

# LGA response to Britain's Industrial Strategy

17<sup>th</sup> April 2017



## 1. About the Local Government Association (LGA)

The Local Government Association (LGA) is the national voice of local government. We work with councils to support, promote and improve local government. We are a politically-led, cross party organisation which works on behalf of councils to ensure local government has a strong, credible voice with national government. We aim to influence and set the political agenda on the issues that matter to councils so they are able to deliver local solutions to national problems.

### Summary

The Government's industrial strategy provides a critical opportunity to drive the creation of a successful, world-leading economy and the LGA welcomes the Government's ambition to drive growth and tackle the economic imbalances in different parts of the country. It is at the moment very broad and we believe needs the participation of local government to help add a clear vision and clearer local outcomes. In order to achieve this it is vital that local leaders across the country can access the appropriate levers of growth and, in turn, match the economic performance of their global competitors. We therefore ask the Government to focus its priorities and resources on the following:

- Devolving the £10.5 billion national employment and skills funding to groups of councils, and combined authorities where they exist. This is the only cost effective way and sustainable way of linking the skills needs of industry to skills provision by educational institutions in local areas.
- Allowing the pooling of all local infrastructure funding to enable councils and groups of councils to deliver infrastructure needs according to local priorities.
- Ensuring access to fast and reliable digital connectivity, which is a necessity for households and businesses across the UK. Whilst new Government-led investment in 5G and new fibre networks is good news, there will still remain rural communities not reached by adequate digital connectivity. The Government must not lose sight of these areas and needs to implement a future-proofed broadband universal service obligation and ensure comprehensive mobile coverage to residents wherever they live.
- Ensuring that housing is central to the Industrial Strategy. Meeting the country's urgent housing needs and ensuring a broad housing supply that provides homes in the right places and that are connected with the right infrastructure is vital to the success of any industrial strategy. With the right financial freedoms councils are best placed to deliver the housing solution to support a world-leading economy. Investment in national infrastructure must support housing delivery.
- Building on existing locally led economic strategies and partnerships. Councils are uniquely placed in understanding their local economies and their ability to link strategic infrastructure planning, land use planning and economic development, and have established strong sub-regional partnerships with business and public sector leaders. Investors need

# Submission

certainty if they are going to invest in the long-term success of an area – it is therefore important that Government builds on existing locally led economic strategies and partnerships, and not create unnecessary uncertainty or confusion through the creation of new institutions or structures.

- While the LGA will continue to work with the Government to strengthen the capacity of Mayoral Combined Authorities, devolution cannot simply be restricted to deals for our largest cities. All councils can play a vital role in developing the Industrial Strategy to ensure it drives inclusive growth and tackles economic imbalances across the whole country. The Government therefore needs to work with local leaders across the country, including in rural and non-metropolitan areas, to enable local approaches to investment and public services that support inclusive growth that are available to all who call for it.
- Government has an important role to play in ensuring business and investors can rely on a sound macro-economic management of the national economy, including stable monetary policy. Government investment in growth, such as R&D or infrastructure, has a major impact on local growth and helping to rebalance the economy. Going forwards, the Government, with the advice of the National Infrastructure Commission, should align its investment with local and sub-national growth priorities.
- We welcome the Government's intentions to help strengthen the many different industrial sectors that exist in the UK. It is vital that any sector deals that the Government makes must recognise the importance of the places they operate in and depend on and have the support of local leaders.
- Securing trade deals with both European and non-European countries once the UK leaves the EU will clearly be a significant task for the Government. Domestically, strengthened sub-national economic identities that are underpinned by new and devolved approaches to integrated public service delivery, provide an opportunity to embed a stronger place-based approach to trade and investment policy. Brexit will also have disproportionate impacts on different sectors - it is vital that Government engages with places that face such uncertainty, giving them the tools and responsibility to help manage such challenges and benefit from new opportunities.
- Central government needs to work with local government to develop a UK regional aid scheme which replaces all existing EU regeneration funding and gives local areas more say over how it is spent.

## **2. Investing in science, research & innovation**

The English economy is complex in terms of both sectors and geography. The industrial strategy will need to properly account for the comparative strengths of different sub-national economies. Every industry has a base and it is around place that industrial policy should develop.

This is why the country needs a flexible national industrial strategy, one that recognises and reflects the different strengths and opportunities of local places. One size does not fit all. Locally, an approach to an Industrial Strategy may: focus on particular sector strengths; or look to bring further benefit to clusters of innovative businesses operating together; or maximise more from local assets (such as the centres of international excellence and innovation in Higher Education establishments).

Councils, working with their Local Enterprise Partnership (LEP) partners will have already identified priority areas for science, research and innovation in their local economies, very often in strategic economic strategies developed by LEPs. In order to maximise the outcomes for tax-payers it is important that the Industrial Strategy Challenge Fund and Government's efforts to strengthen research and innovation in local areas builds on local knowledge, existing initiatives and local networks of support that already exist.

For example, local areas are already leading on work to create 10 Business and IP (Intellectual Property) centres in the library services of key cities, creating an environment where innovative ideas can be turned into practical business opportunities.

Similarly, other efforts to support the next generation of research leaders and entrepreneurs, and creating the environment for commercialisation, should also build on the initiatives and ambitions identified in LEP areas.

