

Subject: Building our Industrial Strategy - Green Paper (January 2017)

Report to: EMT 23 March 2017  
Economic Development Committee 3 April 2017

Report by: Peter Wright, Economic Development Officer

#### **SUBJECT MATTER/RECOMMENDATIONS**

Members are asked to note the content of the Government's 'Industrial Strategy' Green Paper and consider a response to the consultation.

Members are asked to note the focus on energy, infrastructure and skills. Great Yarmouth is a growth area for the New Anglia Local Enterprise Partnership with energy, the port and Enterprise Zones at the forefront.

Members are recommended to encourage Government to produce a strategy that will drive growth in Great Yarmouth through key sector development, infrastructure provision and skills development.

#### **1. Introduction/Background**

The Government has published a Green Paper for consultation (deadline 17 April 2017) to aid the development of a long term industrial strategy to provide a policy framework against which major public and private sector investment decisions can be made with confidence. Councils are invited to work together with the Government to develop jointly plans to help every place meet its potential.

#### **2. Industrial Strategy (January 2017)**

- 2.1 The approach of the Government in this document is to create a stronger economy and a fairer society that works for everyone across the UK. This is a new strategy for the post BREXIT era.
- 2.2 The Green Paper sees the following major challenges: to build on the UK's strengths, close the productivity gaps and make the UK the most competitive place to grow a business.
- 2.3 The objective of the Industrial Strategy is to improve living standards and economic growth by increasing productivity and driving growth across the whole country. The nature of challenge is to address the disparities in economic performance in terms of wages and productivity compared both internationally and regionally. For example London's Gross Value Added per head is 72 % higher than the UK average. 61% of people in the UK live in places with an income 10% below the national average.

## 10 Pillars of the Industrial Strategy

- 2.4 This section of the report outlines the Government's 10 pillars, summarizing the issues identified that need to be addressed, outlining the Government response and adding a comment from a Great Yarmouth point of view.

2.5 **A. Investing in science, research and innovation**

**Issues:** The UK is not good at commercialization and does not spend as much as other countries. Spend is focused on Oxford/Cambridge/London (46% of Research Council/Higher Education Funding Council).

**Proposal:** New Research and Development investment planned with an Industrial Strategy Challenge Fund to support smart, clean digital and innovative technologies. Energy storage research institute planned.

**GY:** Renewables Catapult to encourage innovation is an initiative that is not yet happening in Great Yarmouth. Sector specific innovation funds and an Industry Challenge Fund are available.

2.6 **B. Developing skills**

**Issues:** The UK has some of the top universities but technical education has been relatively neglected. Too few people with technical qualifications and too many under performing schools.

**Proposal:** New system of technical education with simplified qualifications and easier access. Consulting on how to boost Science, Technology, Engineering and Maths skills at all levels, transition year at 16 to reduce drop out rates and more help for re-training and lifelong learning. Announcements made in the Spring Budget 2017.

**GY:** College merger should put East Coast College in a good place to react to the new opportunities. The proposed Energy Skills Centre will be an important part of that.

2.7 **C. Up-grading infrastructure**

**Issues:** Transport infrastructure lagging behind in G7 Countries. Partly due to a lack of long term planning and the alignment of planning for industry and housing.

**Proposal:** National Productivity Investment Fund £23bn from 2017-22 for transport, fibre broadband and 5g mobile. New Infrastructure Commission and Projects Authority. Decisions made on Hinkley Point C, Heathrow and HS2. Housing Infrastructure Fund £2.3bn and £1.7bn Accelerated Construction programme.

**GY:** Sizewell C is more likely after Hinkley approval. Major infrastructure bids submitted for Great Yarmouth's Third River Crossing and tidal defences are utilizing separate funding streams. Also, proposals from Highways England for A47 improvements are funded by the Regional Investment Strategy.

## 2.8 **D. Supporting business to start up and grow**

**Issues:** World leading finance centre and ranked 3rd for start-ups, but fewer companies scale up successfully. The UK invests 2-3 % less GDP in fixed capital.

**Proposal:** The Patient Capital Review into the barriers to long term investment will identify the most effective ways to improve the availability of patient capital for growing businesses. Views on how to address the factors constraining quoted companies and fund managers from making longer-term investment decisions. To work with the British Business Bank and the Scale Up Institute to help to address the relative weakness of venture capital funding and entrepreneurship networks outside the South East.

**GY:** A national programme of start up support and growth acceleration is needed. Initiatives to help businesses to diversify from an over reliance on one sector would be helpful i.e. oil and gas downturn.

