

ECONOMY PDG
9TH NOVEMBER 2017

HOTSW Productivity Strategy 2018-2036

Cabinet Member(s): Cllr Richard Chesterton
Responsible Officer: Stephen Walford, Director for Growth

Reason for Report: To inform members of the Heart of the South West Partnership's Productivity Strategy and to provide members with an opportunity to steer Mid Devon District Council's response to the Consultation.

RECOMMENDATION: That members consider the attached strategy, and discuss the questions contained in the report.

Relationship to Corporate Plan: It supports the corporate objectives for the economy.

Financial Implications: There are no direct financial implications arising from the report, however, the productivity strategy will determine the focus of funding made available to the Heart of the South West from government. Influencing the strategy to align it with Mid Devon's aims and objectives will put our district in a position of strength to access such funds.

Legal Implications: None

Risk Assessment: None

Equality Impact Assessment: There are no equality issues arising directly from this report. The strategy itself identifies 'inclusive growth' as a key principle behind productivity growth in which everyone has the opportunity to benefit from, and contribute to, our productivity growth, regardless of status or location.

1.0 Introduction

Following the publication of its productivity green paper in January 2017, the Heart of the South West Local Economic Partnership (HotSW LEP)¹ has now published a draft strategy for consultation, 'Stepping up to the Challenge' (see attached document).

The Strategy sets out the long term ambitions of the partnership, which includes Mid Devon District Council, to generate economic growth by raising productivity in the region.

- 1.2 Reflecting the Government's Industrial Strategy, this strategy focuses on productivity as the key driver for economic growth. There are two basic ways of generating economic growth, either by increasing the amount of work done by creating more jobs, or by increasing the value of economic activity. With employment rates in the UK at record highs, and with no political appetite for inward migration, the only way to create growth in the present economic environment is by increasing the value of the work done i.e. by increasing productivity.

¹ The partnership includes all the councils in Devon and Somerset, along with the Local Enterprise Partnership, the two National Park Authorities and the three Clinical Commissioning Groups,

Unfortunately, over a long period the UK has shown poor productivity compared to its main competitors. UK workers are now nearly 30% less productive than their counterparts in the US, France or Germany - this is known as the productivity gap. Since the economic slump of 2008 the productivity gap has been widening, and recently even the rate of growth of productivity has slowed down. Within the UK, there is also a disparity between the different regions, with the South West having a productivity level only 87% of the national average.

Brexit also provides further impetus to tackle the productivity gap nationally. If UK businesses are going to compete successfully in an open global market, they will need to be as efficient or more efficient than their competitors.

- 1.3 At a local level, this change in emphasis from job creation to productivity, transfers the focus from generic job creation to creating high quality jobs, with higher skills and higher wages. Members should consider how we can best attract and support the growth of businesses that can create the high skilled, high waged jobs necessary to increase productivity in the district.
- 1.4 Since the Productivity Strategy will form the basis for bidding to Government for funding under a Single Investment Programme, it is also important that the Council ensures that our district's priorities and ambitions for economic growth are reflected in the strategy. This will give us the best chance of benefitting from funding drawn down to the region in future funding rounds.

2.0 Productivity Strategy Consultation

The remainder of this report summarises the main points in the HOTSW Partnership Productivity Strategy and poses a set of questions that will inform our response to the consultation but also help us to develop our vision for the future of the Mid Devon Economy.

