

# Local Government Association

## House of Commons debate on the Industrial Strategy

18 April 2018



### Key messages

- As we leave the European Union, the Government's industrial strategy provides an opportunity to drive the creation of a successful, world-leading economy. We welcome the strong focus on place as one of the five foundations of productivity and the building block of local industrial strategies.
- We are committed to working with businesses, Local Enterprise Partnerships (LEPs), and partners to develop ambitious strategies, many of which will need devolved powers and budgets in order to deliver benefits to local communities.
- In order to see UK-wide growth all areas need to be able to draw on the right powers and adequate funding to deliver successful and inclusive economies. Currently, more than £23 billion of public money is spent on growth, regeneration and skills spread across 70 different national funding streams and managed by 22 government departments and agencies.
- If we are to have a successful, modern and globally competitive economy, one which enables everyone to succeed, it is essential that the industrial strategy recognises the different strengths and opportunities that each area brings and the vital contribution of local government.
- In particular, skills initiatives will only work if they are planned and coordinated locally with other initiatives to target training of the current and future workforce. Research shows that if the skills gap is not addressed we risk 4 per cent of future economic growth – equivalent to a loss of £90 billion economic output.
- Councils have a unique understanding of their local economies and responsibility for key levers of local growth, including strategic infrastructure planning, land use planning and strong partnerships with business and other public sector leaders. They have an important leadership role in developing local industrial strategies.

# Briefing

### Background

#### *Skills*

Urgent action is required to solve our growing skills crisis. By 2024, we will have four million too few high skilled workers and eight million too many intermediate and low skilled workers to fill the jobs the national economy will generate.<sup>i</sup> Failure to address this puts at risk up to 4 per cent of future economic growth – equivalent to a loss of £90 billion economic output, which would make the average worker £1,000 a year worse off.<sup>ii</sup>

New national initiatives such as skills advisory panels, technical levels, and a national retraining programme, seek to address the growing skills crisis. These schemes will only work if they are planned and coordinated locally to target training of the current and future workforce.

Our skills crisis is partly due to a succession of top down Whitehall initiatives which have failed to address local needs. This has created a confusing patchwork of £10.5 billion skills and employment funding scattered across 20 different national schemes.<sup>iii</sup>

We need a high performing and well-coordinated employment and skills system which is responsive to the needs of employers and local areas if we are to address skills gaps. For the industrial strategy to be a success, all local areas need greater freedom and funding from central government to target retraining and upskilling support of the current workforce and ensure young people are trained for the jobs of the future.

*Careers Strategy: making the most of everyone's skills and talents* was published in December and aims to support people of all ages make the right choices to acquire the skills and qualifications to pursue a career. The LGA has called on the Government to use the strategy to develop a coherent, all-age, locally commissioned careers service funded by central government.

### *Apprenticeship Levy*

More than £1.28 billion of funds collected through the Apprenticeship Levy is sitting unused in National Apprenticeship Service accounts, according to new data analysis commissioned by the Open University.<sup>iv</sup> One year on from the introduction of the Apprenticeship Levy, organisations have paid in more than £1.39 billion but only withdrawn £108 million.<sup>v</sup> Employers are struggling to fully utilise the funding. Any review of the Apprenticeship Levy must enable local areas to pool Levy contributions and have the ability to use these contributions, so provision can be planned and targeted more effectively across places. We want to work with the Government on the detail of this.

### *Infrastructure*

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. Too much funding for local infrastructure remains reliant on short-term processes in order to fund upgrades. For example, local roads account for 97 per cent of roads in England but they do not have funding certainty.<sup>vi</sup>

Encouraging steps have been taken to provide greater flexibility through the Transforming Cities Fund which has allocated funding directly to mayoral combined authorities. In order to realise the ambitions of the industrial strategy more funding has to be allocated in this way to authorities across the country.

Significant financial investment into the strategic roads network risks being counterproductive if the local roads that connect the strategic network are not operating efficiently. It is estimated that there is currently a £12 billion maintenance backlog on the local road network.<sup>vii</sup> 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. The Major Roads Network has the potential to help by providing additional funding for local roads. However, it is important that this funding is provided on a predictable and consistent basis to local authorities and that local authorities are given flexibility to use the funding for maintaining the capacity of the existing network as well as providing new and extended capacity.

