

## **District Councils' Network response to the UK Industrial Strategy Green Paper**

The District Councils' Network welcomes the opportunity to respond to and provide input into the UK Industrial Strategy Green paper.

The District Councils' Network is the national voice of district councils representing 200 district Councils in England. District councils play a key role in driving growth, prosperity and economic development across the country. As the planning and housing authorities for 67% of England by area, we provide the right environment for housing and economic growth, supporting businesses to flourish. We work with our communities to develop vibrant and thriving city, town and village centres. Districts are leading efforts to drive efficiency, innovation and local growth and stand ready to play a key role in working to achieve the aims set out in the Industrial Strategy.

Districts are the DNA for local growth with our core competencies and unique skills providing a sustainable ecosystem for people and businesses. This already underpins much of what the Industrial Strategy Green Paper is seeking to achieve for the whole of the UK. By collaborating locally we can compete globally to reposition the UK's economy in a pre and post Brexit world.

We stand ready to further our existing role in support of Government goals across Functioning Economic Areas, but in order to achieve our full ambitions in support of local and national prosperity we require the Industrial Strategy to promote:

1. Industry competition leading to collaborative and innovative sector growth
2. Encourage clusters of excellence
3. Support for leading edge technology and innovation
4. Support for industry specific education.

District councils are the most efficient, valued and trusted part of government. We are flexible and adaptable, able to move and change at speed and the strand of local government that is closest to its communities while having the scale, leadership and influence to make a real difference where it counts.

- District councils are at the heart of delivering the 'doorstep' issues that matter to communities.
- Districts provide Civic Leadership for our residents and businesses
- District councils are positive about the future. We have much to offer, and are ready to deliver.
- District councils are committed to working with our partners and government to deliver national growth and prosperity. We are integral to the UK's future prosperity.

Our response to the Green paper is in two sections. The first section sets out our overall view of how the Governments ambitions for an Industrial Strategy to support all areas of economy must be underpinned by a flexible, local approach to growth which unleashes the potential for local economies nationwide by recognising the central role that local authorities

can play in supporting local economies. The second half of our response focuses on the detailed questions of the green paper which are relevant to district councils role in supporting local growth.

### **The central role of district councils in promoting growth**

District councils support growth both through their economic development function and as the local planning authorities in district areas. District councils have a proud record of success in supporting growth in their local economy, but to fully unlock the potential in our local areas, we must be given access to more freedoms. Our contribution to local growth is substantial, but we can do more and we want to do more. For example as exports become more important in balancing the UK trade deficit many of the vital UK export assets sit in a District council localities such as ports (Dover), airports (Stansted, Gatwick), road infrastructure, housing development and Universities such as Cambridge and Oxford.

District councils are the closest level of local government to communities and employers, and we are best placed to understand how housing growth relates to and is balanced with local employment needs of those companies looking to invest, expand or locate to an area. In seeking to build more homes in a locality, Districts are mindful of the type and tenure of homes needed to go hand in hand with the employment requirements of the industries, businesses and key infrastructure employers.

Within our area's the national priorities of economic growth, health and social cohesion come together to create a collaborative network of innovation that promotes the health and wellbeing of our local communities and delivers housing and economic growth to increase national competitiveness in today's global economy

Our strong track record and importance to the local growth agenda is clear. For example

- 40% of the total number of active enterprises are in District areas
- Districts account for one in three of the total number of births of enterprises in England.
- Districts host 37% of the total number of apprenticeships in England.
- Working age employment rate is higher in District areas compared to the England and London borough average.
- The average unemployment rate in District areas is lower than the average for England.
- District Councils on average approve 90% of planning applications which is higher than London Boroughs, Unitary Authorities and higher than the national average in England
- Enable one out of every two homes built nationally
- Districts account for around 51% of the total number of affordable housing completions in England

In order to improve the national productivity gap that the green paper identifies, local, regional and national solutions are required. This must supported by an overall strategy that leaves no local economy behind and which allows all areas to realise their potential. There can be no one size fits all solution to generating growth in a local area, instead the

Government must be bold in devolving the powers and tools that district councils need to build on their successful record of promoting growth.