Ultimately, the most sustainable way to improve the country's track record in producing successful entrepreneurs and business leaders is to have a skills and career's advice system that is much more locally responsive to the needs of employers and individuals. Our views on this are explored further in the 'Developing Skills' section below.

Aspects of the scientific, research and development industry have significant dependence on EU funding and the free flow of highly skilled people. In securing the future of such industries it is vital that Government engages with places that face such uncertainty, giving them the tools and responsibility to help manage these challenges and make the most of new opportunities.

### **3. Developing skills**

The Government has put skills at the heart of the industrial strategy. Councils fully support this and recognise how this plays a core part in their local growth ambitions, supporting national productivity. But for this to be a success, all councils need greater freedom and funding from central government to equip people with the skills they need to compete for current and pipeline jobs.

The Inclusive Growth Commission<sup>1</sup> highlights the ways the current system fails to create value for jobseekers and workers across the labour market spectrum as well as for productive businesses. For example, people with disabilities or multiple, complex barriers to work fail to get the integrated, wraparound support and intensive coaching they need to find sustainable employment. Councils' ambition and capability to design and tailor support for all people when powers and funding are devolved is clear, but all councils across England want to go further and faster.

#### ***Local skills gaps***

Analysis commissioned by the LGA showed that by 2022, a widening skills gap will emerge across and within local areas in England. Closing the gap requires increasing everyone from an average of five GCSEs to three 'A' levels (or their equivalents). Failure to invest in skills will impede local growth and England's productivity by up to 25%, with £174 billion in lost tax revenue by 2022.<sup>2</sup> It is essential that we improve our skills base. The LGA's *Skills to Build*<sup>3</sup> revealed that

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<sup>1</sup> Inclusive Growth Commission – [Making Our Economy Work for Everyone](#), RSA, March 2017

<sup>2</sup> [Shared Commitment: Local Government and the Spending Review, LGA 2015](#)

<sup>3</sup> [Skills to Build, 2015](#)

skills shortages within the construction industry will hinder the Government's ambitious house building and infrastructure programme.

Councils in cities and non-metropolitan areas, working across functional economic areas, with local businesses and partners know their areas and residents best and understand the current and future skills needs of their local economies. They want to stimulate their economies, so all residents contribute and benefit from growth and are building on their unique ability to integrate services for vulnerable people and respond to local employer need. Fundamental to achieving this is a steady supply of skills and jobs, and effective support to help people get on in life, so those than can work, are equipped with the skills to enter, and progress in work.

Yet their ability to address unemployment, underemployment and skills demands is constrained by the fact that current mainstream and re-engagement employment and skills funding, worth £10.5 billion (2016/2017), commissioned nationally by Whitehall or their agencies, is scattered across twenty different national schemes. Without effective partnership with local partners, Whitehall will always struggle to respond to economic and demographic variations, which prevents service integration, and results in a mismatch between skills supply and demand. Within the constraints of a centralised system, many councils, including Essex County Council are already working with employers and providers to fix the local skills gaps in STEM growth sectors (see LGA '*Skills for future growth*<sup>4</sup>).

### ***Our solution***

***Groups of councils, including combined authorities where established, should locally commission all services through a one stop shop to bring agencies together around place.***

There is no longer a case for agencies like Job Centre Plus (JCP) and the Skills Funding Agency (SFA) to operate in silo. The LGA believes by bringing employment, skills, apprenticeships and careers guidance services and providers into a one stop shop, it would result in a more coherent offer, improve outcomes for the unemployed / low skilled.

It would also support local economic growth by brokering partnerships between businesses and training providers so they can better address skills needs and support career progression. This would involve working with employers - both large and small - across a local area in partnership with LEPs and local chambers of commerce. **Local Labour Market Agreements could underpin the local offer**, setting out the ambition and strategy for employment and skills for all ages in every place, and acting as the basis for a deal between local areas and central government. The LGA will set out in the summer what this model could look like.

***Devolve the £10.5 billion employment and skills funding to groups of councils, and combined authorities.***

A **One place, One budget** approach will give democratically-elected local leaders working in partnership with businesses and local partners, the ability to integrate funds, develop a single, place-based strategy based on the needs of people and place, rather than separate institutions (JCP, SFA etc) enabling them to commission effectively for a steady supply of skills and jobs, reduce unemployment, and match opportunities to growth sectors.

There are other aspects of skills provision where greater local influence and

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<sup>4</sup> [Skills for future growth: tackling skills gaps and supporting growth, 2016](#)

involvement can provide long-term benefits to raising national productivity and economic output:

### *Careers advice*

With increasing education and training options, including the establishment of Institutes of Technology (IoTs) and apprenticeship reforms, the LGA welcomes the Government's recent announcement to set out its ambitions and plans later this year in a comprehensive careers strategy for all ages. Careers provision is complex and fragmented. In any one area, there are numerous providers: schools, colleges and several national agencies, including the National Careers Service, Careers and Enterprise Company, JCP and SFA delivering initiatives for different age ranges and groups. Coherence needs to be brought to a system which is meant to guide residents towards pathways to current and future jobs.