It is important to invest in public transport infrastructure which can help reduce air pollution. The LGA is working with the Government on clean air zones and the announcements of the implementation fund for the Clean Air Plan and the Clean Air Fund will provide a boost to local resources to tackle air quality hot spots. It is important that these investments are easily accessible for affected authorities and accompanied by robust national action on transitioning to low emission vehicles.

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 significant reductions in congestion alongside large infrastructure investments.

### *Housing*

Increased housing supply is a national ambition shared by local government and is central to the country's future economic wellbeing. Our national housing shortage is one of the most pressing issues we face. The last time this country built more than 250,000 homes a year, councils built more than 40 per cent of them. If we are to get back to building 300,000 homes a year, then the Government needs to ensure councils in all areas of the country are given greater freedom to borrow to build new homes. For reference last year there were 217,350 net additions, including 183,570 new build homes.<sup>viii</sup> Housebuilding by councils at scale would boost local economies and productivity, it would reduce housing benefit spending and homelessness, put Right to Buy on a sustainable footing, and create revenue generating assets for communities.

New homes must be accompanied by the necessary infrastructure and services, which support strong and healthy communities. Devolving housing and infrastructure funds would help by enabling councils to join up investments that more effectively target unmet demand.

### *Digital connectivity*

Extending excellent digital coverage across the country is key to ensuring all residents and businesses have access to 21st century digital connectivity. While investment in 5G technology is welcome, many outside our larger cities currently struggle to access 4G or even 3G technology. Non-metropolitan areas have a vital role to play in driving the growth of our economy but are being held back by poor connectivity. We encourage the Government to fund trials of 5G in rural areas, to better understand how it could work in rural areas and determine its potential to improve broadband and mobile coverage to the benefit of residents, businesses and crucial services like remote healthcare.

The provision of full fibre connectivity across the country will be a vital to ensure residents have access to fast and reliable connectivity. We are pleased local areas will be able to access funding to help catalyse the market to extend coverage. For those residents who won't be reached by full fibre connectivity for some time, the LGA has called for the Government to be more ambitious on the proposed speeds and scope of the Broadband Universal Service Obligation. A proposal that only aims to provide a guaranteed minimum download speed of 10Mbps to those it reaches and leaves approximately 60,000 premises unserved cannot be the limit of the Government's ambition.

### *Sector deals*

The industrial strategies announced several sector deals between the Government and industry to tackle sector specific issues and boost productivity, employment, innovation and skills. Councils and LEPs throughout the country are already engaged in supporting specific industries that are of strategic importance to their areas. It will be important that sector deals build on existing engagement, relationships and support.

Although the Government has not yet responded to the tourism industry's sector deal bid, there is a clear recognition of the sector's £126.9 billion contribution to a thriving economy. The tourism sector and visitor economy is a growing industry and is a success

story of which we can be proud. It is also a sector that will be effected significantly by leaving the EU. It is right the sector is given the support offered by a sector deal.

The LGA welcomes the Government's review of export strategy as an opportunity to do things differently. Whilst there are positive relationships between national and local agencies providing export support to business, there is still a need to improve the offer and create flexibility in the system to meet local needs. A new approach must better utilise the expertise of local authorities and further embed stronger place-based approaches to trade and investment that integrate support at a local level.

### *Local industrial strategies*

Local industrial strategies provide a fresh opportunity for the Government, business leaders, universities and local councils to forge new, powerful relationships with each other, for the benefit of local residents, as well as underlining the need for new devolution deals across the country. Local industrial strategies need the leadership of local government. They will fail without it. For areas outside of Mayoral Combined Authorities, councils need to feel confident that their contribution is recognised. Without that, local industrial strategies will not work.

The review of LEPs is an important opportunity to secure an even stronger partnership between business and public sector leaders. The Government has recognised the potential for reform and as key partners in the drive for inclusive growth, councils keen to play an active role in this process. LEPs are local partnerships and growth strategies will rely on the strength and quality of local leadership. They will fail without the involvement of councils.

Critically, the review must serve to support inclusive growth in all places. It is essential that councils from both metropolitan and non-metropolitan areas play a full part in the review and explicit consideration be given to ensuring the ambitions of local leaders for prosperity and productivity outside the Mayoral Combined Authorities can be supported both financially and through access to the powers over transport, skills and housing, that all places need to thrive.