### **What do our localities need?**

The DCN would call on the Government to ensure that the following recommendations form a central part of the final Industrial Strategy.

### **Shaping Local growth**

**Strategic partnerships must reflect the way in which people live their lives and any new Industrial Strategy must be rooted in the principles of people and place. It needs to be mapped around functional economic areas, housing market areas and travel to work areas so they are the most appropriate scale that relate to people and businesses**

Districts have demonstrated a clear appetite for devolution and have seen this as a way to deliver a step change in growth for their regions. In a recent DCN Membership survey respondents cited the better alignment of growth and skills agendas and increased growth through housing and infrastructure as their top reasons for pursuing devolution deals.

When it comes to devolution and driving growth at a regional level, we remain clear that one size does not fit all. It must be down to local areas to determine governance arrangements which reflect what local people and businesses want and will work best to drive economic prosperity at a local and regional level.

District councils up and down the country already have a strong track record of collaborative working across these functional economic areas to deliver housing and economic growth in their regions. It is important that any new Industrial Strategy capitalises on the potential and builds on the progress of these functional economic building blocks to ensure Britain remains competitive and one of the best places to do business in the world.

A successful example of District clustering is North Northamptonshire covering the Local Authority areas of Corby Borough Council, East Northamptonshire Council, Kettering Borough Council and the Borough Council of Wellingborough.

The NN Joint Core Strategy was approved in 2008 and was the first joint strategy in the UK. It was replaced with a new Core Strategy in 2016.

The Joint Core Strategy recognised North Northamptonshire as a single functional economic area comprising individual yet interdependent towns, villages and rural areas

Lessons learnt from this successful collaboration, was that Councils collaborating across Functional Economic areas to support and deliver growth require:

- Ongoing Capacity Fund support
- Help to “push” the slow responding utilities along
- Local ability to determine design and quality standards in new development/ improved standards in Building Control accelerated and agreed.
- Transfer of Highways functions to the Joint Development Committees
- Investment in key infrastructure development

- A mechanism to increase /incentivise developers and house builders to move faster.
- Ability to secure plots for small local builders and self-build when planning permissions due to lapse.
- Preserve & widen the business rates treatment of green energy installation to ancillary use ( as part of the BR review)
- A share of the extra buoyant tax take from new homes
- A platform for investment from the NHS Sustainability and Transformation Fund
- A share of the Apprenticeship Levy

## Skills

**The entire national skills and training budget (of £10.5 billion) must be devolved to functional economic areas , with allocations to those areas that understand the skills gaps in their local economies and who can support local growth.**

The welfare reform/employment and skills landscape is a complex one, with responsibility lying at different tiers, with the benefits of localised prioritisation and delivery often ignored. Districts operate at the optimum level to build links between colleges, training providers, and Jobcentre Plus – matching businesses with the skills they need. However, to date, government has undertaken limited devolution of skills funding and powers to the Core Cities and the Single Local Growth Fund. The DCN would advocate the devolution of the entire skills budget to local areas with a particular focus on ensuring place based growth of skills using local knowledge to ensure that the needs of local business and employees can be met.

## Infrastructure

**Central Government must continue to devolve infrastructure funding to enable districts and clusters of districts to unblock the significant opportunities and realise the potential of planned economic and housing growth**

Infrastructure is critical to growth, homes and development, especially in rural areas. Responsibility for infrastructure should be devolved as this can be delivered much more effectively within the functional economic geography for the local area; thus avoiding delays in development. Districts have a part to play in determining local needs for digital infrastructure. Broadband must be extended across rural areas – for homes and businesses and local authorities must be given access to funding to bridge the digital gap in local areas. Districts should also be able to negotiate directly with relevant government departments and agencies to secure funding for road and rail improvements. Transport (especially in rural areas) must also be considered as part of the solution for skills and job creation/accessibility.

