as Oxford Economics have forecast significant job losses in these areas over the next decade. More widely, the proposals will provide support in growing the information and communications, scientific and technological sectors, which are currently underrepresented in county areas. It is also important that sector deals have been aimed at supporting the construction and automotive industries, which already represent a large proportion of GVA and employment growth in counties and remain vitally important to overall success of local economies.
- Through their economic development powers and local business support initiatives, county authorities will work with local business and the private sector to support the delivery of the business environment proposals outlined in the strategy to ensure they are tailored to opportunities and challenges facing local economies.

Places

The White Paper notes that the UK has a rich heritage with world-leading businesses located around the country, and that our cities, towns and rural areas have competitive advantages that will be essential to shaping our economic future. It states that every region has a role to play in boosting the national economy, and that it will build on the strong foundations of city, growth and devolution deals and continue to work in partnership with local leaders to drive productivity.

Place & Geography

In delivering a place-based approach, the Government says that getting 'the right geography' is key. It argues this will be achieved through collaboration to address shared challenges over regional corridors that harness the benefits of working at scale, including logistics and the promotion of the UK on the world stage. It states support for the principles of improving the performance of UK Cities as the main driver of growth, but outlines that the industrial strategy will take further steps to strengthen the performance our cities, towns and rural areas, building on devolving strategic decision making and leadership to local business and civic leaders.

The Strategy outlines that it wants to extend regional approaches to help deepen pools of skilled labour, drive competition, and increase market access, such as the midlands engine and

Northern Powerhouse. Examples cited are the Cambridge–Milton, Keynes–Oxford corridor, Swindon and Wiltshire, Cornwall and the Isles of Scilly, Heart of the South West and Dorset who have come together through the South West Rural Productivity Commission to develop proposals for rural growth.

The Strategy also recognises the need to have policy flexibility below the regional or Local Enterprise Partnership level. That could be to support innovation in economic clusters or to ensure that inner city boroughs, or small towns and their rural hinterlands, are able to contribute to, and benefit from, wider economic growth.

Local Industrial Strategies

To deliver the place-based approach, Local Industrial Strategies will be introduced and local leadership will be strengthened through Local Enterprise Partnerships and Mayoral Combined Authorities. These strategies will be developed locally, and agreed with Government and will help identify priorities to improve skills, increase innovation and enhance infrastructure and business growth. They will be long-term, based on clear evidence, and aligned to the national Industrial Strategy. They will identify local strengths and challenges, future opportunities and the action needed to boost productivity, earning power and competitiveness. The first LIS's will be agreed by March 2019. Areas will be prioritised by their potential to drive wider regional growth focusing on clusters of expertise and centres of economic activity.

Places in England with a Mayoral Combined Authority will have a single strategy led by the mayor and supported by LEPs. For parts of the country without a mayor, the development of the strategy will be led by the LEP.

LEP Review

The White Paper confirms that the Government remains committed to LEPs and that, from next year, the Prime Minister will chair a biannual 'Council of Local Enterprise Partnership Chairs'. Reference is made to the varying performance of LEPs, and the ongoing review of the roles and responsibility of LEPs. Government will bring forward reforms to leadership, governance, accountability, financial reporting and geographical boundaries. In early 2018, Government hopes to set out a more clearly defined set of activities and objectives for LEPs.

Work will also be done to agree and implement appropriate structures for holding LEPs to account, and also to review overlapping geographies to ensure people are clear as to who is responsible for driving growth in their area. Additional financial resources will also be made available to LEPs that demonstrate ambitious levels of reform following the review.

The White Paper notes that some towns face particular challenges. Government is considering agreeing approaches with towns on how the Government, local councils, LEPs and businesses can work together to deliver growth in that area.

Business Rates Retention & EU Funding

The White Paper restates it is committed to "further business rates retention in England and is working collaboratively with local government on further reforms". It does not commit to moving towards 100% but does cite that 100% business rate retention has been piloted in five parts of the country since April 2017 and that further pilots will begin in April 2018.

Following the UK's departure from the European Union, the paper outlines that the Government will launch the UK Shared Prosperity Fund. They intend to consult next year on the precise design and priorities for the fund and have committed to guarantee funding for any project

signed while we are in the EU, even if it continues after we have left, so long as the project provides good value for money and aligns with domestic priorities.

CCN Response

- CCN strongly welcomes the place-based approach to the Industrial Strategy and acknowledgement of the need to reach both urban and rural areas. We also welcome the recognition of the variation in regional and inter-regional economic performance, and the need to work at scale and on a more localised sub-regional and town level.
- Counties are already acting in this strategic role, supporting the executive and delivery role of LEPs and underpinning many of the nationally significant growth initiatives outlined in the Strategy, including the Midlands Engine and Cambridge–Milton, Keynes–Oxford corridor. Despite this, we have concerns that the strategy is too strongly focused on city regions and Local Enterprise Partnership geographies, while the approach to delivery may fall short in our areas.
- CCN, and others, have argued the county acts as a practical and effective layer of government, being strategic, yet inherently recognised and celebrated by residents. County boundaries are an asset, not a brick wall; with the ability to reach into district and parish economies, but also work constructively across borders at a strategic scale with sub-national and national bodies.
- Reports by IPPR, Oxford Economics, Localis and now Respublica have outlined the specific economic opportunities and challenges facing county economies as recognisable economic areas. This research has shown that county geographies present a practical solution to achieving strong institutional leadership, spanning the functional economic area, providing the basis for economies of scale and strong links to LEPs and businesses, and maximising the potential for co-terminosity.
- While County leaders have good and strong relationships with their LEPs, CCN have concerns over the proposals for LEPs to lead on local industrial strategies. Emerging findings from the CCN survey on LEPs has shown that a fifth of council leaders do not believe LEPs are democratically accountable, whilst half believe they should not lead local industrial strategies.
- Local industrial strategies will require strong local leadership, and ability to bring together fragmented partners across appropriate geographies. CCN believe that county authorities, working closely with their LEPs, would provide strong, locally-led and accountable institutions as well as the appropriate geographies for a place-based industrial strategy. CCN will continue to make the case for counties in leading local industrial strategies and being to appropriate body to devolve powers to outside the city-regions.
- With Government committed to the concept of LEPs, it is imperative that CCN works constructively with LEPs and focuses on influencing the outcomes of the review to maximise the role of county authorities and ensure our local communities benefit from the proposals outlined in the White Paper. In particular, CCN will focus on providing detailed analysis to inform the review on the roles, responsibilities and geographies of LEPs.
- CCN will continue to engage the Department of Communities & Local Government over the development of the 'common devolution framework'. Building on the Localis and Respublica reports, making the case for ambitious devolution proposals based around county geographies and positioning counties as 'strategic authorities' in non-mayoral governance and reform options.