

**Consultation on Green Paper
Building Our Industrial Strategy**

Response from the Common Futures Network

April 2017



Consultation on Industrial Strategy Green Paper

Summary of Response from the Common Futures Network

The Green Paper sets out the longer-term goals of a more competitive and rebalanced national economy. This is a helpful start in building ‘*a stronger, fairer Britain that works for everyone*’. If the Vision that the Prime Minister promotes in the Green Paper is to be fully realised the Industrial Strategy needs to be given greater coherence by:

- Having a more cross-cutting approach to the *Pillars* of action identified within it;
- Being related to the wider agenda for infrastructure, housing, employment and the environment;
- Having a clear set of outcomes and timescales of change in terms of the overall growth of the economy and its rebalancing; and
- Giving explicit priority to the use of government purchasing power and investment in redressing the imbalances of economic development and opportunities across the country.

Thus, the key findings of Common Futures Network are as follows:

- The commitment in the Green Paper to the strategic planning for the British economy is warmly welcomed;
- The Industrial Strategy needs to be more explicitly place-based: by being linked to resource allocations for city regions and sub regions; by embedding ‘Pillar 9’ throughout the strategy and the other *Pillars* of action; and by recognising the importance of quality of place in the agenda for action;
- The fact that Britain has the highest levels of regional disparity in western Europe, needs to be given greater consideration in the framing of the Strategy. These disparities underpin our weak productivity and housing affordability, as well as exacerbate the huge costs of dealing with congestion in London and the south;
- Other countries, such as France and Germany, have explicit national spatial priorities, relating to functional regions, intercity cooperation and ‘technopoles’, which potentially provide valuable lessons in developing a placed-based strategy;
- A national spatial framework working alongside the industrial strategy is required to avoid different strategies (especially for infrastructure and housing) pulling in different directions; this would also enable a more effective devolution of resources and implementation programme;
- Private sector investment will respond powerfully to the de-risked environment, confidence and commitment provided by clear longer-term planning - former new towns like Warrington and Milton Keynes are testament to this, with some of the highest growth rates in the UK;
- The limited explicit spatial component to the strategy runs the risk of a continued emphasis of government spending and investment in places which are already overheated and with greater constraints upon further growth;

- There needs to be a clear and consistent spatial framework for implementation, probably by extending the combined authority model, with directly elected mayors, to all areas of England, backed by strong strategic and delivery capacity;
- Local bodies alone are unlikely to be sufficient to deliver the Strategy unless they are explicitly linked to the allocation of key strategic resources controlled by government, especially in procurement, infrastructure, science, cultural resources and higher education;
- The strategy should identify spatial priorities including national flagship projects, such as innovation zones and a next phase of catapult initiatives;
- The commitments set out in the Industrial Strategy should be linked together in a sustained national programme of action (rather than as a list of individual projects) and linked to metrics in terms of what will be delivered, when and by whom;
- Longer-term national strategies and plans need not necessarily be created by government alone – there are other alternatives which can involve the private sector and local government; in Britain initiative has often emerged from outside the government machine;
- The implementation of the Industrial Strategy requires on-going spatial analysis for policy monitoring and development. This capacity does not currently exist. New arrangements are required with resourcing and by working alongside cities and national sub regions, potentially benefiting from being based outside London.

Consultation on Industrial Strategy Green Paper

Full Response from the Common Futures Network

Context

This response to the Green Paper has been prepared by the Common Futures Network (CFN). The CFN has been established in response to a perceived need for a more explicit understanding of the spatial dimension in setting national priorities, particularly for England, which lacks any form of national development framework.

The CFN is independent of political, business or other sectional affiliations and our members include professionals with extensive experience in UK planning practice and consultancy, economic development, regeneration, transport planning utility planning and academia, across the UK and internationally.

Our recommendations arise from a symposium held in December 2016 supported by the US Regional Plan Association and the Lincoln Institute of Land Policy, following which the CFN has prepared an Interim Prospectus which sets out eight key propositions for tackling short and longer-term national spatial priorities. A summary containing these Propositions is at Appendix 1, and a copy of our Interim Prospectus is attached as supplementary evidence.

Overarching this is the need to create a *New Agenda for England and the UK* to promote a portfolio of actions based on:

- The global role of England and London within the UK
- A new devolved development programme building on sub-national strengths
- The need to deliver a new urban agenda designed to recognise, support and nurture the inherent growth potential of the networked system of cities outside of London
- A new rural agenda as a basis for connecting the rural hinterland of England
- Securing the natural capital of England
- An integrated infrastructure strategy rebalancing opportunities within England as part of the UK.

Response to Consultation

CFN welcomes the commitment in the Green Paper to long term and strategic planning for the British economy. This is critical to overcoming the damaging spatial imbalances which lie at the heart of so many national problems, ranging from low productivity, to the housing crisis, and to the excessive pressures on infrastructure in the south of England.

The Green Paper identifies relevant issues and themes (i.e. the *Pillars*) that are important to an industrial strategy. It is accepted that many of the ideas within it are to be tested through the various reviews that have been put in hand. We therefore appreciate that the Green Paper is the start of this process moving away from short term project oriented departmental approach to a long term strategic management of the British economic future. Answers to the detailed questions in the Green Paper are dependent on work yet to be completed. At that stage, they will need to be prioritised in terms of their relative salience, interdependence and significance.

However, even then there is concern that the range of actions identified will not be sufficient to deliver fundamental transformation of the structural balance of the British economy because as currently framed, the Industrial Strategy and its key *Pillars of Action*:

- Need to be brought together as a coherent national programme; at present, they read a set of discrete departmental projects;
- Need to set out the degree of change (in terms of scale and distribution) that is required to rebalance the economy and deliver growth targets; as currently framed they are no measurable outcomes; and
- Need to be framed within a sustainable longer-term horizon.