**A proper focus on all parts of the UK - including non-metropolitan areas**

**It will be vitally important that the Industrial Strategy capitalises on the potential for growth across the whole of the country, rather than purely focussing on metropolitan areas.**

A successful industry strategy cannot simply focus on large cities and metropolitan areas. The solutions to increase productivity and growth will be different in non-metropolitan areas. The industrial strategy must seek to support different local solutions to increase growth

rather than seek to impose top down, one size fits all approaches, this old approach has not proved successful in the past and we should not repeat those mistakes in to the future

## **Housing and Planning**

### **District councils must be given greater fiscal freedoms to fully unlock their ability to build more homes, including the removal of the HRA borrowing cap, the use of Right to Buy receipts and other borrowing freedoms**

The DCN represent the planning and housing authorities in district/county areas. Economic growth, housing growth and the health of our society are inseparable. This is a core reason why district councils are so central and intrinsic to local growth. Many district council areas are situated in some of the most attractive parts of the UK to live in and local economic growth is dependent on attracting and retaining our young entrepreneurs providing the eco system for business to achieve and thrive. This includes building homes including affordable homes being available to support the future workforce. Districts councils are - and will continue to be - at the forefront of delivering the country's housing needs since they already enable one out of every two new homes built nationwide.

District councils will need to take up the challenge of providing the new types of housing needed for older people if we are to provide a comprehensive response to the social care crisis but the reduction in the reward for delivery of more new homes changes, alongside the 1% rent reductions, the very tight rules around the treatment of Right to Buy receipts and the refusal to consider lifting the housing borrowing cap will frustrate our desire to deliver housing growth. The DCN will continue to make our case to Government both in this response and in our response to the Housing White Paper of the need to extend the fiscal freedoms available to local authorities to allow more housing to be delivered in local areas.

#### **Consultation Questions:**

***Does this document identity the right areas of focus: extending our strengths; closing the gaps; and making the UK one of the most competitive places to start or grow a business?***

In broad terms the DCN welcomes the general thrust of green paper. The DCN particularly welcomes the 'place' dimension of the green paper and in particular the recognition that this is critical to driving growth across the country. We also support the reference to Local Government playing a key role in providing the Local Leadership in this area although we feel the green paper could emphasise more the central part that local authorities play. The DCN believes that in focusing on the need for a local approach to productivity and economic growth across the UK it has identified the right themes, however there is a lack of detail as to how the ambitions of the strategy can become a reality Some of the solutions proposed in the Green paper are focused on city and metropolitan growth and it will be vital for any national industrial strategy to also ensure that non- metropolitan areas are able to grow across functional economic areas.

The paper challenges all sectors of the economy to upgrade via sector deals Whilst the DCN supports the concept of sector deals, these must be local in nature and be flexible enough to respond to what is needed by local economies otherwise there remains a danger that the development of one sector may be at the expense of another at a local level. As the vast

majority of economic activity is still remains within national borders strategic partnerships should reflect the areas people live in.

The green paper also emphasises the importance of research and innovation to UK PLC. The DCN strongly supports the research and innovation sectors as key engines of growth – many of the key research and development employers are situated in district areas. Universities play a key part in providing the momentum and skills to enhance research and innovation. However we must ensure that effective research innovation is not solely seen as a ‘straight line’ from Universities to companies. A significant proportion of research is also undertaken by individual companies, or cluster of companies separate from HE. DCN believe that Science Parks and Innovation Space are as important in the growth of innovative companies as HE. Many of these are situated in non-metropolitan areas Districts play a vital part as the ‘glue’ as local leaders encouraging/facilitating long term investment & coordination between suppliers and primes and clear proposals for sector productivity in conjunction with Business and HE/FE, Districts or clusters are therefore best placed to lead on fostering and developing local competitive places.

***Are the ten pillars suggested the right ones to tackle low productivity and unbalanced growth? If not, which areas are missing?***

‘Yes’ – but the Government must take care to avoid each pillar being treated or becoming a silo. The DCN would welcome a matrix approach to the UK Industrial Strategy with more cross linkages between the 10 pillars and a specific focus on the role of localities and local authorities in acting as a bridge between sectors given their local knowledge and expertise, reflecting the four asks of Government earlier in our paper.

