

**From:** Mark Dance, Cabinet Member for Economic Development  
Barbara Cooper, Corporate Director, Growth, Environment and Transport

**To:** Growth, Economic Development and Communities  
Cabinet Committee – 22 March 2017

**Subject:** **BUILDING OUR INDUSTRIAL STRATEGY GREEN PAPER - BRIEFING**

**Classification:** Unrestricted

**Past Pathway of Paper:** None

**Future Pathway of Paper:** None

**Electoral Division:** All

**Summary:**

The green paper *Building our Industrial Strategy* provides an opportunity for KCC to comment on government's proposals to promote growth and productivity across the country. This briefing note provides an overview of the green paper and identifies some areas that are likely to be of particular interest to local government and KCC. A consultation response is being prepared and will be approved by the Corporate Director for Growth, Environment and Transport, relevant Cabinet Members and the Leader before being submitted to government.

**Recommendation:** The Growth, Economic Development and Communities Cabinet Committee is asked to **NOTE** the briefing on the green paper and the development of a KCC response to the government consultation.

**1. Introduction**

- 1.1 The green (consultation) paper *Building our Industrial Strategy* was launched by the Prime Minister on 23 January. Developing 'a proper industrial strategy to get the whole economy firing' was one of the Prime Minister's early commitments, and it will form part of the 'Plan for Britain' which Government wants to put in place to manage the effects of Brexit and the wider issues highlighted by the vote to leave the EU.
- 1.2 Much of what is in the green paper had been previously announced, including in the Autumn Statement 2016, which focussed strongly on addressing the country's productivity gap and rebalancing economic disparity.
- 1.3 The green paper states that 'The objective of our modern industrial strategy is to improve living standards and economic growth by increasing productivity and driving growth across the whole country.' It sets out three key challenges that the Industrial Strategy must address:

- Build on our strengths and extend excellence into the future;
- Close the gap between the UK's most productive companies, industries, places and people and the rest; and
- Make the UK one of the most competitive places in the world to start or grow a business.

1.4 A set of consultation questions have been posed to gather feedback on the green paper and help government shape the Industrial Strategy. The response deadline is 17 April 2017.

1.5 This paper provides a briefing for GEDC Cabinet Committee members on the green paper, some issues of particular interest, and plans to prepare a KCC response to the green paper's consultation questions.

## 2. The green paper

2.1 The green paper identifies that the major barrier to economic success and prosperity in Britain is our level of productivity. Productivity per person is around 75% of the US average and also significantly lower than in France and Germany. The green paper is more explicit than government has been before in acknowledging the regional disparities in productivity across the country.

2.2 The green paper goes on to diagnose the country's deficits that are contributing to the productivity challenge and which the Industrial Strategy must address. For example, we invest less pro rata in research and development than other OECD averages, our basic and technical education is weak, the provision of infrastructure is slow and disjointed, and lack of finance and support for businesses to scale up is holding back business growth.

2.3 The green paper is arranged into ten pillars that government believes are important to drive forward the industrial strategy across the entire economy. These set out programmes and investments that have already been put in place by government, with some new proposals and commitments for the future. An overview of the key activities and commitments referenced under each of the 10 pillars is provided in Appendix 1.

2.4 Of the ten pillars:

- Two are **direct drivers of growth**
  - Investing in science, research and innovation
  - Cultivating world-leading sectors
- Five are **enablers of growth**
  - Developing skills
  - Upgrading infrastructure
  - Supporting businesses to start and grow
  - Improving procurement
  - Delivering affordable energy and clean growth
- Two are **geographies of growth**
  - Encouraging trade and inward investment (international)

- Driving growth across the whole country (local)
  - One is about **leadership of local growth**
    - Creating the right institutions to bring together sectors and places
- 2.5 Responses to the green paper from organisations representing businesses, politicians, think tanks and organisations representing local government have been broadly positive. The focus on rebalancing the economy across local areas has been particularly welcomed. However, many commentators are of the view that the green paper is underwhelming. It sets out problems and challenges that are already well-known, contains a lot of previous announcements and a smaller number of ideas for the future, some of which are not fundamentally different from what has been proposed before. It also lacks detail on its new proposals and commitments. This lack of detail could present stakeholders including local government with an opportunity to genuinely shape government's plans for the Industrial Strategy.