### *Devolution deals*

The announcement of the first new devolution deals in nearly two years is encouraging and will benefit those living in the North of Tyne region and the West Midlands. Many more such deals are required to allay the growing sense of stalled progress and missed opportunities across much of the country. The longer it takes to secure new devolution deals, the longer communities will have to wait to benefit from the opportunities currently available to areas where devolution has taken place. These include having greater powers and funding to improve local transport, housing, health and social care and to equip local people with the skills they need to secure employment and prosper.

The prospect of new town deals has the potential to reverse the impression that the process of devolution has stalled. Local leaders are ambitious for their communities and want to make the most of local opportunities, but must have the buy-in of central government for plans to succeed.

For those areas without deals there is now the risk that these areas will be left behind, with councils unable to play an adequate leadership role in the development and delivery of their local industrial strategy. This is now a significant challenge that risks undermining the Government's ambition to bring prosperity and productivity to all parts of the country.

The Government needs to engage in an honest and open debate about the best form of governance able to foster thriving local economies across the country, including non-metropolitan areas, to ensure that opportunities for inclusive growth are not lost. This would be aided by providing further detail on the proposal for a common devolution framework as soon as possible.

### *Growth funding*

LGA research shows that more than £23 billion of public money is spent on growth, regeneration and skills which is spread across 70 different national funding streams and managed by 22 government departments and agencies. Too much central government funding remains subject to competition.<sup>ix</sup> This creates uncertainty, confusion, wastes public money and creates unnecessary delays in getting projects off the ground. It also inhibits councils' efforts to lever in private sector investment. The Government needs to consolidate and devolve funding and responsibility to local areas to enable councils and businesses to work together to help create sustainable, cohesive and successful communities in all parts of the country.

A £8.4 billion UK-wide funding gap for local communities would immediately open up from the point we officially exited the EU, unless a viable domestic successor to EU funding is in place.

EU funding has been utilised by local authorities, LEPs, businesses and the community and voluntary sector to support local level growth plans. It is a vital source of revenue and capital funding and has supported thousands of beneficiaries through schemes to create jobs, support small and medium enterprises, deliver skills, build infrastructure and boost local growth in all types of areas across the country.

### Procurement

Councils in England spend over £55 billion per year on procurement of goods, works and services.<sup>x</sup> They recognise the need to take a strategic approach to how we commission major public services that affect the lives of millions of local people, and how we manage the suppliers with whom we contract. Local government remains 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 small and medium-sized enterprises (SMEs).

After the UK leaves the EU, there is an opportunity to introduce a streamlined public procurement regime which benefits local areas. A lighter-touch system which simplifies existing processes, and provides more flexibilities to promote local growth, is needed so that councils can procure to shorter timescales and lower administration costs for businesses, especially SMEs.

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<sup>i</sup> [Work Local](#), LGA, July 2017

<sup>ii</sup> *ibid*

<sup>iii</sup> *ibid*

<sup>iv</sup> <http://www.open.ac.uk/business/apprenticeships/blog/apprenticeship-levy-one-year-on>

<sup>v</sup> <http://www.open.ac.uk/business/sites/www.open.ac.uk.business/files/files/apprenticeship-levy-one-year-on.pdf>

<sup>vi</sup> <https://www.local.gov.uk/parliament/briefings-and-responses/lga-response-major-road-network-proposal-19-march-2018>

<sup>vii</sup> <https://www.local.gov.uk/about/news/lga-responds-aa-report-roads-funding>

<sup>viii</sup> DCLG Live tables on house building: <https://www.gov.uk/government/statistical-data-sets/live-tables-on-house-building>

<sup>ix</sup> The LGA commissioned independent research that identified a proliferation of numerous non-place based funding streams, managed by different Whitehall departments and agencies, many of which are subject to competitive process, create greater uncertainty, wasted bureaucracy and poor value-for-money (LGA / Shared Intelligence, 2014), (LGA / Shared Intelligence, 2016)

<sup>x</sup> <https://www.local.gov.uk/about/news/lga-simplify-eu-rules-over-how-councils-buy-goods-and-services-after-brexid>