

Local delivery key to economic growth

No sooner had we submitted our response to the Industrial Strategy Green Paper than another political tidal wave comes crashing in – Theresa May’s call for a snap general election. Yet this latest headline-generating development must not distract anyone from the importance of creating an Industrial Strategy that is right for this country, whoever is in charge after 8th June. And we are very clear on our own recommendations.

At the heart of our response is a clear steer on how to support the execution of the strategy. Our concern is that there is a complicated and ever changing set of organisations charged with achieving the scale of ambition highlighted in the Green Paper. How meaningful can a central government Green Paper be when many areas of England (and each of the devolved administrations) are involved in various stages of devolution? Clarity on government’s expectation on how the strategy should dovetail with the economic plans of those gaining devolved powers is essential. Without this, the strategy is a presentation of some ideas with the hope that some areas may pick up on some themes.

To make this strategy a success we need a clear framework for delivery – and for consistency of delivery and a high priority being given to the strategy we call for economic development to be a statutory function within local authorities with a clear remit. It is our recommendation that local government should be the local deliverers. Any different vehicles – combinations of local authorities, LEPs and other sorts of development organisations are the choice of local government according to their circumstances. We also believe that some aspects of the strategy should be under the oversight of central government, typically those aspects directly relating to sector development and where a piecemeal approach would be unhelpful or may undermine a nationally-determined standard.

Central government and a clear regional/local body are definitely the correct vehicles for delivering economic growth but the regional/local bodies have changed multiple times over many years and with the arrival of new bodies we do not always clear away the old leading to confusion, duplication and sometimes conflict. At present, in large LEP areas with no City and a two-tier system of government the Industrial Strategy offers limited relevance for District Councils. Without local government having a statutory responsibility, economic development will continue to differ between locations, confusing those with whom it should be engaging and delivering less than it should – so this is a must.

A statutory approach to economic development would include every location having an active business engagement programme. The views of employers on skills, employment land requirements, future research opportunities, internal investment projects etc should be systematically captured and acted upon. This is not happening uniformly across the UK and is a critical vehicle for the Industrial Strategy.

So, beyond the principles of execution, we are also very clear on five other priority areas:

Research and development

- There must be a clear strategy for how research is funded and collaboration enabled after Brexit is complete. We question whether the Industrial Challenge Strategy Fund is the correct approach to driving maximum economic impact and suggest that the Industrial Strategy needs to recognise that different parts of the country have different economies and strengths which must be fully utilised. Within this, local business support is a priority and can be done more effectively than it is at present – in fact, in many areas it has essentially been dismantled.

Small business support

- A large of aspect of what the Industrial Strategy should be concerned with is the relevance to the small business community which is the bedrock of the entire UK economy. There is no current policy with any teeth that supports existing businesses to survive. Activities must provide the best advice to start-ups and have a clear link to finance, IP protection and growth advice. The link to these things is generally missing in the UK approach. We are also strongly in favour of developing a proof of concept fund to test early-stage ideas, and those with this funding can then go on and try to develop further and raise commercial finance.

Business internationalisation

- Greater support must be given to the medium-sized and large businesses who will make a larger impact on the UK's export performance. However, the export support network in the UK is disconnected – at present the Department for International Trade is seeking to focus to a greater extent on medium and large businesses but the outsourced ITA network across the UK is incentivised to find large numbers of companies who are interested in exporting and these are generally small/first-time exporters – this needs to be rectified. More emphasis should also be put on Foreign Direct Investment (FDI) for capital investment.

Infrastructure investment

- We call for a higher level of expenditure allocated to UK infrastructure – and infrastructure should not be confined to a discussion about transport for the workforce but also utility provision, digital connectivity and freight movement. Digital investment in rural areas is a priority if economic growth is to be achieved evenly and the ‘national assets’ therefore be used more evenly. A framework that allows communities (local or regional) to come forward and show how some infrastructure developments could be part-funded would also be a welcome innovation.

Skills

- We need to especially re-examine how mid-career members of the workforce are incentivised to continue their skills development. In a fast-changing economy the untapped potential of the existing workforce which may be under-employed or could be better deployed elsewhere will become very important. We suggest that a tax credit system and greater availability of student loan funding for mature students undertaking a range of courses would be a starting point.

You can read the Institute of Economic Development’s full response to the Industrial Strategy Green Paper at: https://ied.co.uk/images/uploads/IED_Industrial_Strategy_response.pdf

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