

From: Mark Dance, Cabinet Member for Economic Development

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To: Growth, Economic Development and Communities Cabinet Committee
– 3 July 2018

Subject: Developing a Kent and Medway Enterprise and Productivity Strategy:
Progress Update

Classification: Unrestricted

Past Pathway of Paper: N/A

Future Pathway of Paper: N/A

Electoral Division: All

Summary

Improving standards of living across Kent and Medway well into the future is the purpose of the Enterprise and Productivity Strategy. It will look at how local authorities across Kent and Medway, working with other public and private organisations might help businesses to grow here, to move here, and to thrive here. It will also look at how to raise the productivity of the county's economy within a fast-changing technological environment as far ahead as 2050. The Growth, Economic Development and Communities Cabinet Committee meeting on 21 November 2017 endorsed the proposal to develop it through a Leader's working group of elected members.

This paper also sets out the range of experts, businesses, and Kent and Medway partners, the group will use to look at the shape of the county's future economy and standards of living.

Recommendation

The Growth, Economic Development and Communities Cabinet Committee is asked to note the progress made to date and next steps.

1. Introduction

- 1.1 It is innumerable commercial decisions and decisions of innumerable customers which build a free enterprise economy. It is largely privately developed technology which increases productivity but so do other things, such as social factors, the state of infrastructure and the local environment.
- 1.2 Government, at whatever level, in this case at county and district level, is seldom entrepreneurial because that is not its main role. Nonetheless, it can affect how the economy does (or does not) develop, and it can sometimes take a longer view than the demands of balance sheets and shareholders may allow.
- 1.3 This strategy is going to take that longer view, 30 years forward. It will talk to businesses and academics, technologists, national and local government and

the people of Kent about how they see themselves, further and further out towards the middle of the century. It is also going to look at how Kent County Council, working with its districts, Medway, and other public-sector organisations including colleges, universities, schools and healthcare institutions can help to improve their residents standard of living.

2. Getting the facts

- 2.1 We are identifying better ways of measuring and understanding standards of living to provide stronger evidence with which to develop the strategy. There are no reliable long-term economic forecasts for the UK which describe standards of living. The best known measure, Gross Domestic Product (GDP), values goods and services produced but not really how *well* people are living. This is because it does not account for unpaid activities including housework, childcare, and volunteer/community service. Neither does it take into account the distribution of wealth, changes in quality of life, nor changes in quality of goods. It is also an inadequate measure for service-based economies like Kent rather than manufacturing-based economies.
- 2.2 We have also been looking at how Local Enterprise Partnerships and local authorities in sub-regional areas like the Northern Powerhouse and Midlands Engine have been developing long term economic growth strategies. Some are clearly bidding documents hoping to get funding from Government, others look to the longer term, and most make the case for local change and reform. There is however considerable variation in their quality and depth of evidence. A summary of some of the principal lessons is included at appendix a. Local Industrial Strategies require a much deeper assessment of why low wages become entrenched alongside low skills and low rates of productivity, as well as the role of the higher-wage, higher productivity sectors. We need to find a Kent shaped answer to this question.
- 2.3 If the study is to be more than a parlour guessing game, we need to get real evidence about how the forces within the economy will move it through the years. During the summer we shall be getting that evidence from a variety of sectors which will continue to be significant in the economy and from local authorities and other public service providers through a call for evidence.

3. Talking to the sectors

- 3.1 Members of the Group are looking at several sectors so that they can become informed on those parts of the economy. They include:
- 3.2
 - a. Technology - robotics; artificial intelligence (AI);3D printing; Internet; biotech
 - b. Construction – modular; offsite
 - c. Tourism and service industries
 - d. Rural affairs - farming and rural business
 - e. Town centres – retail, other businesses and social use
 - f. Transport – driverless vehicles; public transport
 - g. Energy - green; nuclear
- 3.3 Technology's influence spreads across all of these from robot social care to satellite controlled tractors and the home manufacturing possibilities of 3D printing. It changes very fast, but the next big thing is often predictable, sometimes quite far ahead. We intend to call on experts in these areas for help

in understanding the potential application to Kent business, and the role the public sector can play in facilitating that.

- 3.4 We will also be inviting Kent and Medway's young people, in their schools, colleges and universities to develop ideas for the strategy. The centrepiece will be an essay competition for 18-26 year olds telling us what they think Kent should look like at the peak of their careers.
- 3.5 The skill and education those young people and their successors get will be critical to this study. We will be examining how the future workforce will make itself ready for the new economy and in particular, as the education authority, what the county council, together with the schools, colleges, and universities can do to influence this.

