

Agenda Item IMD11

INDIVIDUAL EXECUTIVE MEMBER DECISION REFERENCE IMD: 2017/11

TITLE	Wokingham Borough Council Response to the Government Consultation on the “Building our Industrial Strategy: Green Paper”
DECISION TO BE MADE BY	Deputy Leader of the Council
DATE AND TIME	13th April 2017 at 2.00pm
WARD	All
DIRECTOR	Josie Wragg, Interim Strategic Director for Environment
REPORT TO BE PUBLISHED ON	5 th April 2017
VENUE	Room FF2 Shute End Wokingham

OUTCOME / BENEFITS TO THE COMMUNITY

In submitting a formal response to the Government's “Building our Industrial Strategy: Green Paper” consultation, the Council seeks to ensure that the new strategy addresses the economic issues impacting on Wokingham Borough's prosperity in the future.

RECOMMENDATION

That the Deputy Leader of the Council approves the consultation response for submission (included at Appendix 1).

SUMMARY OF REPORT

The “Building our Industrial Strategy: Green Paper” consultation was first published on 23rd January 2017 and the consultation closes on 17th April 2017.

The Industrial Strategy Green Paper seeks to address the lack of productivity (UK productivity is low in comparison to other countries) and regional disparity. The modern industrial strategy is a critical part of the plan for post-Brexit Britain. The aims of the strategy are to:

- build on our strengths and extend excellence into the future;
- close the gap between the UK's most productive companies, industries, places and people and the rest;
- make the UK one of the most competitive places in the world to start or grow a business.

The Industrial Strategy is made up of 10 pillars, which draw together in one place a range of new and existing policies and related funding streams.

The introduction of “Building our Industrial Strategy: Green Paper” is generally supported by the Council, particularly in the context of considerable changes the UK economy following Brexit. **Error! Bookmark not defined.**

Background

The “Building our Industrial Strategy: Green Paper” consultation was first published on 23rd January 2017. Organisations have been invited to respond to the Government’s consultation on the paper, which addresses the long-term challenges to the UK economy by 17th April 2017.

The Industrial Strategy Green Paper seeks to address the lack of productivity (UK productivity is low in comparison to other countries) and regional disparity. The modern industrial strategy is a critical part of the plan for post-Brexit Britain. The aims of the strategy are to:

- build on our strengths and extend excellence into the future;
- close the gap between the UK’s most productive companies, industries, places and people and the rest;
- make the UK one of the most competitive places in the world to start or grow a business.

The Industrial Strategy is made up of 10 pillars which draw together in one place a range of new and existing policies and related funding streams. They are:

- 1) Investing in science, research and innovation
- 2) Developing skills
- 3) Upgrading infrastructure
- 4) Supporting businesses to start and grow
- 5) Improving procurement
- 6) Encouraging trade and inward investment
- 7) Delivering affordable energy and clean growth
- 8) Cultivating world-leading sectors
- 9) Driving growth across the whole country
- 10) Creating the right institutions to bring together sectors and places.

There are a total of 38 separate consultation questions in the covering the pillars above, including some general questions.

Analysis of Issues

The “Building our Industrial Strategy” paper covers the Government’s vision for a modern industrial strategy, which aims to build on the UK’s strengths, closes the productivity and wealth gap between different regions and drives growth more evenly across the country.

The introduction of “Building our Industrial Strategy: Green Paper” is good news for the Wokingham Borough and wider Thames Valley Berkshire economy and is generally supported by the Council, particularly in the context of considerable changes the UK economy following Brexit.

It is generally thought that 10 pillars suggested in the strategy are the right ones to tackle low productivity and unbalanced growth and that the right central government and local institutions are in place to deliver an effective industrial strategy. The Council is working effectively with its existing partners including, Thames Valley Berkshire Local Enterprise Partnership and the University of Reading.

However, there are some areas for improvements, including simplifying the delivery of

the skills and careers agenda. Although the local area has a strong skills base, the Council's response is clear that Government needs to recognise and promote the significant contribution the Thames Valley economy (including Wokingham Borough) makes nationally. A strong economic position should not be taken for granted and investment in other regions should not be made at the expense of one of the Country's best performing regional economies.

As well as preparing a Council response, the Council has fed into the response of the Thames Valley Berkshire LEP. The Green Paper (GP) was discussed at the Thames Valley Berkshire LEP Executive Board meeting in February 2017. Only the questions that are directly relevant to Wokingham Borough and its functional economic area (Berkshire) have been responded to. Evidence has been drawn from the Wokingham Borough Council Economic Development Strategy, the Thames Valley Berkshire Strategic Economic Plan and the Thames Valley Berkshire Skills Priority Statement.