### **3. Issues of particular interest for local government**

- 3.1 The green paper covers a broad range of issues and proposals. Some of the pillars are likely to be of particular interest for local government, and ones which we plan to address in KCC's consultation response.

#### Developing skills

- 3.2 Skills development is a core element of the green paper, suggesting that it will be at the heart of the Industrial Strategy. This has been broadly welcomed, although many of the proposals had already been announced in the recent Skills Strategy.
- 3.3 Proposals include action to improve basic skills, a new system of technical education, boosting STEM (science, technology, engineering and maths) skills including through new Institutes of Technology, identifying sector-specific skills gaps, providing high quality careers advice and new approaches to lifelong learning.
- 3.4 Organisations representing further education have commented that the proposals will do little to resolve the problems in the sector without significant further investment, particularly into colleges. The LGA has called on government to give councils greater control over skills provision and employment support. £10.5 billion of skills and employment support is commissioned nationally across 20 different schemes, which they argue is failing to meet the needs of the local economy. Local councils and their partners know their local areas and are best-placed to understand current and future skills needs. This may be one of the issues raised in the green paper where local government could call for a stronger role than is suggested. For example, KCC has produced the Workforce Skills Evidence Base which identifies key issues across 12 sectors that are important to the county. We have set up a number of guilds to support these sectors in partnership with the public and private sectors.

3.5 The development of Institutes of Technology (IoTs) is backed up with a commitment of £170 million of capital funding for their creation. There is little detail so far on how these will work in practice and where they will be placed. One of the commonly cited problems with technical education is the complexity of the system, so it is hoped that IoTs will act to simplify it rather than adding another layer. The LGA will work with government on the development of IoTs and will call for local commissioning, giving businesses and training providers control over what is delivered to meet local needs.

#### Upgrading infrastructure

3.6 The green paper reaffirms previous commitments to increase rates of public investment in infrastructure including the National Productivity Investment Fund which will provide £23 billion of spending between 2017-18 and 2021-22 on housing, transport, digital communications, and also research and development. There is also a commitment for an additional £1.1 billion for local roads and transport. The Lower Thames Crossing is one of the road infrastructure projects specifically named for investment.

3.7 The focus on providing long-term funding certainty for infrastructure has been welcomed. However the LGA have estimated that there is a £12 billion backlog on maintenance of local road networks. They argue that ensuring the current network is kept in good condition is as much of a priority as building new roads and this should be reflected in government's plans.

3.8 Similarly, the commitment to invest £400 million in a new Digital Infrastructure Investment Fund to boost local full fibre broadband rollout and the development of 5G mobile technology has been welcomed. The LGA continues to call on government not to lose sight of the needs of rural communities who are already struggling to receive a basic broadband and/or mobile service. Government recognises the work KCC is undertaking in delivering broadband infrastructure, particularly in rural areas, so our comments on these proposals will be particularly valuable.

3.9 There are commitments in the infrastructure section to improve local involvement in infrastructure policy and allow better joining up between local growth needs and national infrastructure investment, which is positive. KCC has already developed the Kent and Medway Growth and Infrastructure Framework, which better aligns infrastructure investment in transport, community infrastructure and utilities with our local growth priorities as well as those of government. We are the first area in the country to take this approach. This could help to counter the assumption in this section that better joining up of local growth needs and national investment is reliant on city deals, growth deals, and mayoral devolution deals. This assumption does raise some questions over how government will work more closely with areas that do not have combined authorities or elected mayors in place.

#### Driving growth across the whole country

3.10 The section on driving growth across the whole country is likely to be of specific interest to local government as it focuses some of the green paper's earlier proposals into specific commitments to work with local areas to boost local growth and productivity.