The LGA is calling for an all-age, locally commissioned careers service funded by central government. This would join up different parts of the careers guidance system and be based on local labour market intelligence so it is relevant to the skills needs of local employers and helps to support inclusive economic growth across the country. The [LGA principles paper](#) sets out what constitutes good careers guidance with councils having a commissioning role. We consider this must be available at key stages in a person's life, recognising people will need to reskill and upskill throughout their working lives to ensure their skills are still relevant to a fast-paced employment market.

### *Basic skills*

Nine million people lack basic skills like literacy and numeracy, while 13.5 million people lack digital skills which locks people out of the chance to work and build a career. This puts the UK 19<sup>th</sup> out of 34 OECD countries. The main fund which aims to improve adult's basic skills is the new £1.5 billion Adult Education Budget (AEB)<sup>5</sup> with £0.5 billion of it earmarked for entitlements including literacy, numeracy and digital training to help prepare people for life and work. While AEB consolidates the previous Adult Skills Budget, Community Learning and Discretionary Learner Support, it also represents a 48% cut in funding. Seven Combined Authorities will be responsible for their share of it. Areas without devolved AEB will work closely with LEPs and the Skills Funding Agency.

The LGA is pleased to be working with the Government on plans to devolve AEB, but this needs to work for all areas across England. With a funding envelope of this size, it is critical that:

- All areas have flexibility to target this resource to those who stand most to benefit;
- That we look to other channels – both public and private - through which people are able to improve their basic skills; and
- Interventions are aligned with other support to increase basic skills including via the European Social Fund, plus ongoing work through Area Based Reviews to support Further Education to deliver local priorities.

The LGA firmly support the reference to lifelong learning within the strategy and welcomes the Spring Budget announcement of piloting new approaches to encourage lifelong learning. This is especially important for adults who currently have little access to funding if they are looking to retrain and / or upskill. We look forward to exploring this avenue with the Department for Education.

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<sup>5</sup> [Skills Funding Agency, July 2016](#)

There is scope to develop community learning centres through investment in existing council services and assets, such as libraries and community hubs. These act as a focus for all forms of learning, so they are well placed to deliver the proposed community learning centre function. Libraries such as Tower Hamlets' Idea Store and Worcester's The Hive have been designed with dedicated space for group learning, and quiet spaces for individual learning, which are often at a premium in modern houses. These services have been found to have particular reach into ethnic minority and disabled groups<sup>6</sup>, providing an effective way to stimulate productivity across all demographics.

The LGA will seek further clarity from the Government on transition year plans to help 16 year olds achieve basic skills, especially given councils' role for Raising the Participation Age and in identifying those at risk of not being in education, employment or training.

### *Technical education*

The Spring 2017 Budget announced funding to increase the amount of training for 16-19 year olds on new technical education routes (T-Levels) by more than 50% to over 900 hours a year, including completing a work placement. Routes will be rolled out from 2019/20 starting with investment of £100m, rising to £500m pa by 2022 when all 15 routes are in place, replacing 13,000 qualifications. This simplification is welcome, and will redress the academic and technical route imbalance.

Institutes of Technology (IoTs) will also be established through a competitive bidding process rather than a more fundamental analysis of skills gaps and local economic needs of an area. The locally led Area Based Reviews have already undertaken skills analyses, which should feed directly into the design, commissioning and delivery of IoTs. Councils along with LEPs need to be fully involved in determining the suitability for their locality. They must serve to improve, rather than exacerbate, an already complex skills system which is hard to navigate, and has done little to gear skills supply with employer demand, or advance the skills levels of our upcoming or existing workforce. Councils have statutory duties for 16–19 year olds training so must be key to bringing partners together locally to plan effectively to avoid an oversupply of provision and to meet local economic need.

### *Digital skills*

New legislation being introduced through the Digital Economy Bill will mean that, where it is offered, basic, publicly-funded, digital skills training will be available free of charge to those adults in England who need it. The Government announced that this will in part be funded through AEB, but its funding envelope was set prior to the Government's new digital skills requirement, so it is unclear what analysis has been done to quantify how many extra people could be eligible for free training and whether there is sufficient funding to fulfil this. We also understand from recent announcements that the private sector is set to deliver free training.

The Government should ensure AEB has adequate additional funding to match this new commitment, and crucially, that it and other private sector initiatives align with other activity that councils already have in place to increase residents' digital skills training. This includes activity such as 'Universal Support delivered Locally' which enables residents to access Universal Credit online and other ESF initiatives.

In addition, many are working with the Good Things Foundation, formerly known as Tinder, to deliver and embed digital skills training and provision of advice in local

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<sup>6</sup> Taking Part 2016.17, Quarter 2 statistical release

<https://www.gov.uk/government/statistics/taking-part-201617-quarter-2-statistical-release>

library services, which already act as an accessible point of access for communities. Government's rollout of WIFI provision to over 92% of library branches has enhanced their capacity to deliver this. Many libraries also run 'google garages', code clubs and other digital training events for local businesses and residents, while a growing number provide access to key tools such as 3D printers to allow local businesses to take advantage of new technologies to grow and expand.

#### **4. Upgrading infrastructure**

Good infrastructure is key to enabling increased economic growth. Access to infrastructure such as energy, digital connectivity and transport contributes greatly to the productivity of private investment and an economy's competitiveness. Moreover, physical infrastructure plays a central role in meeting the needs of individuals and communities' ambitions including the ability to live in an affordable, good quality home that is reasonably close to their place of work.