- 2.1 The strategy states that the partnership's goal is:

‘to double the size of the HOTSW economy by 2036’

Q. Is this an appropriate target (ambitious but not unrealistic)?

Q. What would be an appropriate target for the Mid Devon Economy?
- 2.2 The strategy outlines a number of high level interventions. Under the title Leadership and Knowledge it identifies the following initiatives:
 - Developing a bespoke management programme to promote management excellence
 - Developing a programme of support to facilitate growth in key sectors
 - Creating a Foresight Network to look at future trends and opportunities
 - Creating Networks and clusters for accelerating innovation
 - Preparing for opportunities around data analytics, AI and the Internet of Things
 - Strengthening innovation and business connections
 - Increasing access to finance
 - Marketing the region’s special benefits to attract new talent
 - Marketing the region’s unique business opportunities to attract new investment

Q. Which of these interventions are important for Mid Devon?

2.3 Under the title Connectivity and Infrastructure it identifies the following key interventions:

- Creating new partnerships to deliver smart grid and energy storage
- Ensuring capacity, resilience and usability of major road and rail networks
- Creating an infrastructure for electric and autonomous vehicles
- Creating an Infrastructure Commission
- Ensuring 100% superfast broadband and 4G coverage
- Future proofing new developments - 'our aim is to make all new housing more sustainable and with the latest energy and digital infrastructure built in from the outset.'
- Expanding the Enterprise Zone concept across coastal and rural areas
- Developing key sites to support the golden opportunities
- Supporting the release of public land for business needs
- Developing pilot schemes for green spaces
- Sourcing flexible funding for accelerated housing delivery
- Creating shared vision and methodology for using natural capital stocks and flows

Q. Which of these interventions are important for Mid Devon?

2.3 And, under the title Working and Learning, it identifies:

- Developing higher level skills
- Creating a Skills Taskforce
- Maximising the potential of apprenticeships
- Strengthening and streamlining the provision of careers information, advice and guidance and HE/FE/school integration
- Providing Employment support
- Creating centres of excellence for English, maths and digital literacy
- Establishing centres of excellence and technology institutes for sector skills
- Creating a Capital renewal fund

Q. Which of these interventions are important for Mid Devon?

2.3 'Building on our Golden Opportunities'. The strategy identifies seven sectoral strengths for the Heart of the South West area (the so-called 'golden opportunities')

- Nuclear
- Marine
- Aerospace
- Advanced Manufacturing (high tech, electronics and photonics)
- Data analytics
- Rural productivity (sic. *not clear what this means*)
- Health and social care

Q. Given that the majority of these sectors are not present in Mid Devon, are these the right areas for the partnership to focus on?

Q. What sectors are Mid Devon's 'golden opportunities'?

- 2.4 ‘Inclusive Growth for all our communities’ is an important cross cutting theme within the strategy, which looks to ensure that “everyone has the opportunity to benefit from, and contribute to, our productivity growth, regardless of status or location.

Q. What role should ‘inclusive growth’ play in the strategy?

- 2.5 ‘Valuing our Natural Capital’ – The strategy recognises the importance of the region’s natural capital not only as an attractor for businesses and for people’s choice of where to live but also as a driver of economic activity – through energy generation, environmental services, sustainable construction, agri-food, leisure and tourism activity.

Q. How can we make best use our natural capital to raise productivity?

- 2.6 The strategy identifies the role of the public sector as:

- Building foundations that will let entrepreneurship thrive
- Developing the infrastructure – energy, transport, communications,
- Investing in areas of market failure – through direct LA funding or by drawing down central government grants
- Business support - helping disseminate information and knowledge that will support business growth
- Creating a supportive planning and regulatory framework
- Making land available for business and for housing
- Promoting a culture of investment

Q. What role should the Council take locally in supporting economic growth?

3.0 Consultation Timetable

The consultation closes on the 30th November and we will be submitting a response on behalf of the Council. If you would like to participate personally in the consultation then the on-line survey can be accessed at <http://www.torbay.gov.uk/devolution>. The LEP is also running a number of events with business groups and key stakeholders which will feed into the process. Following the consultation period the final strategy will be amended and form the basis for a delivery plan which will be produced in the spring of 2018.

Contact for more Information: John Bodley Scott, 01884 234363
jbodleyscott@middevon.gov.uk

Circulation of the Report: Cllr Richard Chesterton
Stephen Walford, CE & Director for Growth

List of Background Papers: None