- 3.11 This section includes previously mentioned commitments to create new funding to unlock growth in areas where infrastructure and connectivity is holding it back, including the £2.3 billion Housing Infrastructure Fund. There are commitments to work with local areas to test approaches to improving skills where they are particularly low, including through improvement of early years education, the retention of graduates and measures to drive uptake of apprenticeships. New funding streams will be developed to support R&D and science and innovation in local areas, outside of the traditional 'golden triangle' of London, Oxford and Cambridge. Government intends to work with local areas to identify and develop industrial 'clusters' of businesses and support local specialisms.
- 3.12 This section raises two points for local government and KCC that are echoed throughout the green paper. Firstly, there is an assumption that the South East and London as a whole do not experience many of the growth and productivity challenges that other areas of the country face, including low skills, limited access to funding for businesses, poor graduate retention, poor transport connectivity etc. Kent does not follow this pattern in many cases, for example our GVA and skills levels are lower than the regional and national averages. There is therefore a potential concern that in seeking to rebalance the economy, areas in the South East such as Kent could be left out of government's new funding and initiatives to improve growth and productivity, particularly given the current bias towards supporting the North. There is a role for local government to ensure that local areas with significant needs are not overlooked and that a tailored approach is taken.
- 3.13 The second point is that there are a number of proposals in the green paper that local government could be well-placed to deliver or be involved in, which government has not acknowledged. Utilising the capacity, skills and knowledge of local councils is one way in which government could meet their aim to drive growth across the whole country. For example, councils can play a key role in gaining a comprehensive understanding of skills gaps, facilitating business-to-business and peer-to-peer support for entrepreneurs and businesses that want to scale up and the early identification and support of high-growth firms. Local government could also play a key role in helping businesses come together to form 'Sector Deal' proposals to government.

#### Creating the right institutions to bring together sectors and places

- 3.14 In the final pillar of the green paper, government talks about the opportunity that the Industrial Strategy presents to ensure that the right institutions are in place at national and local level to identify emerging areas of strength and develop targeted policies and investments to support them. This section will also be of particular interest for local government. There are further references here to devolution, although there is still a bias towards cities.
- 3.15 New commitments include the Department of International Trade reviewing how it identifies priority investments and how they can make an impact in local areas where productivity needs to catch up. There is also a commitment to review the location of government agencies and arms-length bodies including cultural institutions and consider relocating them where they could potentially support private sector growth and make places more attractive to people and businesses. Local councils will need to play a role in the decision-

making process if agencies and organisations are to be relocated into local areas.

- 3.16 This section includes a commitment to review the role of Local Enterprise Partnerships (LEPs) in supporting local growth, particularly in light of research demonstrating the high level of fragmentation of growth funding. LGA is calling for responsibility for future funding for growth including the Local Growth Fund to sit with councils.
- 3.17 Finally, government wish to work with councils to review how to bring more business expertise into local government. One of the most talked about ideas is the creation of a modern 'Alderman' type of role within Local Government. Councils already provide economic and business leadership in their local areas and lead on creating private/public partnerships to unlock local growth. The LGA is calling for the strengthening of existing local arrangements rather than the creation of new roles which could risk causing confusion.

#### Other issues that KCC's response will cover

- 3.18 **Supporting business to grow**  
Improving access to finance for businesses looking to grow is a central commitment in this section. However, there is nothing about the significant role that councils play in this. In the last four years, KCC has allocated £55m in loans and equity including through the Regional Growth Fund to help businesses grow and create jobs. We are now looking to recycle funds back into more businesses. KCC's response will highlight the important role of councils in supporting business to start up and grow.
- 3.19 **Improving procurement**  
This section is about stimulating innovation and growth through government procurement, improving procurement processes and making it easier for UK business, including SMEs, to compete. One of the proposals is for Government to start gathering supplier feedback and make it available to public purchasers, which is intended to help build the reputation of smaller and newer providers. Government has set a target to ensure a third of its total procurement spend is with small businesses by 2020 (directly and indirectly through supply chains) and all departments now have small business plans. However, there is nothing in this section about local government procurement, the role it can play in stimulating growth and whether some of the innovations and improvements being planned for central government could be shared with local government. This is an area where KCC will wish to comment.
- 3.20 **Encouraging trade and investment**  
In this section Government has set out proposals to take a more active approach to developing trading relationships and promoting international investment. This includes joining up trade and investment promotion with local areas, which will be essential to utilise the significant knowledge and experience of councils. These are important priorities for KCC where we are already making an impact. For example, we recently commissioned some research by Kent Business School which assessed the trade development needs of Kent businesses, and this will help to shape the work of local

partners, including the Department for International Trade. We will also use it to give evidence to the Trade Select Committee that KCC has been invited to attend. Our new inward investment services contract with Locate in Kent will scale up activity significantly over the next three years.