The Council's draft response is included in Appendix 1.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	No cost	Yes	Not Applicable
Next Financial Year (Year 2)	No cost	Yes	Not Applicable
Following Financial Year (Year 3)	No Cost	Yes	Not Applicable

Other financial information relevant to the Recommendation/Decision
None

Cross-Council Implications (how does this decision impact on other Council services, including property and priorities?)
Some of the proposals in the consultation paper could affect other services – for example, Planning, Highways and Adult Education.

SUMMARY OF CONSULTATION RESPONSES	
Director – Finance and Resources	No comments received.
Monitoring Officer	Error! Bookmark not defined. No specific comments.
Leader of the Council	An Industrial Strategy is vital for the continued economic health of both the country and Wokingham Borough. I fully support the comments provided by officers and members in the Council's response to this Green Paper.

List of Background Papers
<p>The full Green Paper and associated announcements can be found on the Department for Business, Energy and Industrial Strategy website: www.gov.uk/government/policies/industrial-strategy</p> <p>The Council's draft response is included in Appendix 1.</p>

Contact Louise Strongitharm	Service Economic Sustainability
Telephone No 0118 974 6779	Email Louise.strongitharm@wokingham.gov.uk
Date 31 st March 2017	Version No. 0.4

**Wokingham Borough Council's response to the Industrial Strategy
Green Paper Consultation**

General Consultation Questions

- 1. Does this document identify 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?**

Yes. Any funding that flows out of this Strategy should recognise and promote the significant contribution the Thames Valley economy (including Wokingham Borough) makes nationally.

- 2. Are the 10 pillars suggested the right ones to tackle low productivity and unbalanced growth? If not, which areas are missing?**

Yes. The Council supports the 10 pillars.

- 3. 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 the right ones?**

Yes. The Strategy recognises the important role of local authorities in driving local economies, including through planning, housing, transport, education and skills, as well as, providing the kind of environment that attracts high growth businesses.

- 4. Are there important lessons we can learn from the industrial policies of other countries which are not reflected in these 10 pillars?**

No comment

Investing in science, research and innovation

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

Encouraging “innovation and technology to build a competitive business environment” is a priority of the Wokingham Borough Council's Economic Development Strategy. The Council works closely with the Thames Valley Berkshire LEP and other partners to prioritise the key sectors of digital technologies; energy and environment; and life sciences and healthcare. The Council would like to see these priority areas benefit from further science, research and innovation investment.

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

The Council feels that the following industries/sectors would most likely benefit from the fund in its area:

- Transformative digital technologies.
- Healthcare and medicine
- Bioscience and biotechnology
- Data science technologies
- Clean energy technologies
- Satellites and space technologies

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

Thames Valley Berkshire LEP's Strategic Economic Plan seeks to ensure that knowledge is effectively commercialised and grown in the area, noting that "we have never had a science park and that our network of business incubators and co-working space merits further development"

The University of Reading is currently developing the Thames Valley Science Park in the Borough, which will provide specialist space for start-up and growing innovative and technology-based companies.

Wokingham Borough economic development strategy seeks to "Encourage more innovative, high-growth new businesses into the area, including developing a proposal for business incubator hubs in partnership with organisations such as the University of Reading".

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

Supporting entrepreneurs and smaller businesses is vital, particularly over the next few years as we exit the European Union. We need to recognise and understand the specific aspirations of young people due to enter the labour market over the next decade, particularly in relation to the types of environment in which they want to live and work. We need to ensure that Wokingham Borough offers the economic, social and environmental qualities needed to attract and retain entrepreneurial talent.

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

Thames Valley Berkshire LEP's Strategic Economic Plan sees Thames Valley Berkshire's towns as genuine hubs in the ideas economy. "Our towns should be places where ideas can flourish and where these ideas can, in time, lead to a new generation of businesses which will drive the economy of Thames Valley Berkshire forward".

Wokingham Borough Council is in the process of redeveloping Wokingham Town centre to transform it into a thriving centre that will help attract new innovative businesses. We need to invest in and strengthen our business networks to improve the flow of information between firms, encourage innovation and reduce risk, and are frequently a catalyst for growth. The Council is also look to promote an incubator hub within the Borough to promote high growth business start-ups and knowledge sharing.

Developing skills

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

The Council supports the Government on transition year plans to help 16 year olds achieve basic skills, especially given councils' role for Raising the Participation Age and in identifying those at risk of not being in education, employment or training.

The Council welcomes the Government putting skills at the heart of the Industrial Strategy. For it to be a success, councils need greater freedom and funding from central government to equip people with the skills they need to compete for jobs. Councils know their areas and residents best and understand the current and future skills needs of their local businesses.