***Are the right central government and local institutions in place to deliver an effective industrial strategy? If not, how should they be reformed? Are the types of measures to strengthen local institutions set out here and below the right ones?***

The DCN is aware of the Localis report ‘The Making of an Industrial Strategy’ which recommended increased funding for local areas and greater local freedoms and flexibilities to incentivise and boost local growth. It recognised what is being done to promote economic growth and improve services in non-metropolitan areas across the country. The DCN supported the focus on a local approach to the industrial strategy set out in the report.

Unfortunately whilst the Localis report was bold in its diagnosis, its prescription of a top down reorganisation to implement 47 local authorities, flies in the face of a localist approach to economic growth.

The DCN firmly rejects proposals setting out top-down approaches to geographical areas based on out-dated ceremonial boundaries. They are fundamentally flawed. When it comes to devolution and economic growth, we remain clear that one size does not fit all. It must be down to local areas to determine governance arrangements which reflect what local people and businesses want and will work best to drive economic prosperity at a local and regional level. The 47 strategic authorities outlined in Localis report will not always provide the most appropriate geography for which to drive growth across the country.

Strategic partnerships must reflect the way in which people live their lives and any new Industrial Strategy must be rooted in the principles of people and place. It needs to be mapped around functional economic areas, housing market areas and travel to work areas so they are the most appropriate scale that relate to people and businesses. Ensuring local areas are connected to the right infrastructure is also vital if we are going to support increased economic growth.

District councils up and down the country already have a strong track record of collaborative working across these functional economic areas to deliver housing and economic growth in their regions. It is important that any new Industrial Strategy capitalises on the potential and builds on the progress of these functional economic building blocks to ensure Britain remains competitive and one of the best places to do business in the world Pillar One: Investing in Science, Research & Innovation.

***What should be the priority areas for science, research and innovation investment?***

The DCN would consider the development of supply chains to support such investment as a crucial element of ensuring growth in this area. There also needs to be a clear link between the needs of industry and resources for R&D and districts are intimately related to such institutions within their localities already.

***Which challenge areas should the Industrial Challenge Strategy Fund focus on to drive maximum economic impact?***

The DCN would encourage the fund to focus on the following challenge areas. The UK's housing market and access to new capital models for SME housebuilders, we would require the same access for new capital models for activities associated with commercial industrial land and development. District councils can have a central role as developers in relation to housing through council owned housing companies and should be able to access such funding given their local knowledge of the key challenges facing local industries and also to use such funding to promote business commerce and industrial growth.

***What else can the UK do to create an environment that supports the commercialisation of ideas?***

A stronger focus on finance, setting up of regional local investment funds/banks and introduce new equity loan funding to deal with risk.

***How can we best support the next generation of research leaders and entrepreneurs?***

Districts are the most entrepreneurial sector of local government, they are adaptive, flexible risk taking, visionary, innovative and local. They share a common vision and values with ambidextrous leadership. The correct local infrastructure is required in support of the next generation of entrepreneurs and research leaders. They require incubator space, access to finance, housing, a local enterprise culture, a thriving night time economy, local leadership/figurehead, quality environment and high speed broadband. District councils are key to creating the best entrepreneurial environment in non-metropolitan areas with strategic

planning powers to facilitate new housing and employment space delivery, wider place making responsibilities and deliver business support initiatives

***How can we best support research and innovation strengths in local areas?***

District Councils are well placed to assist facilitate knowledge transfer partnerships and provide local leadership linking local businesses to HE/R&D opportunities. District Councils have a strategic planning role to facilitate new housing and employment space delivery which can be sector clusters and have wider place making responsibilities.

***What more can we do to improve basic skills? How can we make a success of the new transition year? Should we change the way that those resitting basic qualifications study, to focus more on basic skills excellence?***

Overall the DCN would advocate that the national skills and training budget is controlled at a local level (see general asks). District councils as large local employers can provide work placements/apprenticeships and assist facilitate linkages between FE/HE and local business communities on a FEA. Districts are aware of local skill gaps and in many places assist in linking businesses and residents with careers and training advisors, facilitating local Careers Fairs and implementing local training/apprenticeship agreements associated to the planning system.