In this context, the Network's response focuses on the central objective for the Industrial Strategy "**to build a stronger, fairer Britain that works for everyone**" i.e. rebalancing the nation, A key test of what is being proposed lies in it being able to answer the question

"What impact will the proposed directions of policy in the Green Paper have on the twin national objectives of promoting a stronger more competitive and inclusive economy whilst reducing these disparities?"

At the national level, the Industrial Strategy is only one part of the Government's three-pronged agenda for people, jobs and infrastructure required to support inclusive and sustainable economic growth. The Industrial Strategy will sit alongside the outcomes from the Housing White paper and the NIC Infrastructure Strategy which will be integral the wider *Plan for Britain* being promoted by the Government. It would also benefit from an independent advisory body because it needs timescales too long for any government; as well have a role in sharing ideas and bringing people together.

On the sub-national level a consistent frame of reference is needed related to labour market and connectivity between areas, allied to a geography of governance that reflects labour market areas. This could help translate all the *Pillars* of action in the Green Paper into spatial priorities and arrest the asymmetrical development of the current devolution roll out. It can be phased in over the period of a parliament.

However defined, this should cover the whole of England and Wales and be firmly rooted in issues of identity and history with spatial data defining the mix of growth. The approach suggested by Localis¹ defines a comprehensive geography and introduces the notion of "stuck" (economically weakest structurally) and "stifled" areas (under-bounded so short of housing land) and the concept of strong sub regional strategic plans.

The challenges are ones of linking up strategies at a national level, and in making sure national and local strategies work in partnership. A number of studies (including the Legatum Institute and the data captured for the Nuts 2 areas of the EU) have examined the spatial geography of the UK and could inform discussion on this matter

In short, the range of policy interventions promoted in the Green Paper to stimulate growth is not sufficiently integrated locally or departmentally. The following sections therefore identify the scope for the Industrial Strategy to maximise the potential for a more inclusive economy through:

- **Rebalancing Britain** in terms of wealth and opportunities
- **Integrating Industrial Strategy** with emerging employment, housing and infrastructure strategies, and other national policies such as climate change.

Rebalancing Britain

The Green Paper highlights the disparities between different parts of the country in living standards, productivity, skills level and historic investment levels, particularly in the northern regions of England. It has been estimated that the Northern Powerhouse underperforms in GDP/capita by 25%. The north's economic underperformance should therefore be regarded as an opportunity to make better use of underused resources but that will need proactive coordinated planning. An exemplar is recently completed Independent Economic Review commissioned by Transport for the North. The Industrial Strategy should support the development of the equivalent for the other English transregional initiatives (e.g. the Midlands Engine).

The Green Paper however does set a scale of shift that is being sought - i.e. what test or criteria will be used to determine the success of the Strategy. Most of the *Pillars* of action in the Green Paper are not targeted at addressing these disparities but applied uniformly across the nation. For example, *Pillar No. 5 (Procurement)* does not discuss the possible use of public expenditure (estimated as +£7trn by 2040) to rebalance the distribution of expenditure and opportunities. Similarly, *Pillar No. 6 (Trade and Inward Investment)* makes no reference to the infrastructure required for trade through the greater capacity and integration with airports and ports.

Pillar (No. 9 Driving Growth) is specifically devoted to redressing the imbalances within the nation, and identifies four challenges for doing so: improving connectivity; improving skill levels; increased investment in research; and new local leadership, and has seven related new commitments for action by the Government and others. These commitments however overlap with the actions under the other *Pillars* (refer Appendix 2). Some in fact apply to all parts of the country, including the South East and London and only the two

¹ The Making of an Industrial Strategy: taking back Control Locally: Localis 2017: ISBN: 978-0-9930412-7-3

following commitments explicitly target action to rebalance the nation²:

- Additional infrastructure funding to unlock constraints, including the Midlands Rail Hub and Northern Powerhouse Rail; and
- Work with local areas closing the skills gap and help develop clusters of businesses, and local specialisms, supported by new funding streams and greater access to venture capital.

Where specific action is proposed, this is not set within an overall balance sheet for investment. This gap within the commitments within the Green Paper is exacerbated by the mismatch between the short-term scope of individual proposals within it and the longer-term nature of the problem and any real solution.

In addition, if the Industrial Strategy is to ‘*work for everyone*’, the range of national industrial programmes must go beyond those identified in the Green Paper. It needs to address the potential of culture and natural resource based industries which are key to opening new opportunities for our rural regions. Similarly, some of the most disadvantaged communities lie within the hinterland of the northern cities or in coastal areas. These will not benefit from the range of actions listed, which are primarily related to transforming the prospects the major metropolitan industrial centres.

The Industrial Strategy therefore needs to be more explicitly place-based. It needs to complement local action with strategic prioritisation, providing a refreshed regional development programme based on the potential of regions, not merely ameliorating inherited problems (especially with the withdrawal from EU programmes for regional development). In doing so there will be a need to balance local aspirations: - for example, not all need to aspire to be international financial or cultural centres or world leader in advanced manufacturing.

In summary, the Government’s desire for a place-based Industrial Strategy is supported. This however requires a more explicit framework of national and local spatial priorities than is within the Green Paper. These should be set within a common longer timescale to 2050 - and not limited to the timescale of an individual parliament. It is equally important to be related to the city-region and other locally-based strategies. It therefore needs to be explicit and specific in its support of local initiative, especially in the underperforming places and regions, and be linked to devolved resource allocations to city-regions and national sub-regions.