A government funded, in work, trainee qualification, delivered pre-apprenticeships, that has basic skills at its core is much needed to complete a pathway for work based training and improving basic skills.

The Government plans to publish a comprehensive Careers Strategy later this year. Good quality careers advice must be available at key stages in a person's learning and working life. Provision is currently complex and fragmented. Any policy that seeks to create a more coherent, locally commissioned careers service, supported by central government funding, will be supported by Wokingham Borough Council.

11. Do you agree with the different elements of the vision for the new technical education system set out here? Are there further lessons we can learn from other countries systems?

The Green Paper is consulting on plans to invest £170 million capital funding to establish Institutes of Technology (IoTs). The development of technical education pathways is welcome; Wokingham Borough Council supports the creation of a proper system of technical education, to benefit those young people who may want or need to go university, but need a different pathway to skills and work. The Council would support either a single Institute of Technology for Berkshire or smaller STEM Solutions Labs across the area with strong collaborative pathways and cohesion. However, IoTs must serve to improve an already complex skills system rather than simply adding another institution.

12. How can we make the application process for further education colleges and apprenticeships clearer and simpler, drawing lessons from the higher education sector?

No comment. However, the Apprenticeship Levy is likely to be a game changer with more degree-level apprenticeships available (providing an alternative to higher education).

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

The Thames Valley Berkshire Skills Priority Statement reports that most of Berkshire's priority sectors and job families (and therefore skills issues) are common across the whole of Berkshire, identifying in particular the following issues:

- Digital technology skills are in very high and growing demand. The digital technologies sector dominates the Berkshire economy.
- Many employers, particularly SMEs, struggle to recruit digital technology specialists, and believe that there needs to be more local training provision. Open source software is one area which may warrant particular focus.
- STEM skills remain in high demand. There is an ongoing need for skills in STEM subjects at all levels, particularly at Level 3 and above. These skills are critical for all six of Berkshire's priority sectors.
- There remains dissatisfaction with the basic and employability skills of young people. This is not a new issue and is not one that is confined to Berkshire. There is a mismatch between employers' expectations and the reality of young people's level of basic (English and maths) and employability (communication, attitude and motivation) skills.

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?

It is recognised that people will need to reskill and upskill through their working lives to ensure that their skills are still relevant to a fast paced employment market. The Council strongly supports the reference to lifelong learning. As an area with full employment, it is vital that we enable all working adults to participate in the labour market.

Improving basic skills for adults is also critical. It is essential that local authorities have full flexibility to target the Adult Education Budget to those who stand most to benefit and that this fund is commissioned and delivered with the needs of local residents in mind.

Upgrading Infrastructure

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

Interest rates remain low and there is a large presence of international institutional investors (pension funds etc.) who are willing and ready to underwrite long term investment in large scale infrastructure projects brought forward through Public Private Partnerships. There has never been a better time for large scale private sector investment in infrastructure. It is essential that the regulatory environment enables and encourages this.

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

The Industrial Strategy identifies that long-term funding certainty is the best way to plan infrastructure investment. Currently, too much funding for local infrastructure remains reliant on short-term and competitive bidding processes.

Ongoing uncertainty over the future of Community Infrastructure Levy (CIL) will also adversely impact on local infrastructure delivery plans. The Council expects CIL to deliver in excess of £67 million in funding for infrastructure to 2026 to unlock new housing sites. Housing delivery is a key factor in driving growth and the Council would not like to see major changes to the CIL system before the CIL regime has a chance to bed in properly.

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

The Council welcomes any additional investment in infrastructure, such as, transport and broadband. The local economy relies heavily on the connectivity of the area, particularly in terms of access to Heathrow, the motorway network and rail access to London. Digital connectivity is also of paramount importance to our business community.

Wokingham Borough Council plans to deliver the four Strategic Development Locations (SDLs) by 2026 providing 10,000 new homes to accommodate the workforce needed to deliver high economic growth. The Barriers to bringing forward housing and infrastructure is often about funding. As described above, the Council has concerns around future infrastructure funding as a result of the national review of CIL.

Like the rest of the country, Wokingham Borough does face skills shortages in the construction sector. The Council is seeking to address this through Employment and Skills Plans on new developments.

Supporting businesses to start and grow

18. What are the most important causes of lower rates of fixed capital investment in the UK compared to other countries, and how can this be addressed?

No comment.

19. What are the most important factors which constrain quoted companies and fund managers from making longer term investment decisions, and how can we best address these factors?

No comment.

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?

No comment.

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

No comment.

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 there outstanding examples of business networks for fast growing firms which we could learn from or spread?