However, we agree with the Government's assessment that the UK has a poor track record of infrastructure delivery and performance, which we believe is caused primarily by poor long-term national planning and budgeting, fragmented funding and lack of alignment at a national level between Government investment with local growth and housing needs. The creation of the National Infrastructure Commission is a good start and it is important that it effectively engages with local leaders in producing its national assessments of the country's infrastructure needs.

It is vital that Government works towards providing much greater funding and planning certainty and that investment is evidence based and based on the diverse and unique needs of our towns, cities and villages, as well as industrial and business estates. The greater funding certainty that our strategic roads and rail network now receive is important, however this needs to be accompanied by the same levels of certainty for Government funding for local infrastructure, otherwise there is a risk, for example in the case of roads, that significant public funding into the strategic roads network will prove counterproductive if the local network is less efficient.

As important as the need is to invest in upgrading the country's infrastructure, it is also vital that we maintain existing infrastructure. Minimising street works and preventing and repairing potholes quickly are also important in maintaining the efficiency of our roads network. Councils also play an important role in managing demand – sustainable travel, and encouraging greater bus use are alternatives that councils promote to ensuring roads have sufficient capacity for the needs of the local economy.

It is also essential that housing is seen both as a vital part of the country's infrastructure fabric and also as a driver and contributor to delivering better infrastructure, linking new and existing communities to places of work and leisure and each other.

Councils recognise that central Government funding will never be enough and so throughout the country they are working with businesses, developers and investors to secure private sector investment into local infrastructure and growth opportunities. Below we have set out a number of measures that will help increase private sector investment in local infrastructure as well as delivering better outcomes for local economies and communities.

#### *Capturing land value uplifts*

There is a significant opportunity to better shape land markets to leverage additional investment into infrastructure alongside housing development. Firstly it is important that the Government establishes a single clear, transparent and robust viability process and gives councils the tools to ensure developers build out sites at a given rate, so that developers are clear of their obligations when purchasing land. The current uncertainty means that often the most bullish developer can over pay for land knowing that they can negotiate minimum section 106 infrastructure and affordable housing contributions on viability grounds, which may also affect design standards and build out rates.

Secondly there is much more that could be done to capture the uplifts in land values to invest in forward funding infrastructure – this is the case in many other countries and will be piloted in London. Allowing councils to establish local development corporations with powers to capture land value is a welcome step, however the government should go further to explore other innovations, including amending the Land Compensation Act in ways that enable councils to acquire land through compulsory purchase order (CPO) at close to existing use value for sites that have been designated for infrastructure, including housing, through the local plan process.

#### *Allow the pooling of funds*

This could be delivered and encouraged through devolution deals, making it easier for local partners to secure the resources needed in order to bring forward development. There has been some good progress on this through recent devolution deals with emerging mayoral combined authorities, but more can be done so that people and businesses in all areas can benefit. Independent research reveals the maze of complexity in the Government's spending to support economic growth and regeneration, and it is still too fragmented and wasteful.

Independent research commissioned<sup>7</sup> by the LGA reveals that over £23.5 billion of identified planned spending on supporting growth and regeneration is spread across 70 funding streams, managed by 22 government departments and agencies, each with different objectives, timetables and rules. This makes it difficult to join up interventions and achieve economic growth and improve productivity.

The silo approach to funding, controlled by Whitehall, is not the answer to addressing the challenges and ambitions of local areas across England. The majority of funds identified are subject to little or no local influence or control to drive growth and create jobs. The research shows that this is the case for 63% of funding streams across most of England. For devolution deal areas, the figure stands at 52%. Further financial devolution would allow funds to be spent without restrictions and would give areas the ability to integrate or pool funding. This would enable councils, who understand their communities and places better than central Government, to better target tax-payers money to the needs of people and places.

#### *Commit to local growth*

While central government has shown some support, a long-term commitment to local growth must be at the heart of the infrastructure investment strategies of Government departments and arm's-length bodies. The industrial strategy identifies that long-term funding certainty is the best way to plan infrastructure investment. It highlights the certainty that has been given to the strategic road network and network rail. We support this approach. Longer term certainty will help

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<sup>7</sup> Is the grass greener...? [Fragmented Funding for Growth 2016/17](#), An independent report for the LGA

councils to develop longer-term relationships with the private sector, giving investors much more confidence in their own long-term investment plans and will also help drive further efficiencies, which are not always possible in short-term funding scenarios.

Councils feel that currently too much funding for local infrastructure remains reliant on short-term and competitive bidding processes in order to fund upgrades. For example, local roads account for 97% of roads in England but they do not have funding certainty as enjoyed by Highways England, who are responsible for the remaining 3% of roads that make up the strategic roads network.

Significant financial investment in the strategic roads network will prove counterproductive if the local roads that connect the strategic network are not working efficiently owing to insufficient funding. Currently £1.1 million per mile will be spent by Government over this Parliament maintaining national roads compared to £27,000 on local roads despite the fact that all car journeys start and end on local roads. It is estimated that there is currently a £12 billion maintenance backlog on the local road network. Ensuring that the current network is well-maintained and kept in a good condition should be just as much a priority as building new roads.