Wider Policy Integration

The Industrial Strategy is critical in setting the economic context which shapes the nation, in terms of its labour markets (and the derived demand for housing) and the required infrastructure networks. It is therefore essential that any Industrial Strategy is set within a wider development framework. A central question therefore is:

‘What is the relationship between the aspirations in the Green Paper and related proposals upon which the Government is seeking views – in particular, the emerging NIC strategy and the Housing White paper?’

² In addition to a commitment to take account of the varying infrastructure needs and opportunities in different regions; this is however could result in continuing to favour established areas of investment and historic growth

In seeking an answer to this question, it is of concern that there is no strong linkage between the Industrial Strategy and the current preparation of the National Infrastructure Assessment (NIA). This concern is compounded by the fact that the NIA itself appears to assume a trend-based distribution of population and economic activity (albeit considering higher and lower scenarios of economic growth and hence needs). It therefore does not address the potential distribution of people and jobs in 2050 required to rebalance the nation sought through the Industrial Strategy. It also takes no account of Brexit.

Similarly, the Housing White Paper emphasises the need for local authorities to meet housing demand where it currently manifests itself, starting from the ONS population and DCLG household projections. This, together with current project evaluation tools, reinforces continued growth in London and the wider South East, at the expense of the rest of the country – historic patterns of demand for resources create an inertia for more resources. As a corollary, the Green Paper, does not address the labour market constraints created by the market failure in the housing sector, which seriously constrain the intra-regional mobility of labour within the UK.

The Government's ambitions for a new *Plan for Britain* therefore require a more integrated framework of action, which gives confidence to those who want to invest in the future of the country. Business development needs to be given greater confidence in the longer-term future for investment. This needs to be complemented by the further empowerment of local communities by strengthening the devolution agenda through a clearer context for local decision-making that a national framework would provide.

These issues would be overcome through a national framework. The absence of such a framework is therefore seen as an overriding problem. A national framework could act in the same way that the London Plan integrates all other Mayoral strategies. Without this, national strategies are at risk of pulling in different directions and being prepared on different assumptions.

A national spatial framework would allow catalytic effects of national infrastructure investment on major employment and housing opportunities to be maximised. It could also explicitly guide public investment decisions, for example, on science and research. This would combine better allocational decisions nationally with local sub-national strategic assessments (e.g. the Northern IER) of strengths in each region in order to prioritise and coordinate investment plans on more than a top-down national based perspective

The Industrial Strategy therefore needs to be built into and informed by a wider national framework which:

- harnesses fully the opportunities created by country's position as a *global economic region* - on a par, for example, with the Boston-Washington mega-region; and
- delivers a better national balance of investment, research, culture, people and jobs, both urban and rural.

A fresh national and regional agenda is needed which overcomes fragmented administrative areas, and short-term outlooks of action, in terms of the *National Economic Hubs, Corridors and Networks* in support of the *National Flagship Projects* and the *National Priorities for Collaborative Action* (as set out in the Interim Prospectus). These should build on the existing initiatives by endorsing major transformational initiatives within local strategies as national flagship projects where they are delivering the national agenda (e.g. those within the Greater Manchester and Sheffield City Region strategies).

In summary, the Government's initiative for a Industrial Strategy is welcome but will not be sufficient on its own to be successful in delivering its agenda in full. There needs to be a joined-up approach in government's strategic decision making. At a national level this applies in particular between the Industrial Strategy, and the Housing White Paper, the National Infrastructure Assessment of the NIC and the policies for Climate Change. The Industrial Strategy should set out how it relates to these strategic policy initiatives (and not just be audited as a separate exercise). It needs to be complemented by a national spatial framework, working alongside and supporting the Industrial Strategy.

RESPONSES TO INDIVIDUAL QUESTIONS

Question 1: 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?

Response: All topics listed in the Green Paper are relevant but they may not have the scale and impact required unless they are:

- More explicitly place based
- Integrated with the infrastructure and housing strategic priorities
- Supported by metrics, so that it is possible to know when they have been delivered
- Clearly seen as elements in a long-term programme

Question2: Are the ten pillars suggested the right ones to tackle low productivity and unbalanced growth? If not, which areas are missing?

Response: The 10 Pillars read as separate departmental streams of action. The interaction and synergies between them should be strengthened. Pillar No 9 (Place based) is integral to all the others if we are to achieve the rebalancing of the nation sought by the Prime Minister. It therefore should be embedded in (and not separate from) the other Pillars, which should be audited in terms of the extent to which they contribute to the rebalancing of the nation. The Green Paper should also have recognised the importance of the quality of place in the competitiveness of cities and regions (embracing public realm, green infrastructure, access to services and culture, and good housing in different tenures). This should be added as a new Pillar of action and commitment.

Question3: 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?

Response: As the Green Paper notes, spatial and regional imbalance is a critical problem in Britain.³ We have the highest levels of regional disparity in western Europe with over 60% of the population living in areas with incomes 10% below the national average. Spatial imbalance underlies our national productivity problem. London has grown continually since 1997, as other regions have been falling behind. Thus, our growth and productivity problems reflect our regional and spatial problems and solving the spatial problems is a prerequisite of progress on other fronts.