### 3.21 Delivering affordable energy and clean growth

This section is about transitioning to low-carbon in a way that minimises costs to businesses and domestic consumers. There is a commitment to develop a long-term road map to minimise business energy costs. The proposals here resonate well with the priorities of our Kent Environment Strategy, including the new LOCASE programme which will help businesses to keep costs down and transition to a low carbon economy. We will therefore be able to provide information about our existing work in these areas in our response.

### 3.22 Cultivating world-leading sectors

Government has identified a number of sectors that it intends to provide particular support for, including life sciences and the arts and creative sector. This plays to Kent's strengths as these are important sectors in our local economy and we will use our knowledge and interest in these sectors to inform our response to this section. At the same time, a number of other sectors account for a significant proportion of our county's employment, and will continue to need support, particularly to ensure that the appropriate skills are developed going forward. These sectors include manufacturing, construction, retail, tourism and hospitality, logistics, finance and business services and health and social care. Government also still intends to produce the much delayed '25 year plan for food and farming' (indeed, the only reference in the green paper to the farming sector) which will be particularly relevant to Kent and which we will want to influence.

## 4. KCC's consultation response

4.1 KCC will submit a response to government on the consultation. This is being coordinated by Strategy, Policy and Assurance and will be developed using views and evidence provided by colleagues in Economic Development, Environment, Planning and Enforcement, and Skills and Employability.

4.2 The response is currently being developed and will aim to answer all of the relevant consultation questions. It will include those issues outlined in section 3.

4.3 Responses are also being prepared by South East Local Economic Partnership, Kent and Medway Economic Partnership, Business Advisory Board, Thames Gateway and some of Kent's District and Borough Councils. While KCC's response will focus on our own views and experiences, officers working on the response will liaise with these other organisations where appropriate to see if there are opportunities to align and strengthen the response to government. There may also be opportunities to link in to national responses including through County Councils Network.

4.4 The response will be approved by the Corporate Director for Growth, Environment and Transport, relevant Cabinet Members and the Leader before being submitted.

## 5. Recommendation

### 5.1 Recommendation:

The Growth, Economic Development and Communities Cabinet Committee is asked to **NOTE** the briefing on the green paper and the development of a KCC response to the government consultation.

## 6. Background Documents

Green paper, *Building our Industrial Strategy* -  
<https://www.gov.uk/government/consultations/building-our-industrial-strategy>  
23 January 2017

LGiU policy briefing, *Building our Industrial Strategy: The local government role* - Members only update, available on request  
22 February 2017

Local Government Association, *Britain's Industrial Strategy Briefing*  
[http://www.local.gov.uk/web/guest/briefings-and-responses/-/journal\\_content/56/10180/8200978/ARTICLE](http://www.local.gov.uk/web/guest/briefings-and-responses/-/journal_content/56/10180/8200978/ARTICLE)  
27 January 2017

Appendix 1 - Overview of the 10 pillars of the green paper *Building our Industrial Strategy*

## 7. Contact details

### Report Author

Karla Phillips  
Strategic Business Advisor  
Strategy, Policy and Assurance  
[Karla.phillips@kent.gov.uk](mailto:Karla.phillips@kent.gov.uk)  
03000 410315

Jenny Dixon-Sherreard  
Policy Adviser  
Strategy, Policy and Assurance  
[jenny.dixon@kent.gov.uk](mailto:jenny.dixon@kent.gov.uk)  
03000 416598

### Relevant Director

Barbara Cooper  
Corporate Director, Growth, Environment and Transport  
[Barbara.cooper@kent.gov.uk](mailto:Barbara.cooper@kent.gov.uk)  
03000 415981



## **Appendix 1 – Overview of the 10 pillars of the green paper *Building our Industrial Strategy***

### Investing in science, research and innovation

*“We will become a more innovative economy and do more to commercialise our world leading science base, delivering new technologies and driving growth throughout the UK”*

Commitments include:

- Substantially increasing investment in research and development including an additional £4.7 billion of funding by 2020-21 and the creation of the ‘Industrial Strategy Challenge Fund’ which the Budget announced for the Fund’s first wave will cover clean and flexible energy, robotics and artificial intelligence, and leading edge health care and medicines, supported by an initial investment of £270 million for 2017-18.
- Substantially increasing our strategic capacity including through the creation of UK Research and Innovation to bring together research councils and later-stage innovation funding. Other proposals include improving how we translate research into commercial outcomes by better supporting universities to do this, creating new funding streams to capitalise on innovation in local areas (outside of the ‘golden triangle’ of Oxford, Cambridge and London) and ensuring that Britain develops and attracts top academic talent for an innovative economy.