#### *Demystify local plans*

The National Planning Policy Framework (NPPF) and guidance sets out the weight that may be given to emerging neighbourhood plans in decision taking. However, more clarity must be provided about the weight attributed to them at every stage of their preparation, and any strengthening should come with assurances that neighbourhood plans will conform to existing planning law, housing needs and land supply.

#### *Simplify the Community Infrastructure Levy (CIL)*

It is important that CIL policy provides a clear way forward for the future funding of infrastructure, but its current complexities are unhelpful. The Government's Housing White Paper sets out measures to review the system for how developers contribute towards infrastructure and affordable housing through Section 106 and the Community Infrastructure Levy.

The LGA has argued that local communities are most likely to support development when it is accompanied with the supporting services and infrastructure that places need to prosper. Councils must be at the centre of models for bringing together infrastructure strategy and spending in ways that build homes.

We will contribute to the review on Section 106 and the Community Infrastructure Levy, which needs to be robust, clear, transparent and simple. Reforms should also offer absolute certainty in the obligations on developers to provide infrastructure and affordable housing contributions, in ways that reduce the risks of a developer overpaying for land.

The LGA has argued for innovation in infrastructure spending. The Housing Infrastructure Fund, announced in the 2016 Autumn Statement, will provide crucial opportunities for councils to deliver infrastructure-led housing. We will work with the Government on the detail of the programme, and will be keen that councils have maximum flexibilities to invest in the infrastructure needed locally to deliver housing. We want to take forward more ambitious approaches to forward financing infrastructure, such as through land value capture.

The LGA has called for greater tools to hold utilities companies to account when development is held up, including for digital infrastructure. We will push for reforms

to planning policy to support local authorities to have more meaningful discussions with broadband providers and help cement the link between digital infrastructure provision and new housing developments.

*Further actions on specific infrastructure:*

*Roads:* It is important that efforts to increase productivity and industrial output are not held back by bottlenecks in the performance of our roads infrastructure. Government's own traffic assessments forecast up to a 55% increase in traffic levels and an 86% increase in congestion levels on our roads by 2040. Whilst new capacity will help, it is not always the answer.

Keeping our roads clear of congestion through traffic management tools can help improve business productivity. The LGA has called for the discretion to: introduce a workplace parking levy, full implementation of the powers in Part 6 of the Traffic Management Act, and lane rental powers for street works. These relatively simple steps could achieve reductions in congestion without the need for more costly infrastructure investments.

It is also important to invest in infrastructure that can reduce air pollution. By investing in public transport infrastructure air pollution can be reduced. The LGA is engaging with the Government's work on clean air zones but we are currently concerned about the levels of resources that have been made available to local authorities in order to implement them.

*Digital:* Access to fast and reliable digital connectivity is a necessity for households and businesses across the UK. While the £400 million for a new Digital Infrastructure Investment Fund, at least matched by private finance, to invest in new fibre networks over the next 4 years, is good news, the Government must not lose sight of the needs of rural communities already struggling to receive a basic broadband service. To benefit non-metropolitan communities, businesses, and increase on local growth, this fund will need to encourage and help scale up smaller suppliers with the ambition to work outside better connected areas. The Government must also strengthen its Universal Service Obligation with a minimum download speed which rises with national averages, and obligations on suppliers to provide a minimum level of upload speed.

We are pleased that the Government has listened to the LGA's calls to trial 5G in non-metropolitan, as well as urban settings. Non-metropolitan areas have a vital role to play in driving the growth of our economy but can be held back by poor connectivity. By trialling 5G in rural areas, Government can better understand its rural replicability, and determine its potential to improve broadband and mobile coverage to the benefit of residents, businesses and crucial services like remote healthcare.

We must also not forget the many outside our larger cities who currently struggle to access 4G or even 3G technology. Local government is committed to exploring with the mobile industry, regulators and central government how best to ensure residents across the country can benefit from public investment in new technology, wherever they live.

Local government has already committed over £700 million through the Superfast Broadband Programme to help suppliers connect hard to reach residents.

*Flood defences:* The strategy proposes that standards of performance on flood defence infrastructure must be upgraded, including better alignment of central government infrastructure investment with local growth priorities. We welcome the recognition of the importance of investment in flood defences and the need for

infrastructure investment to be better aligned with local growth priorities. It is vital that investment in capital and maintenance is joined-up as part of a long-term approach to improving local flood defence and resilience infrastructure. Devolving capital and revenue funding for flood risk management projects into a single, place-based pot would allow local areas to support a more diverse set of outcomes and local priorities, including those to support growth.

Land drainage consent fees should also be set locally and councils' new statutory consultee role for surface water drainage should be fully funded. Funding for local flood risk management should be boosted by extending precepting powers and investing any surplus Flood Re levy into preventing damage before it happens.

As well as managing flood risk, it is also important that there is an effective plan for water infrastructure to support long term economic growth which recognises the need to move water around the country to meet future needs. Similarly changing climate could result in greater weather extremes on a more frequent basis which will have disproportionate impacts on different parts of the country and local economies

### *Housing*

We feel that housing and housing supply plays an important role in the future prosperity of our country and can help unlock growth and tackle the imbalances in economic fortunes and productivity that the Government and councils wish to tackle. It should be treated as a valuable part of the country's infrastructure base. In too many areas of the country there is an infrastructure funding gap that is stifling housing growth which in turn limits the economic growth potential of the area. This is where the National Infrastructure Commission can play an important role, making the links between housing development and investment into upgrading of our infrastructure networks – especially road, rail and digital.