A recent survey of local businesses in Wokingham Borough found that the main barriers to growth were financial issues (including costs of rents and business rates) and recruiting people with the right skills (particularly tech skills). Generally, the burden of excess administration costs occurs when high growth businesses reach 12 employees.

Enterprise and business support is a priority for Wokingham Borough Council and is identified in the Council's Economic Development Strategy. We have identified the need to support start up and smaller businesses that have the potential to grow and be the next generation of businesses in the Wokingham economy. As part of this, we are exploring the potential of an incubator hub in the Borough. The Council would also welcome funding for support for scale-ups through business growth hubs (in conjunction with the Scale-Up Institute).

Improving procurement

23. Are there further steps that the government can take to support innovation through public procurement?

The Council would support any policy that would assist smaller, local businesses to secure public sector (including local authority) contracts, particularly after the UK exits the European Union. Simplified procurement processes might be developed to help small businesses.

24. What further steps can be taken to use public procurement to drive the industrial strategy in areas where government is the main client, such as healthcare and defence? Do we have the right institutions and policies in place in these sectors to exploit government's purchasing power to drive economic growth?

No comment.

Encouraging inward investment

25. What can the government do to improve our support for firms wanting to start exporting? What can the government do to improve support for firms in increasing their exports?

Recent data shows that 48% of Thames Valley Berkshire's exports go to the EU, 12% to the US, 5% to China and 36% to the rest of the world. The role of UKTI is to provide expert advice, information and support to help UK-based companies succeed in the global economy. In Berkshire, there is an opportunity to work more closely with local authorities and Thames Valley Berkshire LEP to help improve the effectiveness of both inward investment and export activity. Extra support may be needed for businesses that export to Europe following the UK's exit from the European Union.

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?

Although only about 2% of businesses in Wokingham are foreign-owned, they account for a far greater share of local employment (21%) and turnover (34%). Foreign Direct Investment (FDI) can bring additional jobs and profits to a local area, as well as, other positive spillover effects that would not result had the investment not been made. However, FDI does bring risks, including limited local influence over future investment decisions. Activity needs to focus on retention of existing foreign-owned companies as well as inward investment.

Delivering affordable energy and clean growth

27. What are the most important steps the government should take to limit energy costs over the long-term?

The Government should assist by encouraging energy efficiency, sustainable development and supporting the research and innovation of new technologies, such as, energy storage and other smart technologies. A key challenge is to reduce the cost of energy saving technology through increased economies of scale.

28. How can we move towards a position in which energy is supplied by competitive markets without the requirement for on-going subsidy?

There is to be a new research institution and an announcement of innovation funding for storage and demand side response innovations. This should inform the direction of travel. Economies of scale are critical.

29. How can government, business and researchers work together to develop the competitive opportunities from innovation in energy and our existing industrial strengths?

Energy and environment has been identified as one of the three 'sector propositions' compiled by the Thames Valley Berkshire LEP. There are approximately 110 core energy and environment businesses operating in Thames Valley Berkshire. The University of Reading also has specialisms in climate and weather; research energy technologies; energy grids; energy demand; environmental engineering; energy systems and urban sustainability. Thames Valley Berkshire would make an ideal pilot for a collaborative pilot project.

30. How can government support businesses in realising cost savings through greater resource and energy efficiency?

No comment.

Cultivating world-leading sectors

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

No comment.

- 32. How can the government ensure that 'sector deals' promote competition and incorporate the interests of new entrants?**

No comment.

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

No comment.

Driving growth across the whole country

- 35. Do you agree the principles set out in this section are the right ones? If not what is missing?**

Yes. Connectivity is crucial to businesses, not only in Wokingham Borough but across the UK. With a number of international headquarters located in the Borough, strong access to Europe and the US is vital to our local economy.

- 36. 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 drive growth across the country?**

Wokingham Borough is located in the heart of the Thames Valley Berkshire area, widely considered to be the UK's economic powerhouse with a high performing economy in relation other parts of the country. Although the area has a strong skills base, the Government needs to recognise and promote the significant contribution the Thames Valley economy (including Wokingham Borough) makes nationally. A strong economic position should not be taken for granted and investment in other regions should not be made at the expense of one of the Country's best performing regional economies.

Creating the right institutions to bring together sectors and places

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

Local authorities, Local Enterprise Partnerships and other local partners have strong knowledge of the issues affecting their areas. The Government should facilitate locally-commissioned initiatives wherever possible.

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

No comment.

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

Wokingham Borough Council works closely with the Thames Valley Berkshire LEP to provide the local economic and business leadership. It is important to strengthen existing local arrangements rather than inventing new roles and organisations.

This page is intentionally left blank