In part these issues reflect the natural economic strengths of London and its region; but only in part. In equal part, they reflect the lack of explicit spatial strategy to redress this challenge and the unintended consequence of government policies which support growth in areas which are already overheated and constrained, leading to ever increasing demands and investment in an overloaded infrastructure.⁴

³ The evidence is presented in page 13 of the Green Paper. It is further analysed by Professor Philip McCann in his book the UK Regional – National Economic Problem (2017)

⁴ Research by IPPR on transport investment has revealed the stark gap between investment per head in London and the north of England. <http://www.ippr.org/news-and-media/press-releases/transport-secretary-urged-to-close-1-600-per-person-london-north-spending-gap>. Similarly, research by Martin Simmons for CFN has shown that the Northern Powerhouse cities have all well below the national average house prices and affordability ratios. Conversely, the top six – all in London and the southeast – are well above. Issues which seem relevant include the extent to which the very high (and escalating) house prices and affordability ratios in London, and in Oxford and Cambridge, will deter continuing

Similarly, the pattern of investment in science has been recognised⁵ as reinforcing. With the concentration of government investment in research and in and around London, Cambridge and Oxford. It is recognised that places such as Cambridge have an extraordinary track record. However, the potential elsewhere in the country needs equal support – the UK universities are collectively (as well as individually) a key global asset. The imbalance in the distribution of government science investment is thus a key example of the need for the need to consider the spatial impacts of expenditure, though much the same applies to cultural spending including the BBC and even to military expenditure and procurement patterns⁶. This problem will only be overcome by an explicit spatial strategy to ensure fair and appropriate distribution of national resources.

In addition, the national priorities need to be integrated locally (in addition to any local priorities). The Government's role will vary in different places e.g. in city regions it may be allowing Metro Mayors greater freedom to determine priorities from central funding pots e.g. the Productivity Fund; in failing towns Government may need to be more proactive in understanding strengths, relationships with other local economies and devising actions to make a difference to opportunities for local people⁷. Reform is needed with an explicit spatial strategy to ensure fair and appropriate distribution of national resources – as has been suggested for example bring together Science investment⁸.

Whatever the circumstance, there is a need to strengthen the local capacity to make strategic choices by:

- Setting out a clear spatial framework of national roles and priorities (refer the CFN Interim Prospectus) so that national goals are embedded into local action from the outset and whereby each area can work with confidence that they will not be undermined by action elsewhere;
- developing new ways of working between Whitehall and local areas⁹
- Identifying and incentivising local action for functional economic areas (as opposed to the ad hoc arrangements that currently exist); and
- In the case of the London Capital Region establishing a special advisory body (as set out in the CFN Interim Prospectus).

economic growth in these areas. It does not seem likely that increasing housebuilding on current realistic expectations will improve the affordability situation. So will there be a 'pricing out' effect on the continuing economic success of these areas?

⁵ In the words of Professor Michael Best at the Lowell Centre for Industrial Competitiveness USA: 'We run the risk of turning into Cambridge England: 'We'll have isolated clusters of the very best university research ...but not the downstream production that makes a vibrant economy'

⁶ In his first statement as Chancellor in 2010 George Osborne was keen to protect investment in science. Announcing several major commitments to funding in new and expanded scientific projects, the Chancellor said 'I have decided to protect the science budget...at £4.6 billion a year'. Every major project in the Chancellor's list was in London and the south: the UK Centre for Medical Research and Innovation at St. Pancras; the Molecular Biology Lab in Cambridge; the Animal Health Institute at Pirbright, and the Diamond Synchrotron in Oxford.

⁷ Alexandra Jones blog, Did the Government set out a place-based industrial strategy? 24 January 2017 and A new approach to devolution and industrial strategy post-Brexit, 4 August 2016, Centre for Cities website

⁸ All the major science projects in George Osborne's first speech as Chancellor were located in London and the south

⁹ RSA Inclusive Growth Commission, see 2nd set of recommendations e.g. joint place-based service commissioning in education, skills and employment support where services are currently fragmented along the lines of Greater Manchester commissioning for health and social care

Question 4: Are there important lessons we can learn from the industrial policies of other countries which are not reflected in these ten pillars?

Response: Other countries have clear national spatial priorities, such as French Technopoles, the German functional regions and the recognition of the importance of inter-city cooperation to harness the benefits of agglomeration and global competitiveness of mega-regions. Models of supportive financial structures in Germany and elsewhere are included in Ron Martin's RSA study¹⁰, including regional access to bank lending and venture capital and their technical/vocational education options.

Question 14: 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?

Response: Whilst this is an issue across the country it is a priority in certain regions. The underperformance of the three northern regions is clearly linked to low skill levels, aspirations and poor retention of graduates (refer Sheffield Strategy launched in February 2017, the Heseltine study for the North-East region and the Parkinson study for Liverpool city region)¹¹ It is estimated that this has been a major factor in the levels of worklessness in the three regions which in effect results in significantly fewer people being active in the labour market. This has reinforced the need for in-migration and the drift to the south of England. The issue is as much about which areas need to be given priority as sectors.

Question 15: Are there further actions we could take to support private investment in infrastructure?

Response: Private sector investment responds powerfully to a de-risked environment. Confidence and commitment can be given by decisive long term plans; short-termism and changes of direction are inimical to investment. We give briefly four examples: Milton Keynes and Warrington New Town, London docklands, and Liverpool.

Warrington and Milton Keynes have the highest GVA growth rates in the UK. Both are former new towns developed over several decades based on clear and long term plans driven initially by Development Corporations. Milton Keynes is ranked nationally first in terms of housing growth, second in terms of population growth, fourth in terms of business start-ups, fourth in terms of private sector employment, fifth in terms of businesses per resident. It is amongst the ten British cities with the lowest rise in house prices¹². ONS data shows Milton Keynes had the highest GVA growth nationally 1997-2013 (+135%) and Warrington the eighth highest (+104.6%).