***What skills shortages do we have or expect to have, in particular sectors or local areas, and how can we link the skills needs of industry to skills provision by educational institutions in local areas?***

The scope for addressing skills can be strengthened by educating employers to understand better the various roles that education institutions and private (or contracted) training providers can undertake: typically, vocational/generic sector training which leads to more specific/specialist apprenticeship training in the workplace. Districts are best placed to educate local employers.

Districts are aware of any local skill gaps through their unique relationship with their business communities and educational institutions, such as the basic skill levels needed to move local people into work which then needs to encourage employers to up skill employees into higher skilled professions. In many places Districts already signpost businesses and residents to careers and training advisors, facilitating local Careers Fairs and implement local training/apprenticeship agreements associated to the planning system.

***How can we enable and encourage people to retrain and upskill throughout their working lives, particularly in places where industries are changing or declining? Are there particular sectors where this could be appropriate?***

There should be a greater focus on Districts and other local authorities providing the information link to local businesses and encouraging businesses to invest in their employers and promote associated positive growth potential.

Pillar Three – upgrading infrastructure.

***Are there further actions we could take to support private investment in infrastructure?***

Districts believe that land value uplift is key to unlocking private investment in infrastructure, which can unlock development and further growth across the country in pursuit of government policy. DCN supports The DCLG Appraisal Guide approach to funding new business cases and as large landowners Districts have the capacity to work in partnership with the private sector to provide the necessary support that unlocks growth through land value uplift whilst delivering decentralisation and local growth (commercial development).

***How can local infrastructure needs be incorporated within national UK infrastructure policy most effectively?***

There is a need to map out infrastructure requirements for the UK to be a global economic success. These local infrastructure needs must be incorporated into the national infrastructure strategy where key entries and exits for export are required and that this is clearly articulated at a local and national level. We must also ensure that our future digital energy and transport infrastructure is coordinated at a local and national level. Ensuring international connectivity is not just a national initiative but firmly grounded in the UK localities that are most affected or able to produce growth.

***What further actions can we take to improve the performance of infrastructure towards international benchmarks? How can government work with industry to ensure we have the skills and supply chain needed to deliver strategic infrastructure in the UK?***

There is a need for further collaboration and national and local dialogue between relevant agencies responsible for delivering strategic infrastructure.

***How can we drive the adoption of new funding opportunities like crowdfunding across the country?***

Put forward locally based investment proposition. Invest in building as well as proposition. Commitment to building. Local people wanting to support local business and community.

***What are the barriers faced by those businesses that have the potential to scale-up and achieve greater growth, and how can we address these barriers? Where are the outstanding examples of business networks for fast growing firms which we could learn from or spread?***

Barriers can include available commercial premises and access to finance.

Districts provide the strategy and vision for place making and as local planning authorities produce the planning policies and provide development management services to enable commercial development and growth.

Given the relevant flexibilities Districts could provide local business growth finance solutions such as bridging and equity loans acting as 'local bankers' filling a gap left by the private

finance sector. Many Districts already provide small business boost loan products for their business community.

Outstanding examples include Oxford, Cambridge, M40 and M4 growth corridors all of which are serviced by skilled people in quality affordable housing living in District areas.

Pillar Five Improving Procurement.

***Are there further steps that the Government can take to support innovation through public procurement?***

Yes, the DCN is fully supportive of local procurement. DCN members could make a commitment to reform our own procurement practices and monitor local spend and share opportunities to local businesses? Brexit will potentially provide an opportunity to simplify procurement processes in the future and decisions around procurement should be taken in the context of the Industrial Strategy.

Pillar Six Encouraging Trade and Inward Investment.

***What can the Government do to improve our support for firms wanting to start exporting? What can the Government do to improve support for firms in increasing their exports?***

Districts already signpost local businesses to export advice and are aware of SME's that don't export. Districts also have an understanding of local company's foreign operations. Many Districts have used EU funding via Interreg or other programmes to assist local SME's to export and there is concern that such opportunities may be lost post 2019 and Brexit. DCN advocate that such funding is still available to Districts, HE and private sector partner's post 2019. DIT could work closer with Districts who have the local intelligence to identify SME's with export growth potential. Targeted export services including training sessions and trade missions could then be identified. Closer collaboration would provide critical information for England Plc. The exit and entry points for global business are often within District council areas. The distribution network for these goods in and out of the UK also run through many district authorities that supply the housing and workforce for the UK's businesses.