### Developing skills

*“We will build a proper system of technical education, and boost key skills in science, technology, engineering, maths and digital proficiency, to ensure people have the skills employers need now and in the future”*

Commitments include:

- Action to improve basic skills and the creation of a ‘proper’ system of technical education which will provide clear, high quality, demanding vocational education routes delivered by high quality providers with excellent teaching. Much of this has already been set out in the 16+ Skills Plan.
- Addressing specific skills shortages, particularly in STEM subjects (science, technology, engineering and maths). £170m of capital funding is being provided to create Institutes of Technology to deliver higher education in STEM subjects and meet the skills needs of employers in local areas. Sector-specific skills gaps will also be addressed.
- Improving careers guidance through the publication of a new comprehensive careers strategy, and exploring approaches to encouraging lifelong learning particularly to support people in industries at risk of decline.
- Working with local areas to look at factors that affect skills including improve pre-school education, new schemes to support the retention and attraction of graduates, and measures to increase the take up of apprenticeships.

### Upgrading infrastructure

*“We will upgrade our digital, energy, transport, water and flood defence infrastructure, and join up central government investment and local growth priorities more effectively”*

Commitments include:

- Higher rates of public infrastructure investment including creation of the 'National Productivity Investment Fund' (NPIF) which will be targeted at four areas that are critical for improving productivity: housing, transport, digital communications, and research and development (R&D). The NPIF will provide for £23 billion of spending between 2017-18 and 2021-22. Investment in roads includes for the Lower Thames Crossing. There will also be £400 million investment in digital infrastructure (full fibre broadband and 5G mobile technology) and £170 million for flood defences.
- Supporting private sector infrastructure investment and making infrastructure costs more competitive.
- Better matching infrastructure to local plans, using infrastructure to support local growth. This includes a new £2.3 billion Housing Infrastructure Fund to support the development of infrastructure where it is needed to support local housing growth. Future rounds of infrastructure investment will be planned to rebalance spending per head between different regions. Other commitments in this section would be dependent on devolution deals or the creation of regional strategic transport bodies.

#### Supporting businesses to start and grow

*"We will support businesses and entrepreneurs across the UK, to ensure they can access finance and wider support to grow, and have the right conditions for companies to invest long-term"*

Commitments include:

- Improving access to finance for businesses looking to grow, addressing problems that UK businesses face in accessing long-term investment. A new Patient Capital Review will be led by the Treasury to understand the barriers. Government will also provide further backing for institutions that can catalyse private sector equity investment including the British Business Bank.
- Improving support for scale-ups and entrepreneurs including the development of peer-to-peer networks, using government data such as VAT returns to identify and support fast-growing firms and a review into entrepreneurship to identify and roll out best practice in supporting entrepreneurs. £13 million of funding will be provided to the Productivity Council to provide leadership and business-to-business advice to raise productivity.

#### Improving procurement

*"We will ensure public procurement drives innovative new products and services, strengthens skills, develops UK supply chains and increases completion by creating more opportunities for SMEs"*

Commitments include:

- Stimulating innovation through procurement including through new guidance for public buyers.
- Supporting economic growth through better procurement, which means using the 'balanced scorecard' approach which ensures that UK-based suppliers are in the best position to compete for government's biggest capital project contracts. Government has committed to ensure that one third of its

procurement spend is with SMEs by 2020. To achieve this, government will reduce bureaucracy and trial the gathering of supplier and product feedback to provide evidence for public buyers, which can encourage greater consideration of less well-known SMEs. There are also specific opportunities around procurement for defence and health.