¹⁰ http://www.regionalstudies.org/uploads/documents/SRTUKE_v16_PRINT.pdf

¹¹ Paul Swinney, Centre for Cities, The Great British Brain Drain, Nov 2016 which mapped graduate flows, showing the extent to which London is attractive to new graduates particularly high achievers <http://www.centreforcities.org/reader/great-british-brain-drain/>

See also work from the Foresight Future of Cities project on the need to attract graduates not just retain – a good example of Whitehall working with 5 selected cities to identify challenges and solutions <https://www.gov.uk/government/publications/future-of-cities-graduate-mobility>

¹² Centre for Cities, Cities Outlook 2014

The successful regeneration of both London¹³ and Liverpool docklands was also driven by the Development Corporation model. Liverpool took much longer to change but recently posted one of the highest GVA growth rates in the UK. In addition to consistency and material direction from its Development Corporation, it has had the benefit of long term plans secured and financed by EU Structural funds over several decades. The key 'turning point' development in Docklands was Canary Wharf, where the private sector owners/developers were horrified to find that, while the tax breaks of an Enterprise Zone were very welcome, they came alongside a *laissez faire* approach to planning: they called for a Master Plan for the whole area, and in the absence of a statutory body, prepared one themselves. Their commitment was also secured by aligning public and private investment in additional public transport capacity through the Jubilee Line Extension.

In all these examples the public sector set and saw through very long term spatial strategic plans, well beyond parliamentary cycles, used arm's length bodies for implementation, assembled land and invested in basic infrastructure. It is therefore recommended that new forms of 'private hybrid' Development Corporation arrangements be investigated to achieve private sector delivery and funding of much basic infrastructure, creating a de-risked environment, with regulatory mechanisms to protect revenue streams appropriately (as have been established to enable the concessioning of HS1 for instance) and seeing through long term plans. As explained elsewhere such strategic plans need not always be created by government. It is worth noting that in North West England, following the withdrawal of public sector regional plans in 2010, the private sector has taken a lead in strategic planning and delivery over a wide area within and between Liverpool and Manchester¹⁴.

The new private hybrid Development Corporation arrangement therefore could enhance the range of delivery mechanisms. This however depends on it having the confidence and capacity to use its powers of CPO and capital for investment in infrastructure. This is critical to providing the private sector with certainty that their development or project will come forward in a timely manner and not get bogged-down in process or delay. This capacity requires adequate resourcing and staffing. Without this there must be concern that the new corporations will be limited and less '*fleet of foot*' than for example, Milton Keynes and Warrington referred to above. This will reflect on the quality or pace of development. Clarity and certainty are important both for domestic and international investment both of which respond well to the one stop approach that a properly resourced development corporation can provide in delivering planning, infrastructure or property services.

Question 20: Given public sector investment already accounts for a large share of equity deals in some regions, how can we best catalyse uptake of equity capital outside the South East?

Response: There is a need to engender greater confidence for investment outside the South East. There are various international examples (e.g. in Germany and Austria) of local initiatives to establish local financial regimes, and this is an issue being addressed by the Scottish Parliament¹⁵. The catalytic role of the public-sector leading through its investment is necessary in areas of market failure where the market, by definition, will

¹³ An outstanding success story told in Peter Hall's *Cities and Civilization* (1998) Chapter 28

¹⁴ See Ian Wray, *Mega Projects and Regional Revival: Comparing Proposal's for Atlantic Gateway and High Speed Rail in Northern England*, *Town Planning Review*, Vol 85, Number 6, 2014

¹⁵ http://www.regionalstudies.org/uploads/documents/SRTUKE_v16_PRINT.pdf

not lead. Government policies should not be solely trend-based, reinforcing past undesirable patterns of imbalanced development across the country. Equally cost benefit analysis tends to favour short term returns on investment and projects in London and the South East.

Question 22: 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?

Response: There are notable examples of these networks for example Sheffield, Cambridge, Liverpool and Manchester referred to elsewhere in this response.

Question 26: 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?

Response: There is a lot of UK experience of what helps (e.g. in the Objective 1 & 2 IDOs) and international analysis (e.g. OECD) of what supports FDI. In addition to fiscal incentives (e.g. tax breaks) these include:

- a. A clear strategic spatial framework for the metropolitan region;
- b. A range of suitable safeguarded sites; and
- c. The capacity to respond to the specific investment requirements in infrastructure, often at short notice.

Question 35: 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?

Response: In addition to promoting innovative approaches to workplace training apprenticeships etc., it is important that those areas with high worklessness are integrated into an industrial 'ecosystem', for example, by investing in local connectivity between areas of need and industrial growth poles (e.g. Innovation Districts and University / Hospital Centres). It needs to be recognised that the challenge of low skill levels is an endemic and long term problem in certain regions, rooted in pre-school and primary education, alongside family and community support for education (or its lack). Therefore, educational policy needs to support Industrial Strategy.

However, a key issue remains, namely, the provision of training ahead of demand. This has in the past been difficult, for example in the North East, as many of the useful jobs brought in by regional policy have nonetheless been in the semi-skilled or assembly categories, requiring just a few weeks training on the job, and leaving a depleted skills base in today's changed circumstances. A better system is needed to identify and fix emerging gaps if action is to be transformative. This would need, for example, the following:

- the development of Institutes of Technology based on accurate information about actual shortages and emerging gaps in specific skill areas.
- to that end national forecasting systems including UKCES need review, including their responsiveness to cyclical change, census information and the local application of their national and regional;
- in individual LEP areas, the knowledge of businessmen and of local authorities about potential skills shortages balanced by statistical data across all economic and public sectors.

Question 36: Recognising the need for local initiative and leadership, how should we best work with local areas to create and strengthen key local institutions?