'*Fixing our broken housing market*', the Government's recently published White Paper, includes some encouraging proposals that reflect the recommendations in the LGA Housing Commission report, such as removing the starter homes requirement and increasing funding for planning departments. Importantly, it emphasises building the right homes in the right places to meet our wider ambitions for communities. However, local government's ambition is much greater than the White Paper, which lacks substantive measures to support councils in enabling housing growth. The LGA will work with the Government to take forward proposals. We will continue to push for an ambitious vision that recognises local government's role in enabling additional housing, and in building the genuinely affordable homes that would resolve many of the challenges facing communities, the economy, and public services, and therefore ask Government to:

***Commit to urgent talks to consider how councils can rapidly build homes as a critical element of infrastructure that generates long-term financial returns.***

Government must view housing investment in the same way that local government does: as a fundamental part of infrastructure that adds to our asset base and expands our economy. We therefore need an open discussion of options that free councils from restrictions on their borrowing to build homes, such as removing Housing Revenue Account (HRA) borrowing from contributing towards national public debt.

***Provide local areas with the powers to replace every council and housing association home that is sold as quickly as possible.***

In return for building new homes councils should be able to retain up to 100% of Right to Buy receipts and the receipts from the sale of high value council houses, which should become

voluntary. If councils were enabled to replace every home sold through Right to Buy they would be able to build an additional 60,000 homes up to 2020.

***Provide flexibilities on the tenure of homes built from national investments and programmes and through local Section 106 agreements.*** A shift towards tenure flexibility would enable councils and housing associations to pump prime new development in ways that deliver more homes over the short term and better meet the diverse needs of communities. Starter Homes could be an important part of the local housing market but councils could maintain the flexibility to ensure the right mix of affordable housing products through Section 106 agreements.

***Ensure effective land supply.*** Land markets are critical to enabling house building and councils are playing a leading role in working with public and private landowners to bring forward development. With Government support, councils could continue to develop their and their partners' capacity and willingness to release land, and better understand land availability.

***Permit planning fees to be set locally by councils who should have tools to incentivise the delivery of housing sites with planning permission.*** Planning departments are significantly under-funded. The commitment in the Housing White Paper to increase planning fees by 20% will provide additional resources to fulfil duties and deliver homes.

## **5. Supporting businesses to start and grow**

Councils and LEPs do a significant amount to support start up and growing businesses, whether it's through planning advice or formal structures designed to support growth such as Growth Hubs. Growth hubs are local public/private sector partnerships led by Local Enterprise Partnerships (LEPs) that join up national and local business support so it is easy for businesses to find the help they need. It is important that any new interventions build on and complement any existing local arrangements such as Growth Hubs.

Alongside Growth Hubs, council regulatory services also play a critical role in helping businesses to start and grow, through the day to day provision of advice and guidance on relevant regulations and requirements. Council officers have the knowledge and experience to provide technical support to businesses in a range of areas, including food safety and hygiene, health and safety, consumer protection, import and export requirements. This helps them to meet regulatory requirements in a timely and cost-effective way, freeing up business time and resources.

The [primary authority scheme](#) is one way in which businesses can access this expertise at an extremely competitive price; the service is charged at cost recovery levels, significantly less than the market rate for equivalent consultancy advice. There are numerous examples of primary authority relationships saving businesses hundreds of thousands of pounds. However, this type of supportive approach is also replicated outside of primary authority structures through councils' relationships with smaller local businesses.

## **6. Improving procurement**

Councils spend some £58bn per year on procurement of goods, works and services and recognise the need to take a strategic approach, buying in bulk where appropriate but being smarter about how we commission major public services that affect the lives of millions of local people and how we commercially manage the suppliers with whom we contract.

We remain committed to improving our performance in procurement, to encourage innovation and get better value from our biggest suppliers, and to further streamline our processes for SME's.

Providing long-term certainty of funding for growth and infrastructure will enable councils to better plan their investment and commission and work with the private sector to deliver more innovative and cost-effective solutions. The Government's 'Action for Roads'<sup>8</sup> states "Stop-start funding stifles innovation and prevents different projects from linking together to make shared savings." This learning needs to apply to Government funding of local roads and infrastructure as well as national infrastructure.

Post EU exit there is an opportunity to introduce a streamlined public procurement regime which benefits local areas. Red tape burdens can be identified and potentially reduced. Introducing more local flexibility into the regime could mean savings for councils (and thus tax payers) and savings for business along with positive effects on local growth.

The LGA would welcome a dedicated innovation budget for English local authorities following the Welsh example outlined in the strategy. We believe that councils would be keen to encourage innovative solutions to delivery of products and services such as the examples given below.

Birmingham City Council, Budapest (Hungary), Castelló & Valencia (Spain) and Wrocław (Poland) are joining efforts to look for more sustainable energy solutions through a pro-innovation procurement approach. Under the umbrella of the EU-funded CEPPI project, these five cities will demonstrate that by selectively intervening in scheduled public tenders, energy consumption can be reduced. The goal of this 3-year project is to save at least 33GWh/year and to develop the capacity of public authorities to implement innovative procurement solutions for energy-related projects. The CEPPI Cities aspire to adopt a leadership role in their regions.