## 2.9 **E. Improving procurement**

**Issues:** Government spend represents the equivalent of 14% of GDP which could be used strategically to encourage competition, innovation.

**Proposal:** The Government has launched an independent review of how strategic procurement can be used to support businesses developing innovative new products and services. The Government is rolling out the "balanced scorecard", across all major construction, infrastructure and capital investment projects over £10 million, including the National Infrastructure and Construction Pipeline<sup>24</sup>. The scorecard will ensure the impact of procurement on the growth of small business and UK supply chains, skills and apprenticeships is taken into account when considering the value for money of different bids.

**GY:** The 'UK content' approach adopted in the 'contracts for difference' for offshore wind subsidy should be used more widely in public sector contracts, along with stipulating training and development requirements.

## 2.10 **F. Encouraging trade and inward investment**

**Issue:** The UK is number 1 for foreign direct investment, but not enough companies export.

**Proposal:** The new Department for International Trade established, increased export finance and new consortia approach for major overseas contracts. More work to develop local area and key sector promotion.

**GY:** Centre for Offshore Renewable Engineering status for Great Yarmouth/Lowestoft has diminished in importance in terms of renewables. Danish Government acts to guarantee wind developments in home waters. Government could help with bonds to assist collaborative bidding in oil and gas /wind projects. GYBC/NCC are taking local companies with them to offshore wind exhibitions to promote trade and investment.

## 2.11 **G. Delivering affordable energy and clean growth**

**Issues:** Keep down energy costs, co-ordinate changes to energy infrastructure and secure the benefits of the transition to a low carbon and resource efficient economy.

**Proposal:** The Government will set out a long-term roadmap in 2017 to minimise business energy costs, having reviewed the cost of achieving the decarbonisation goals in the power and industrial sectors. The review will cover how best to support greater energy efficiency, the scope to use existing instruments to support further reductions in the cost of offshore wind once current commitments have been delivered, and how Government can best work with the regulator Ofgem to ensure markets and networks operate as efficiently as possible in a low-carbon system. The Government will also review the opportunities for growth from the energy sector and the opportunities for the UK e.g. the use of new grid technologies for electric vehicles. To ensure that new energy technologies are developed here and the UK benefits from global investment in this area the Government has doubled support for energy innovation, and are already investing over £600 million.

**GY:** To ensure the continued reduction in costs, the offshore wind sector needs certainty over the future funding regime from Government. Further Contract For Difference rounds should be instituted to ensure industrial scale development.

## 2.12 **H. Cultivating world leading sectors**

**Issue:** Open door challenge to businesses for sector deals to redress regulation, innovation, export etc.

**Proposal:** Invite private sector proposals to address sectoral productivity.

**GY:** Oil and gas could be the subject of a sector deal especially in regard to the plan for the Southern North Sea (SNS) which is being prepared. This could develop regional ideas for late life development, decommissioning, pipeline re-use and diversification together with the necessary supply chains of local companies. Both tourism and offshore wind could also benefit from

collaborative approaches through sector deals.

### 2.13 **I. Driving growth across the whole country**

**Issue:** Economic imbalances between different parts of Britain are larger than our competitors, with incomes and living standards lagging behind in too many parts of the country. These disparities hold back the country's growth and limit opportunities for too many people.

**Proposal:** Decentralized governance in terms of the Housing Infrastructure Fund and local road/transport funding £1.1bn. Major infrastructure up-grades Midlands Rail Hub/Northern Powerhouse Rail. New approaches to address skills disparities at a local level will be tested. New funding for localised support for key sectors in terms of research, innovation and commercialisation.

**GY:** Lyons Review in the past offered the prospect of re-location of central government jobs. Diversification in industrial sectors would help address over reliance and raise productivity. Education Action Zone designation in the past to address long standing educational performance.

### 2.14 **J. Creating the right institutions to bring together sectors and places.**

**Issue:** Build on or create the right institutions to support development over the long term.

**Proposal:** Develop local area clusters and the necessary institutions. Support supply chain development and inward investment. Consider re-location of public agencies. Creation of new educational institutions. Local Government freedoms.

**GY:** We have the right institutions e.g. Local Enterprise Partnership, Chamber of Commerce and trade associations such as East of England Energy Group and the Greater Yarmouth Tourism and Business Improvement Area.

The Lyons Review considered the re-location of Government offices to balance economies.

## 3. **Views of other organisations**

3.1 Both the Norfolk County Council and the New Anglia Local Enterprise Partnership are considering the Green Paper at their next meetings in March 2017.