Response: (see answer to Question 38)

In the immediate term, given the growing impetus for devolution in the combined authorities and in devolution deals, it would be appropriate to roll these out as quickly as possible across the rest of England. While the LEPs have made some progress, they are hampered by their lack of democratic basis and non-recognition by the EU, which remains an issue for the immediate future. Rather than including the LEP chairs in local authorities as aldermen, as has been suggested in the Green Paper, it would be better to move to the Combined Authority approach for all.

Many local authorities have made submissions for devolution deals in England. Whilst there will be little institutional capacity to negotiate all of these individually in the context of Brexit, it might be realistic for the government to set out some criteria and parameters and allow some bespoke elements for each CA – rather in the approach adopted to City deals. This could be rolled out quickly across England with a concerted effort, allowing directly elected mayors to exercise strong leadership over functional economic areas, as proposed by the OECD in 2015, and better aligning economic geography, planning, transport and governance.

The benefits of devolution would be strengthened by having a clearer context for local action. This could be provided by a national framework which identifies the national contribution that local initiatives could make in harnessing and maximising the potential associated with interconnected labour markets, research capacity and production. If the Industrial Strategy is to help rebalance the nation it needs to be more explicit about the scale of rebalancing being sought and the role and contribution of cities and regions. This could be achieved by:

- Identification of the areas of industrial specialisation that should be promoted, for example, by individual city regions.
- Development of a network of national projects (e.g. innovation zones comparable to the Sheffield AMID) linking the network of world-ranking universities to production ecosystems;
- Promoting projects which reduce peripherality between and within all the economic regions of England; and
- Setting priorities and goals for education and skills uplift for specific underperforming parts of the country, beyond the national baselines and giving combined authorities the means to deliver against these.

The challenge is to agree specific targets and criteria for rebalancing the country by which the success of the Industrial Strategy could be measured. Measures of productivity, relative skill levels and investment are important indicators but open to interpretation. It is recommended that in default of any better measure / target, an overarching indicator could be the rate of reduction in worklessness and outmigration arising from people being brought into work in the three northern regions to the same levels as the south-east regions. Similarly, if rebalancing of opportunities is successful the future planning of three northern regions should be based on an end to (and potential reversal of) the continued net migration of people to the south east of England over the next 25 years (as currently implied by ONS projections).

Question 37: What are the most important institutions which we need to upgrade or support to back growth in particular areas?

Response: In addition to the action advocated in answer to Question 36 above, a key opportunity for a more integrated approach to link training, R&D and innovation to productive outcomes would be to require that the universities and FE colleges, and chambers of trade demonstrate strong and direct relationships with the directly elected mayors and devolved administrations.

Unlike the rising powers in Asia¹⁶, the UK is essentially a regulatory rather than a developmental state. Various attempts at government strategic planning instigated by both Labour and Conservative governments have foundered or been abolished Prime examples include Labours’ Department of Economic Affairs, the Conservative Government’s CPRS think tank and Labour’s Regional Development Agencies.

THE HAUSER REVIEW

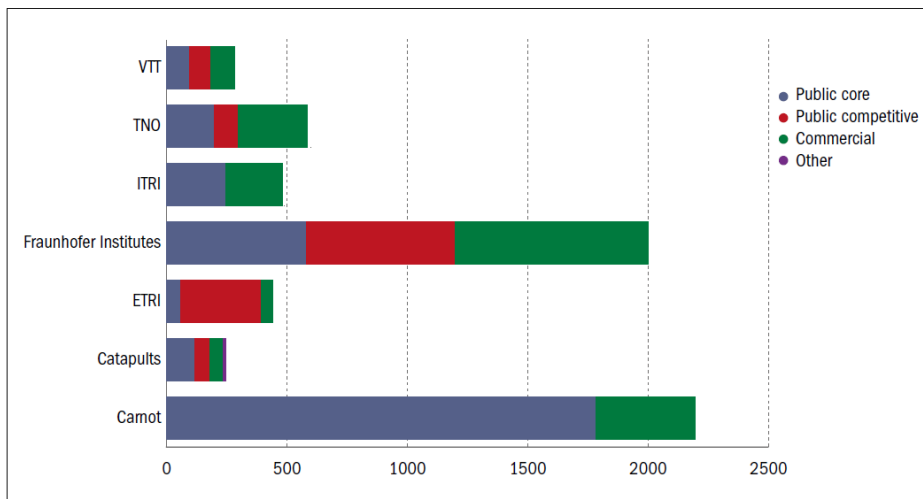


Figure 1. Funding for science-translation programmes in different countries (€ millions)
 (VTT – Finland; TNO – Netherlands; ITRI – Taiwan; Fraunhofer – Germany; ETRI – Korea; Catapults – UK; Carnot – France)

However, the reality is that initiative and planning invariably emerges from outside and below the central government machine¹⁷. An extraordinary recent example is the newly opening Materials Innovation Factory (MIF) at the University of Liverpool. MIF was co-founded by the University, Unilever and High Education Funding Council (HEFCE), a 21st Century Research Institute in Materials Chemistry. MIF is at the forefront of university research and an exemplar of university-business engagement through the ‘Liverpool model’, with exceptional facilities and expertise in high throughput materials discovery, characterisation, and automated formulation. The building comprises private laboratories and office accommodation for its customers (academic and industrial researchers), along with shared access to an advanced, high throughput characterisation and measurement suite and internationally leading measurement expertise.