'Durham Smart County', a project launched in July 2016 sees Durham County Council joining forces with the local health organisations, the voluntary sector, the universities and private companies to identify specific health issues and then support companies as they come up with innovative products and services which will make a difference to people's lives. This is an innovative approach by a local authority, which sees it presenting a problem to the market and asking the market to be creative in developing solutions, rather than procuring defined solutions.

The Industrial Strategy makes no mention of the Public Services (Social Value) Act which requires public sector commissioners to consider social value within procurement processes and this can be a catalyst for encouraging innovation. In the two-year review of the Act, Lord Young highlighted the role of innovative approaches to delivering all aspects of social value which should be recognised.

We welcome Government's commitment to publishing new guidance for public buyers on how to drive innovation through procurement and would be pleased to work with Government to develop and co-produce relevant guides.

## **7. Encouraging trade and inward investment**

Securing post-Brexit trade deals with both European and non-European countries once the UK leaves the EU will clearly be a significant task for the Government.

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<sup>8</sup> [Action for Roads](#) – A Network for the 21<sup>st</sup> Century, July 2013

Domestically, strengthened sub-national economic identities underpinned by new and devolved approaches to integrated public service delivery provide an opportunity to embed a stronger place-based approach to trade and investment policy. Councils have a long track record of building successful European and international relationships. In recent years, these have secured trade and investment, boosted jobs and infrastructure and helped attract visitors up and down the country.

For example:

[Essex International](#), the international trade arm of Essex County, has facilitated the growing connections between businesses in Essex and China, for economic growth opportunities not only for Essex but the whole East of England region.

Through the [‘Kent International Business’ programme](#), Kent County Council has enabled businesses to travel to mainland Europe to make contacts in different international markets through trade missions, networking and trade fair stands.

[Make it Stoke-on-Trent & Staffordshire Inward Investment Service](#) works on behalf of Stoke-on-Trent City Council and Staffordshire County Council to attract inward investment. Staffordshire County Council, South Staffordshire District Council and Wolverhampton City Council, all worked closely with Jaguar Land Rover to secure a £335 million investment from owners Tata to build low-emission engines at its site in 2011. This managed to secure over 2,000 private sector jobs.

There is a strong local advantage, which the UK can harness to promote greater bilateral trade and investment flows. We welcome commitments in the Green Paper to improve the relationship between the Department for International Trade and local areas to better respond to local priorities and opportunities, alongside a willingness to look again at how inward investment success is measured. The experience and networks of local government must be used when it comes to the complex task of agreeing trade deals. This will ensure we secure the best deals for communities and local economies across the country.

At the micro level, [councils can support individual businesses seeking to trade internationally](#). Council regulatory services can provide technical regulatory expertise specifically geared to importing and exporting, thereby enabling access to international markets. The ability of local regulatory services to provide this expertise will increase in importance depending on the trade arrangements put in place once the UK leaves the European Union. Consideration should therefore be given as to whether there is a formal role for councils to play in supporting businesses to demonstrate the relevant assurances required to access certain trading relationships.

## **8. Delivering affordable energy and clean growth**

We agree that the Government should be taking steps to secure the country’s long-term energy needs and to limit costs to business. Councils also need long term clarity of funding and policy intentions over energy and clean growth. Many authorities had to significantly scale back long term renewable energy projects after changes to feed in tariffs.

Given the need for investment in new energy sources to meet emission targets and improve local authorities’ significant housing stocks, councils would welcome consideration of how government could set long term policy in this regard. The assessment needs to clarify whether the regulatory framework can act as a barrier for growth, in particular whether it inhibits smaller providers and developments.

As a significant user of energy, it is a key priority for councils to have a reliable price for the energy and to minimise the use of energy across the vast array of buildings that the sector owns and uses. Councils therefore have a direct stake in long term energy costs and cost saving from greater energy efficiency.

Councils are increasingly becoming directly involved in energy retailing through innovative schemes such as RobinHoodenergy and Peterborough Energy as well as acting as a collective broker through schemes like the Big London Energy Switch. Government should support local innovation and work with local government to enable local flexibility and share good practice.

The Government need to provide sufficient long-term policy certainty when supporting new low carbon technologies; otherwise this risks rapid dis-investment in the UK, such as that experienced by the renewable energy industry when the Government changed policy on Feed-in-tariffs.

## **9. Driving growth across the whole country**

While the principles set out in the industrial strategy are sound, it is clear that the UK's exit from the EU is going to have a significant impact on English local government, creating challenges that will need to be addressed, but also opportunities to do things differently. As such, the Government's approach to delivering its industrial strategy should recognise that many in England feel disconnected from both the benefits of growth and the programmes designed to support increased productivity.

In line with the offer to each of the Devolved Administrations, English local government must have a role in helping shape the strategy at a national level not simply because they are an important part of creating the conditions for growth at a local level, but because councils have a key role to play in connecting local residents with the benefits and opportunities of national growth and investment.

Additional investment in infrastructure such as transport and digital connectivity is a step in the right direction. In light of the challenges ahead the Government should open the door to more ambitious forms of fiscal devolution, allowing local leaders to work with communities and businesses and make targeted infrastructure investments in support of future and existing growth.