***What can we learn from other countries to improve our support for inward investment and how we measure its success? Should we put more emphasis on measuring the impact of Foreign Direct Investment (FDI) on growth?***

Local areas already play an active role in attracting inward investment projects to the UK. Districts or clusters can provide DIT information on local development/regeneration schemes & support for inward investment visits. Districts already signpost local businesses to export advice and promote local strengths.

DCN would highlight the German model to Government for encouraging business growth and inward investment. DCN advocates this model providing a multi layered level to governance pitched at the right level to maximise opportunity. DCN would welcome further government research into best practice models for supporting growth that could be shared with Districts and other institutions associated to the UK growth agenda.

Pillar eight Cultivating world – leading sectors.

***How can the Government and industry help sectors come together to identify the opportunities for a 'sector deal' to address – especially where industries are fragmented or not well defined?***

Government is looking to align sector deals with resources in both local and central government. There needs to be more clarity about the relationship between sector deals and spatial geographies. District councils act as local leaders encouraging/facilitating long term investment and coordination between suppliers and primes and can deliver clear proposals for sector productivity in conjunction with Business and HE/FE. This local knowledge can be of additional value with fragmented industries such as Agri-tech and farming post Brexit.

***How can the Government ensure that 'sector deals' promote competition and incorporate the interests of new entrants?***

DCN would encourage government to include Agriculture, Creative Industries and Public Administration to sector deals to ensure competition and interests of new entrants.

***How can the Government and industry collaborate to enable growth in new sectors of the future that emerge around new technologies and new business models?***

Central Government needs to collaborate with business on a regular basis to ensure new products with value are not stifled and that Government is flexible enough to react in support of their growth at pace.

Pillar nine – Driving Growth Across the whole country.

***Do you agree the principles set out above are the right ones? If not what is missing?***

The DCN strongly advocates increased locally and regionally developed growth strategies based on true economic footprints.

DCN believes that the principals currently exclude inclusivity, inequality and demographic groups such as JAMs (Just about managing)

***What are the most important new approaches to raising skill levels in areas where they are lower? Where could investments in connectivity or innovation do most to help encourage growth across the country?***

The record of businesses nurturing skills development can be mixed. Districts can and will build up positive attitudes to upskilling amongst our local business communities. Up skilling could be further incentivised by writing training off National Insurance contributions. For businesses to benefit from NI incentives for training they would need to sign a social contract. Districts would be well placed to manage such a programme having a wider understanding of local business skill requirements.

Districts have a close working relationship with their Universities and FE colleges, as district councils facilitate growth through their local plans it is an imperative that these plans are

shared with those other organisations both public and private so a collaborative approach to the UK economic growth can be achieved

Pillar Ten – Creating the right institutions to bring together sectors and places.

***Recognising the need for local initiative and leadership, how should we best work with local areas to create and strengthen key local institutions?***

***What are the most important institutions which we need to upgrade or support to back growth in particular areas?***

***Are there institutions missing in certain areas which we could help create or strengthen to support local growth?***

When based on the right functioning economic area DCN members report examples of LEPs working very successfully in enabling the correct right conditions for local growth. Where LEP's do not work within functioning economic areas there is a significant risk that the true potential for balanced economic growth across the UK will be not be realised.

The Green paper underplays the role that Districts and clusters can play as economic enablers in their localities. Many Districts have close working relationships with LEP's and would welcome closer working relationships in some LEP areas to further strengthen their local economies and balance the UK economy. DCN would also request that neighbouring LEP's work closer together that draw together functional economic areas for example on the benefits of HS2.

In the Brexit environment, DCN does not consider that this is the time for top down, newly imposed structures but instead the focus should be on facilitating the on-going collaboration of existing institutions in functional economic areas which District councils are best placed to assist in their localities given there unrivalled combinations of core growth functions .