¹⁶ See Joe Studwell, How Asia Works (2013)

¹⁷ Great British Plans (2016: Ian Wray) analyses several examples from motorway building and new towns, to the knowledge economy and the first computers

The MIF provides an outstanding modern research environment designed to encourage open innovation, knowledge transfer, and research collaboration whilst respecting confidentiality. It is equipped with £17 M of hi-tec equipment within the Open Access Area (OAA) and offers flexible customised colocation options within their 'Research Hotel'. Offering such facilities enriches the research community within the MIF and broadens its network.

Unilever have made a major investment and taken a private floor (offices and laboratories) accommodating up to 100 researchers with the ability to then work alongside university experts and SMEs in the Open Access Area. It will have one of the highest concentration of lab robotics for Materials Chemistry in Europe, working closely with STFC Hartree and IBM to harness artificial intelligence operation, scanning research papers for ideas for the robotic platforms to test. The initiative came from HEFCE's UK Research Partnership Investment Fund building upon a long-term relationship between the Chemistry Department (2nd in the Country in the last Research Excellence Framework) and Unilever R&D.

Germany has excelled at this sort of initiative through the Max Planck Society and the Fraunhofer Society for the Advancement of Applied Research. With a total staff of 13,000 employees, including 4700 scientists, they had a total budget in 2006 of Euros 1.4 billion, most from state and federal funds. Britain's Catapult initiative has in some ways replicated the success of German research institute, but in comparison its funding has been limited¹⁸.

This disparity in state support and institutional support has an unfortunate parallel. Many local bodies have been seriously weakened by austerity, particularly local government¹⁹. Ways must be found to fund strategic and delivery capacity for infrastructure and business support. Local bodies however alone are not enough – strategic control of resources and their impact lies with government. Therefore, there needs to be some form of long term strategic planning to take account of the differential spatial impacts of policies and resource allocation, inside, close to, or, if necessary, outside the government machine²⁰. This would be greatly assisted by enhancing the present skeletal capacity of BEIS provincial offices, if they are to work most effectively with the smaller entrepreneurs and clusters at a local level.

Question 38: Are there institutions missing in certain areas which we could help create or strengthen to growth?

Response: Institutional Capacity is missing at a national and local level. At the national level, there is no forum or mechanism for developing and setting out a national framework of action and priorities for rebuilding the nation. Some form of new national capacity is required for strategic spatial planning and potentially industrial strategy. The welcome move to devolved arrangements is still limited in the areas covered, by their

¹⁸ See Peter Hall, *Good Cities, Better Lives* (2014) and research by Herman Hauser http://www.foundation.org.uk/journal/pdf/fst_21_05.pdf

¹⁹ On Local Economic Partnerships (LEPs), Lord Heseltine and Sir Terry Leahy concluded in 2011 'they have virtually no money, no planning powers, no land assembly powers, and are dependent for their administrative capability on staff from the local authority'. LEPs may have more money but the other issues remain unaddressed; meanwhile local authorities have been the recipient of funding cuts up to of 50% (Heseltine and Leahy: *Rebalancing Britain, Policy or Slogan?*)

²⁰ For a US example of effective long term planning outside the government machine see D Johnson *Planning the Great Metropolis* (2015), on the Regional Plan Association, which produced its first plan for the city region in 1929 and is just producing its fourth.

coherence, and by the functions devolved. Outside the local areas with a combined authority there is an institutional vacuum.

A more systematic and comprehensive approach is required:

- To ensure all areas are brought into this process of local empowerment
- To reduce the costs and time scales involved in the process associated with establishing these collaborative arrangements; and
- To recognise the potential of inter-city-region cooperation

This could be progressed at a local and national level. At a local level functional urban regions²¹ should be used as a context for local collaboration, building on the experience of those Combined Authorities which in undertaking spatial planning. At a national level, we could create coordinating and promotional capacity to support four operational areas – London Capital Region, Northern Powerhouse, Midlands Engine, and South and South West Peninsula (as well as devolved nations).

A key question which remains is what would be the most effective arrangements to take forward the implementation of the Industrial Strategy. The options range from within government to an arms-length implementation agency. This will need resourcing and to work alongside cities and sub-regions, and would benefit from being based outside London. In addition, there is an on-going need for a capacity for sustained spatial analysis for policy monitoring and development. This capacity does not currently exist. Consideration therefore needs to be given to the most effective new national arrangements to deliver this. The Common Futures Network consider this could be through an independent body (comparable to the Office of Budget Responsibility),.

CONTACT

This submission was prepared on behalf of CFN by Vincent Goodstadt, Corinne Swain and Ian Wray, taking into account the proceedings of the symposium held on 6th and 7th December 2016, the Interim Prospectus “*A New Agenda for England and the UK*” and comments received subsequently in the consultation undertaken with members and has the broad support of Common Futures Network

Contacts for CFN:

Vincent Goodstadt vannegoodstadt@btinternet.com

Corinne Swain corinne.swain@arup.com

Ian Wray wray.i@btinternet.com

²¹ There are various sources for the identification of functional urban regions – e.g. LGA report Prosperous Communities http://www.pacec.co.uk/wp-content/uploads/2015/09/Prosperous_communities_II_vive_la_devolution.pdf

APPENDIX 1

SUMMARY PROPOSITIONS OF COMMON FUTURES NETWORK

Towards a Common Future

The Prime Minister has set out the *“need for vision, determination and a plan to drive growth up and down the country - from rural areas to our great cities.”*

The Prime Minister’s ambitions require an integrated framework of action, which gives confidence to those who want to invest in the future of the country. The empowerment of local communities through the devolution and localism agenda needs to be strengthened, by providing a clearer context for local decision-making. Business development needs confidence in the longer-term future for investment.

There exist the foundations of such an integrated approach for Scotland, Wales and Northern Ireland, as set out in their respective national development frameworks - but there is no equivalent for England. The Government’s initiatives for a National Industrial Strategy and a National Infrastructure Assessment are welcome but these are not sufficient to be successful in delivering this agenda in full.