The Government is right to note the economic potential of rural and non-metropolitan areas, but too often infrastructure investment follows the path of least resistance. In order to address this challenge the Government should work with councils to develop a tailored approach to supporting growth that meets the specific needs of more rural areas. The recent decision to trial 5G in non-metropolitan, as well as urban settings, is a good start. And importantly the rural economy and land use, agriculture and tourism can all bring a strong local dynamic to growth and the rural economy

It is encouraging that the Green Paper recognises the need to consider successor arrangements for EU Funding, but more detail and timescales are required. Local areas in England have been allocated £5.3 billion in EU regeneration funding by 2020 to create jobs, build infrastructure and boost local growth across the country. Central government needs to work with local government to develop a UK regional aid scheme which replaces all of this EU regeneration funding and gives local areas more say over how it is spent after Brexit.

The importance of public skills investment and provision cannot be underestimated, equally local government believe that significantly more can be done to improve

performance and efficiency by devolving employment and skills services to councils. Local authorities are best placed to work with local businesses and providers to ensure provision matches the local needs of jobseekers and employers, and that public investment in skills is focused on supporting increased economic growth and improved productivity.

We need a national industrial strategy which places a strong emphasis on the unique contributions of different places to address the economic and productivity imbalances across the country, by significantly boosting the devolution of tax-raising powers. Devolved areas with robust governance and accountability structures should be provided with the necessary freedom to bring forward proposals for the devolution of such specific tax raising powers.

## **10. Creating the right institutions to bring together sectors and places**

### *Working with local areas*

Britain's departure from the European Union presents an opportunity to examine a wide range of European law, and this should include a systematic review of the role public sector expenditure can play in supporting local and national supply chains. There cannot be a presumption that repatriated powers will stop at Whitehall, but instead should be devolved to local areas. Local government has a key role to play in attracting inward investment that takes account of the assets and opportunities of local areas.

As Britain enters a new chapter in its trading relationship with the rest of the world this cannot be left to Whitehall trade negotiators, but must harness the expertise and leadership found at the local level. Departure also presents new opportunities to think radically about the design of a 'UK Regional Aid' funding regime that better supports local innovation and integration with other sources of growth related investment such as retained business rates.

Devolution has the potential to significantly enhance the provision of employment and skills programmes, driving growth and better connecting public services with the needs of local residents and businesses. While the LGA will continue to work with the Government to strengthen the capacity of Mayoral Combined Authorities, devolution cannot simply be restricted to deals for our largest cities. The Government needs to work with local leaders across the country, including in rural and non-metropolitan areas, to ensure the ability to determine local approaches to investment and public services that support inclusive growth is available to all who call for it.

In particular, the government's preference for the Mayoral Combined Authority model as a condition for significant devolution risks excluding large parts of the country, particularly non-metropolitan and rural areas, from accessing these important levers of growth and weakening local institutional leadership. If the government genuinely recognises the need for local initiative and leadership then it should be prepared to work with local councils and support them in the creation of institutions that pass Whitehall's tests for devolved governance while going with the grain of long standing local governance arrangements.

Local growth will only happen if we also create communities where people want to live, as well as work. Supporting local cultural and sporting institutions not only attracts inward investment from international businesses but, over a longer period, can inspire and equip young people with the skills and imagination to create their own businesses. This strand of thought needs further development in the strategy, although its inclusion is both valuable and necessary. We look forward to working

with Government and drawing on the experiences of Liverpool and Hull, among others, who have demonstrated the economic value of events such as EU Capital of Culture and UK City of Culture.

### *Strengthening local institutions*

We are working with the Higher Education Funding Council for England and Universities UK to strengthen collaborative leadership between the higher education and local government sectors and would call on the Government to recognise and support innovative cross-sector approaches to strengthening place based leadership such as this.

In line with a place based approach to growth it may be useful to explore the potential to better align institutional investment with the infrastructure needs of local economies. For example, by examining the relationship between more successful higher education establishments and their surrounding communities and the relative disconnect between the significant capital investment potential of universities and that of local councils.

Long-term sickness costs UK businesses £3.1 billion a year; only 41% of employees are operating at peak physical level and 29% are unable to concentrate at work due to poor health. The country needs to create a place-based health system to allow for an enhanced focus on prevention activities.

The Government has said it will work with local government to review how to bring more business expertise into local government. Local areas already provide economic and business leadership, whether this is through Local Enterprise Partnership chairs, council leadership, or council portfolio holders. Councils throughout the country already lead on creating innovative and long-term public/private partnerships with leaders in the developer and investor industries to unlock local growth. We hope that responses to the Green Paper will demonstrate the advantage of strengthening existing local arrangements rather than inventing new roles, such as a modern Alderman, which risk causing confusion.

We have previously called for a review of the role Local Enterprise Partnerships can play in supporting local growth, particularly in light of research demonstrating the high level of fragmentation of growth funding. As key partners, councils must have a stake in this process. Responsibility for any future government funding for local growth, such as the Local Growth Fund, should sit with combined authorities and councils. This will enable business leaders of Local Enterprise Partnerships to focus on providing hard-edged strategic business advice and influencing national economic strategy.