

Debate on the growth strategy for the UK

House of Commons

21 January 2020



KEY MESSAGES

- Across the UK all regions face distinct challenges to achieving economic growth in the future. These include lower than expected levels of productivity, shortages in the right mixture of homes, insufficient transport and digital infrastructure and a mismatch between skills provision and employer demand. Many of these challenges have persisted despite intervention from Whitehall. In order to unleash growth local areas across England must now be given greater control and investment.
- Devolving power to councils will be the key to building local economies. Policies such as the enhanced Towns Fund and Local Industrial Strategies (LIS), took a positive step towards recognising the importance of local leadership and of councils as key partners in driving sustainable growth. The National Infrastructure Commission has further recommend that councils should have 'stable, devolved infrastructure budgets'.ⁱ This is the most effective way for them to deliver improvements quickly in a way that complements local growth strategies.
- National policy developments have recently indicated a shift away from a focus on LIS. Councils have invested significant resources in the development of LIS and it is important that future growth policy takes account of this work and is developed within a coherent national framework backed by significant local devolution.
- The UK Shared Prosperity Fund (UKSPF) represents the ideal opportunity to empower communities to drive economic growth, increase prosperity and productivity and tackle deep rooted inequalities. Delivery of such change can best be achieved through a locally determined fund that operates alongside other funding the UK Government provides to help boost economic growth.
- By devolving the skills and employment system we could better match supply with employer demand. The LGA's *Work Local* proposals sets out a vision for a localised service, which would enable communities to design an offer customised to the individual need of their area. New research shows that not meeting the skills needs of employers could lead to a potential loss of £120 billion in economic output by the end of the decade.ⁱⁱ
- The UK Government will be looking to renew its trading relationship with the world. Councils are well placed to help attract new business investment into communities and drive exports, particularly from small and medium sized enterprises that might fall through the gap of existing support structures. The LGA looks forward to working with the new Government to ensure that the expertise of local government can best be harnessed.

Briefing

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Background Information

Industrial Strategy & LIS

Recent national policy developments have suggested a reduced focus on the Government's commitment to agree a Local Industrial Strategy with all Local Enterprise Partnership areas across England by March 2020. The future of the proposals arising from the LEP Review are equally uncertain with a number of geography issues remaining unresolved and with no indication to date from the new Government on the future of the LEP Review and related policy proposals.

Councils have expended significant resources on the development of these strategies on the basis that they provide a comprehensive local evidence base to inform decisions relating to future growth funding and devolution. It is crucial that future growth policy, including the UKSPF, takes account of the work councils have done on LIS.

The process of agreeing a Local Industrial Strategy provides a strong basis for a successful relationship between local and central government. It also underlines the need for a place-based growth agenda, underpinned by a coherent national framework and backed by local devolution.

National Infrastructure Strategy

The Government has promised a National Infrastructure Strategy. This needs to implement the recommendations of the National Infrastructure Commission. Specifically, that councils should have 'stable, devolved infrastructure budgets, as Highways England and Network Rail have', which would mean providing councils with a funding allocation in advance for five years.ⁱⁱⁱ This is the most effective way for us to deliver transport infrastructure improvements quickly in a way that complements local growth strategies.

The success of the Superfast Broadband Programme, run by councils in partnership with broadband providers, has set an important precedent for how public money can be successfully used to fill coverage gaps in the commercial market. To meet its commitment to gigabit capable broadband for all by 2025, the government should draw on the success of this model and ensure councils can use their experience and local knowledge to hold broadband providers to account and secure greater value for money for local residents

It is important that Government works with the LGA and councils to deliver on its infrastructure commitments.

Broadband

Access to fast and reliable digital connectivity is a key ingredient for growth as well as a necessity for all communities. The Government's commitment to amend legislation so that all new build homes are required to have the infrastructure to support gigabit-capable connections is positive.

The Telecommunications Infrastructure (Leasehold Property) Bill which will create a cheaper and faster 'light-touch' tribunal process for telecoms companies to obtain interim code rights (or access rights) for a period of up to 18 months, is an important piece of enabling legislation and the LGA looks forward to working with Government to develop the detail of how this process might work in practice.

The LGA has welcomed the Shared Rural Network (SRN) as a positive step forward. However, the mobile network operators must be held to account on their coverage.

Independent analysis of coverage has revealed patchy access, high dropped call rates and not-spots in areas where coverage data provided by Ofcom and mobile operators reports

excellent signal. The coverage used to judge the success of the SRN should match consumer experience on the ground. Otherwise the public subsidy to these proposals will not achieve value for money and deliver for communities desperate for better mobile coverage.

Investment in towns

In July 2019, the Prime Minister announced an enhanced £3.6 billion Towns Fund as part of the Government's commitment to 'levelling up' different regions and ensuring that communities across the UK can benefit from shared prosperity. This included a further £1 billion for new Town Deals to deliver improved connectivity, support for better land use, skills and enterprise infrastructure as well as an additional £325 million for the Future High Streets Fund.

The LGA welcomed the Towns Fund but its prospectus and other announcements to date make limited reference to how it will align with existing local growth policy such as LISs or the Government's emerging proposals for English devolution. Similarly, the prospectus does not detail how the fund will align with other funding streams beyond referencing that additional funding for Town Deals 'may come from other sources or parts of government'.