4. Government and public bodies

- 4.1 Government will be an important part of the work, and the Business Secretary Greg Clark has said he would be glad to meet the group in Whitehall or Westminster or Kent. The strategy will be complementary to the government's Industrial Strategy (published on 27 November 2017), which aims to boost the UK's productivity and maintain high employment. This is linked to earning power and so to the country's living standard. It describes five drivers of productivity (***ideas, people, business environment, infrastructure and place***), and sets out new investment and policy ideas. It particularly plans for a rapidly changing future of technological advances. There are four 'grand challenges' – ***artificial intelligence and data; clean growth; future of mobility; and innovation to support an ageing society***. The government's aim is to put the UK at the forefront of industries of the future. Local Industrial Strategies and sector deals are tools put forward by the government to help local economies make the best of their strengths and challenges.
- 4.2 How local public service organisations across Kent and Medway (including Kent County Council), can promote enterprise and productivity will be carefully analysed. So, will a possible post-Brexit future version of the Regional Growth Fund. We shall also be looking at how we can bend other policies of national and local government to the purpose. These considerations will be raised with the government, ideally through the Business Secretary but also through our collective local authority leadership. We must look too at what the nature and power of local authorities might be in the increasingly remote future.
- 4.3 This strategy is as much about what we can do differently locally as it is about action and investment from the government. We recognise that a wide range of local (and national) organisations can affect standards of living, productivity and enterprise. It is these organisations to whom we will be talking during the summer. What they say will be an important part of the evidence on which we base the strategy. We will ask them about:
 - a. an alternative set of measures which deals with how ***well*** people live, to help identify priority areas for the strategy;
 - b. the analyses of differing parts of Kent's economy to help identify the strengths on which the strategy should build;
 - c. advances in digital technology across different sectors and how they can support business in Kent;
 - d. what support is offered to different types of business, and what more we could do within the public sector to create favourable conditions for growth

5. Timing and next steps

- 5.1 Through this call for evidence and subsequent local workshops, the strategy will be developed jointly by business and public organisations across Kent and Medway from the bottom up. It will need strong leadership from civic leaders of all the local authorities of Kent and Medway. In our timeline (appendix B) we also propose using a combination of the Growth Environment and Economic Development Cabinet Committee; the Kent and Medway Economic Partnership and the Leader's working group to ensure regular engagement and input. That timeline also highlights the stages of strategy development and the main activities we will be taking forward.
- 5.2 Because of its scope, this is a year-long project and our aim is to publish an agreed strategy by summer 2019. A dedicated officer, Johanna Howarth, Deputy Director of Economic Development, has been assigned to it. We propose to come back to the Cabinet Committee in the autumn with news about the evidence we have gathered.

6. Recommendation

- 6.1 The Growth, Economic Development and Communities Cabinet Committee is asked to note the progress made to date and next steps.

7. Background Documents

Appendix A: Lessons from other places economic development strategies

Appendix B: Kent and Medway Enterprise and Productivity Strategy Timeline

8. Report Authors

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Appendix A: Lessons from other places economic development strategies

There are lessons that can be learnt from places like Greater Manchester and London which have been at the forefront of evidence-based policy making. They have been successful in attracting more funding, investment and devolution from Government and business. These include:

- developing an evidence led approach is a long-term project that takes time and consistency of aspiration to create an environment where evidence is asked for, created, and acted upon;
- technical knowledge is important in the development and use of evidence, but it is only through the use and right type of engagement that buy-in is achieved from a suitably wide range of organisations and individuals;
- taking the opportunity to get the views of others, particularly with an independent viewpoint, be they from academia, business, local or national Government should be welcomed;
- establishing a narrative that effectively conveys the thrust of the evidence in a way that is accessible and engaging to as wide an audience as possible;
- evidence based policy making should address the negative as well as the positive findings. Findings which show that historic approaches do not work, or that new proposals are flawed are just as valuable as positive findings.

Places that have demonstrated evidence-based policy making combined with strong collective governance over wider economic geographies have benefitted from financial rewards. For example, Greater Manchester were the first to make the case for innovative funding models like 'Earnback'. That model allowed the 10 authorities to recoup up to £30m a year from central Government from raised business rates on a payment by results basis. The funds were recycled and reinvested in further infrastructure. They have gone on since then to make the case that the metropolitan areas suffer from poorly designed national models of skills provision and public service delivery that are unable to optimise worker employability and productivity. Similarly, in London, through the functions and funding devolved (for example transport, housing, health and care) the Greater London Authority and Mayor are able to make decisions with increasing autonomy from national Government.

Appendix B – Kent and Medway Enterprise and Productivity Strategy Timeline