The Common Futures Network (CFN) has therefore come together to respond to the interlinked challenges of inequality, low productivity, economic imbalance, and social and political cohesion. It seeks to transform rhetoric into action through a consensual, forward-looking and independent *Agenda* for shaping the future of England over the next 50 years.

Opportunities for Change

The following opportunities to rebuild the nation need a national framework of action:

- A better national balance of investment, research, culture, people and jobs, both urban and rural
- An economic strategy that harnesses the UK’s full potential as a global mega-region
- An urban policy which sets out the roles of the major cities and their regions
- Securing the global role and functioning of the Capital Region of London
- Enhanced relationships between devolved administrations
- An infrastructure framework that underpins these, including movement and energy.

These challenges are overlain by the impacts of climate change and the potential implications of BREXIT. They are also hampered by fragmented administrative areas, and short-term outlooks. We need to change the way we do things!

A New Agenda for England and the UK

We need to build on the existing initiatives by harnessing fully the potential opportunities created by England’s position as a *global economic region*. A fresh national agenda will help unite the nations of the UK by expressing their separate but interlinked identities, needs and ambitions. A new agenda is needed to translate government objectives into their spatial implications throughout England. Conversely, we need to consider geographical implications much more explicitly than at present when national policy decisions are taken, including those related to mainstream funding.

The immediate actions to tackle the short-term and longer-term national development priorities are therefore set out in the following eight Propositions. These could be informed by an independent body (comparable to the Office of Budget Responsibility).

The Propositions

Proposition 1: Creating a New Agenda for England to promote a portfolio of actions recognising geography based on:

- The global role of the London mega-region within the UK
- A new devolved development programme building on sub-national strengths
- An urban agenda to support the networked systems of cities
- A new rural agenda as a basis for connecting the rural hinterland of England
- Securing the natural capital of England
- An integrated infrastructure strategy rebalancing opportunities within England as part of the UK.

Proposition 2: Introducing a Place-based Industrial Strategy to harness the agglomerative capacity of the UK, and England in particular, as a global mega-region, and a refreshed regional development programme reducing peripherality, identifying areas of industrial specialisation, linking research and development, and setting priorities and goals for underperforming parts of the country.

Proposition 3: Integrating Infrastructure to move the agenda beyond re-engineering the nation to rebalancing opportunities within England; also, opening up new development areas required to meet the additional 9m population by 2040.

Proposition 4: Building Networked Systems of Cities: Understanding and maximising functional linkages between cities, building upon, but not confined to, the three existing trans-regional priorities (Northern Powerhouse, Midlands Engine, and the Cambridge-Milton Keynes-Oxford Corridor), and other nationally significant opportunities (e.g. Heathrow-Swindon-Bristol), as well as the HS corridors.

Proposition 5: Securing the Global Role of London: Ensuring action throughout the London Capital Region supports the commercial, labour and housing markets upon which the future of London as a global city depends, through a high level non-statutory public – private forum, and also strengthening London's relationships with other major UK cities.

Proposition 6: Facilitating Devolution: Reinforcing the potential created by the emerging framework of Combined Authorities through a more structured and incentivised basis for collaborative action, whilst retaining a safety net for vulnerable towns.

Proposition 7: Identifying the Components of a Framework: Based on these propositions identifying the key issues that must be decided at a national level for England in terms of the *National Economic Hubs, Corridors and Networks* in support of the *National Flagship Projects* and the *National Priorities for Collaborative Action*.

Proposition 8 : Linking Devolved National Frameworks through the British Irish Council's Working Group to provide a common context for cross-border cooperation, creating synergies and identifying cross-boundary and external relationships and nation-wide approaches to increasing self-sufficiency in food, raw materials and energy

The Next Steps

These Propositions have been taken forward (and amplified) in a Prospectus for 'A New Agenda for England and the UK'. The form of follow-up will be responsive to and in liaison with partners, and be seeking cross-party support.

APPENDIX 2 - Classifying New Commitments listed in Pillar 9

Related to Pillar 3 Upgrading Infrastructure

- The Government will use additional infrastructure funding to unlock growth in areas where connectivity is holding it back by creating new funding which allow better coordination of local economic plans with infrastructure investment;
- The Government will take account of the varying infrastructure needs and opportunities in different regions.
- We will deliver major infrastructure improvements which will help to drive growth across the country, including supporting the development of proposals for the Midlands Rail Hub and Northern Powerhouse Rail.

Related to Pillar 2 Developing skills

- We will work with local areas to test approaches to closing the skills gap; from early years education and the retention and attraction of graduates, to measures to drive the take up of apprenticeships.

Related to Pillar 1 Investing in Science

- We propose creating competitive new funding streams to back the clusters of innovative businesses across the country. These could support and develop world-class research and innovation strengths in local economies, and provide commercialisation funding to allow universities to work more with local businesses. In this way we will use some of the additional R&D funding to help stimulate local economies, as well as growing the UK overall.

Related to Pillar 4 Supporting Business:

- We will work 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. This may involve creating new institutions or strengthening existing ones, discussed further below.

Related to Pillar 10 Institutional Capacity

- We propose establishing Ministerial Forums on Industrial Strategy with each of the Devolved Administrations. These will bring together all relevant UK Government Departments and the Devolved Administrations to consider how the industrial strategy can best address key productivity barriers in Scotland, Wales and Northern Ireland. This is an open invitation to representatives of each Devolved Administration to develop jointly plans with the UK Government to support all areas of the UK, and to align closely our economic plans and strategies.