Skills

There are already significant geographical skills challenges including shortages of higher-skilled technical and vocational workers which hamper economic growth. We must do more to provide people with the skills to take up these jobs. Our exit from the EU, digitalisation, the gig economy, and extended working lives will further transform the economy, bringing different opportunities and challenges to specific sectors such as construction and social care, which will vary across the country.

New programmes such as the National Skills Fund and recent initiatives such as the National Retraining Scheme, the Apprenticeship Levy, and the introduction of technical levels seek to address these challenges. The Government will need new policy levers to ensure these different initiatives focus and join up at the front line of delivery in local places. Councils are the natural partners of Government to join up support so we can make the best of the current system.

Brexit is an opportunity to improve the current centrally-governed skills and employment system, which sees £10.5 billion a year spent by eight government departments or agencies across 20 different national schemes.^{iv} We need a reformed and devolved skills and employment system to better match skills supply with employer demand.

The LGA stand ready to support the Government to deliver a more place based approach to skills planning. The LGA's *Work Local* proposals offer a ready solution that would enable local partners to work with central government to design an offer customised to individual need and bring together reformed careers advice and guidance, employment, skills, apprenticeships and business support for young people, adults and employers. We estimate that, in a medium-sized Combined Authority a *Work Local* model could lead to an additional 8,500 people leaving benefits, an additional 6,000 people improving their skills and additional fiscal benefits for a local area of £280 million per year, with a benefit to the economy of £420 million.

A new report, commissioned by the LGA, further estimates that not meeting the skills needs of employers could lead to a potential loss of £120 billion in economic output by the end of the decade.^v The research by the Learning and Work Institute (L&W) reveals that by 2030 there could be 5.1 million low-skilled people chasing 2 million low-skilled jobs and 17.4 million high-skilled jobs with only 14.8 million high-skilled workers.

Trade

Councils are uniquely positioned, with a deep knowledge of local economies, powers over local infrastructure planning and a strong track record of building connections with communities across the globe.

As the UK renews its trading relationship with the world councils are ready to help attract new business investment into communities and drive exports particularly from small and medium sized enterprises that risk falling through the gap of existing support structures.

Given the vital role that councils could play, the International Trade Select Committee has recommended that local government should have a voice in all aspects of the trade policy process. The LGA agrees and looks forward to working with the new Government to ensure that the expertise and strong international links of local government can best be harnessed as the UK enters into any future trade negotiations.

Funding from the European Union currently underpins significant levels of local activity to promote trade and investment and the development of the detail to the UKSPF is key.

UKSPF

One of local government's biggest priorities in preparation for the UK's exit from the EU has been securing the domestic replacement for the European Structural and Investment Fund (ESIF). The ESIF provides England with £5.3 billion of funding. It is vital that its replacement is of, at least, the same value.

The UK Shared Prosperity Fund (UKSPF) is the ideal opportunity to empower communities through councils, Combined Authorities and their local areas to drive economic growth, increase prosperity and productivity and tackle deep rooted inequalities. Delivery of such change can best be achieved through a locally determined fund that operates alongside other funding the UK Government provides to help boost economic growth in local areas and which is at least the same quantum as under ESIF. There is an urgent need to consult with local areas and ensure that there is not a funding gap between the end of EU Structural Funds and UKSPF.

Devolution

All regions face distinct challenges to future growth. These include lower than expected levels of productivity, shortages in the right mix of homes, insufficient transport and digital infrastructure and a mismatch between skills provision and employer demand. Many of the challenges are long standing and have persisted despite intervention from Whitehall. A one-size fits all approach to supporting growth and rebalancing the economy is therefore insufficient to meet the needs of individual places.

The UK's departure from the EU gives central and local government an opportunity to rethink the way decisions are made in the UK. Where EU laws are repatriated to the UK, it cannot mean leaving Brussels only to consolidate power in Whitehall, Holyrood, Cardiff Bay and Stormont. Instead, the UK's departure from the EU must lead to further powers for local communities through local government.

Devolution to mayoral combined authorities has already demonstrated the potential of giving local leaders greater powers and funding to support more effective place-based approaches to growth, particularly in transport and housing. Despite these positive developments, there has been a notable reduction in the momentum behind the devolution agenda. A new localism settlement is now needed to move beyond specific deals to a package of sustainably-funded, locally-led public service reform that is available to all of English local government.

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- ⁱ https://www.nic.org.uk/wp-content/uploads/CCS001_CCS0618917350-001_NIC-NIA_Accessible.pdf
- ⁱⁱ <https://www.local.gov.uk/centralised-skills-system-could-leave-six-million-people-behind-2030>
- ⁱⁱⁱ https://www.nic.org.uk/wp-content/uploads/CCS001_CCS0618917350-001_NIC-NIA_Accessible.pdf
- ^{iv} <https://www.local.gov.uk/centralised-skills-system-could-leave-six-million-people-behind-2030>
- ^v <https://www.local.gov.uk/centralised-skills-system-could-leave-six-million-people-behind-2030>