#### Encouraging trade and inward investment

*“We will make Britain a global leader in free trade, including promoting and supporting UK exports, building future trading relations and create a more active approach to winning major overseas contracts”*

Commitments include:

- Building future trading relationships, in a post Brexit world, including with Canada, China, India, Mexico, Singapore and South Korea.
- Creating a more active approach to winning overseas contracts using a ‘Team UK’ approach which clearly demonstrates the collective UK offer. There are also commitments to improve targeting of potential exporters using behavioural insight and HMRC data.
- Continued support for great.gov.uk which is a digital platform that matches supply and demand to help UK firms promote their goods and services to international buyers and search for export opportunities.
- Joining up trade and inward investment promotion with local areas, with teams dedicated to individual areas including the Northern Powerhouse and southern England, working with local leaders including LEPs. This mostly involves supporting local trade missions. Government want to learn from areas such as London that measure the success of inward investment through the growth that it produces.

#### Delivering affordable energy and clean growth

*“We will keep energy costs down for businesses, build the energy infrastructure we need for new technologies, and secure the economic benefits of our move towards a low-carbon economy”*

Commitments include:

- Creation of a long-term ‘roadmap’ to minimise business energy costs, informed by a review of the opportunities to reduce the cost of achieving decarbonisation including greater energy efficiency and supporting reductions in the cost of off-shore wind. There is a suggestion that government subsidies to support new markets for energy technologies could end, in order to ensure that ‘competitive markets’ provide the energy needed.
- Changes to energy infrastructure including smart meters, work on low emission vehicles and exploring hydrogen fuel technologies across heating, energy storage and transportation. Government will review the case for a new research institution for work on battery technology, energy storage and grid technology.
- Harnessing the industrial opportunities from new energy technologies, for example a strong UK supply chain is being developed to deliver the construction of Hinkley Point, and in turn investment in nuclear skills is upgrading our capacity and skills in this sector.
- An Emissions Reduction Plan will be published during 2017.

### Cultivating world-leading sectors

*“We will build on our areas of global excellence and help new sectors flourish, supporting businesses to take the lead in transforming and upgrading their industries through sector deals”*

Commitments include:

- Challenging all sectors to upgrade through ‘sector deals’ where businesses in a particular sector will be asked to collaborate with local leaders and universities to produce a proposal for boosting the productivity of their sector to address challenges such as promoting competition and innovation, facilitating long-term investment and increasing exports. Government can increase the prospects for success by, for example addressing a regulatory issue, promoting the creation of new technology or helping to address market access barriers with other countries. There may be new opportunities when the UK leaves the EU and is no longer bounded by State Aid restrictions on the support that government can give to businesses.
- Supporting emerging sectors that are too small to have sectoral institutions by gaining an understanding of the issues facing them and agree actions.
- Building on existing sector relationships including with the automotive and aerospace industries and roll out strategies for working with a range of other sectors.

### Driving growth across the whole economy

*“We will build on local strengths and address factors that prevent areas from reaching their full potential, by investing in infrastructure projects, increasing skill levels and backing local expertise”*

Commitments include:

- Backing local connectivity with strategic infrastructure investment through additional funding, and working with local areas to address skills gaps, as explained in previous sections.
- Investing in local science and innovation strengths by creating new funding streams for research and development in universities across the country, as also previously explained

### Creating the right local institutions

*“We will create strong structures and institutions to support people, industries and places to maximise local strengths, including reviewing the location of government bodies and cultural institutions”*

Commitments include:

- Working with local areas to identify and help develop industrial and economic clusters of businesses and local specialisms, putting in place the right institutions with the right powers to help support local areas of economic strength.
- The Department of International Trade will review how it identifies priority investments, looking at the impact it will have in local areas where productivity needs to catch up.

- The Cabinet Office is reviewing the location of government agencies, arm's length bodies and cultural assets that make a place attractive and will consider relocation to support local growth
- Government review into leveraging government and research council laboratories to drive local growth (including whether surplus government land or buildings could be used to support innovative businesses around them)
- Support networks of universities where they want to come together to support commercialisation
- Work with British Business Bank and ScaleUp Institute to understand and address weakness of venture capital funding and entrepreneurship networks outside the South East
- Review how to bring more business expertise into local government, which could include the creation of a modern 'Alderman' role.
- Explore further devolution deals for largest cities and work with the LGA to build administrative capacity in new Mayoral Combined Authorities, e.g. in transport planning and economic development, suggesting seconding Whitehall officials to cities.
- Work with LEPs to review and strengthen their role in delivering local growth and examine spreading best practice for local areas.