### 3.2 **Norfolk County Council**

3.3 The County Council have framed their discussions of the Industrial Strategy

to focus on the 3 sectors which both Norfolk CC and the New Anglia LEP believe have a genuine competitive advantage and can contribute to the national growth i.e. Energy, the BIO Economy and ICT/Digital Creative. In showcasing these sectors Norfolk CC believes that it can highlight the skills, business support and infrastructure requirements needed to sustain and grow these sectors locally. The aim is to maintain a high level response targeted to have impact.

3.4 Norfolk CC have held workshops with key stakeholders to gain early feedback and the following key issues have emerged:

- The development of leadership skills
- Connectivity
- Profile raising
- Research and investment approach

3.5 The Norfolk CC report describes the 3 key sectors in more detail starting with Energy. This section describes the energy offer in the region, the importance of Great Yarmouth, the need for investment in the Great Yarmouth Third River Crossing and the Acle Straight, the importance of the port and the need to address skills issues. In this regard the report mentions the East Coast College's proposed Energy Skills Centre and the idea for an innovation centre in the Enterprise Zone.

### 3.6 **New Anglia Local Enterprise Partnership**

3.7 Again, the New Anglia LEP focuses on a high level narrative outlining the strong messages that they would like to see in the Strategy. There will be an evidence based submission that demonstrates Norfolk and Suffolk's economic assets, ambition and opportunity. The New Anglia LEP are working with Local Authorities, businesses, stakeholders, education providers and business organisations to reach a collective position.

3.8 The framework for the New Anglia LEP's response will be as follows:

#### ***Place***

- A strong narrative on the importance of place in ensuring we build the right skills, infrastructure, business support needed for inclusive growth
- Focus on our world-leading sectors (Agri-tech, Energy and ICT) with thought given to potential sector deals
- Clear and shared understanding of future growth opportunities and the collective and individual roles of private and public organisations in realising the potential

#### ***Scale***

- Identifying what could be scaled-up and what interventions are needed to do this and when

- Working across our key sectors to fully capitalise on opportunities for scaling up

### ***Interventions***

- Longer term decision-making
- Increased revenue and capital funding with local flexibility
- Place-based and evidence-based
- Invitation to pilot schemes in Norfolk and Suffolk

### ***Collaborations and Institutions***

- Better join-up/coherence in policy and funding
- Greater local autonomy – understanding place, how local economy contributes nationally, internationally and delivers inclusive growth
- Identifying areas for collaboration which will complement our strengths

## **4. Conclusions**

- 4.1 The Government is consulting on a wide range of issues pertinent to the future development of the UK economy. Norfolk CC and the New Anglia LEP have identified Energy as a key sector for the development of the regional economy. Taking the 10 pillars of the strategy there is something that can be done in each to help develop the local Great Yarmouth economy. However, the education and skills issues, the sector development plans, the certainty of the wind energy finance regime and continued infrastructure provision support need prioritising.

## **5. Recommendations**

- 5.1 Members are asked to note the focus on energy, infrastructure and skills. Great Yarmouth is a growth area for the New Anglia Local Enterprise Partnership with energy, the port and Enterprise Zones at the forefront.
- 5.2 Members are recommended to encourage Government to produce a strategy that will drive growth in Great Yarmouth through key sector development, infrastructure provision and skills development.

## **6. Background Papers**

HMG Building our Industrial Strategy, Green Paper January 2017

Norfolk County Council, Policy and Resources Committee (March 2017), Item 11 Industrial Strategy Green Paper

New Anglia LEP Board Paper (March 2017) Item 11

*Areas of consideration: e.g. does this report raise any of the following issues and if so how have these been considered/mitigated against?*

| <b>Area for consideration</b>                | <b>Comment</b>                                     |
|--|--|
| Monitoring Officer Consultation:             | N/A  |
| Section 151 Officer Consultation:            | N/A  |
| Existing Council Policies:                   | The Plan & Great Yarmouth Economic Growth Strategy |
| Financial Implications:                      | N/A  |
| Legal Implications (including human rights): | N/A  |
| Risk Implications:                           | N/A  |
| Equality Issues/EQIA assessment:             | N/A  |
| Crime & Disorder:                            | N/A  |
| Every Child Matters:                         | N/A  |



# The 10 pillars



Investing in science,  
research & innovation



Developing skills



Upgrading  
infrastructure



Supporting businesses  
to start and grow



Improving  
procurement



Encouraging trade  
& inward investment



Delivering  
affordable energy  
& clean growth



Cultivating  
world-leading sectors



Driving growth  
across the  
whole country



Creating the right  
institutions to bring together  
sectors & places