

BUSINESS INNOVATION & SKILLS COMMITTEE: INQUIRY INTO THE GOVERNMENT'S PRODUCTIVITY PLAN

JOINT MEMORANDUM OF EVIDENCE FROM THE CHIEF ECONOMIC DEVELOPMENT OFFICERS SOCIETY (CEDOS) & THE ASSOCIATION OF DIRECTORS OF ENVIRONMENT, ECONOMY, PLANNING & TRANSPORTATION (ADEPT)

Executive summary

- We welcome the Government's decision to put in place a national Productivity Plan. As the Secretary-General of the OECD said in presenting the latest economic survey of the UK earlier this year, low productivity is the structural challenge of our time.
- We largely agree with the assessment of the reasons for the UK's productivity slowdown but a major gap is the absence of analysis of the variations in productivity across the country. More needs to be done to understand the reasons for this to provide a basis for action nationally and locally.
- The Plan focuses largely on Government action at national level, which is essential, but to be effective it needs to go further and address the variations in productivity and acknowledge the importance of local knowledge and action to tackle these issues.
- We welcome Professor Sir Charles Bean's independent review of UK economic statistics, which we hope will lead to improved ways of measuring productivity at national, regional and local area level and address the issue of areas with branch plants rather than head offices of major companies being underestimated in terms of GVA and productivity performance.
- We are pleased to see the Productivity Plan recognises the need to achieve a more balanced economy but in our view the policies put forward are much too limited. Whilst the Plan acknowledges that the UK has relied too heavily on London to generate growth and that economic power is more evenly spread in economies like Germany and the US, the policy response in the Plan is inadequate and places too much emphasis on the core cities and the 'Northern Powerhouse'.
- We support action to achieve productivity growth in the core cities and investment in the cities and towns across Northern England but we consider our other cities, counties and rural areas to be equally important to achieving economic growth and improving UK productivity. It is essential that sub-regional areas across the country have, as far as possible, a level playing field on which to pursue economic action and it is in the national interest that we both capitalise on the advantages of areas with high levels of productivity and tackle the issues that are depressing productivity levels in other areas.

Increasing long-term investment to improve productivity

- Of the eight areas with specific measures identified, we welcome in particular the emphasis placed on achieving a highly skilled workforce, a modern transport system with a secure future, world-class digital infrastructure in every part of the country, and high quality science and innovation, including investing in the UK's research infrastructure.
- Transport has a vital role to play in improving productivity. On specific measures: the new roads fund should not be used solely for the trunk road network which is only a small proportion of the total UK road length; a second road investment strategy should also cover roads not part of the strategic road network but which that carry significant traffic levels; Government could consider reducing rail regulation practices to reduce construction costs whilst maintaining high standards of design and safety provision, and encourage innovation.
- In terms of actions, the Productivity Plan very much focuses on Government achievements. In our view, practical actions at local level by local authorities and Local Enterprise Partnerships are equally important. For this sufficient resources must be available.
- The impact of the reduction in central government funding to support local growth in the last five years and the reduction in central government funding to local government of up to 40% has put pressure on the availability of finance to support local economic growth.
- Although local authorities continue to prioritise economic growth, economic development is a discretionary service and is vulnerable to further spending cuts, which could jeopardise essential local investments to help secure continued economic growth and improvements in local area productivity.
- This emphasises the importance of the Local Growth Fund and future local growth deal rounds in terms of both the overall size and scope of the Fund. It is important that distinctive sub-regional and local productivity issues and actions to address them are supported through future rounds of local growth deals.

Encouraging a dynamic economy

- On planning freedoms - we support in principle a number of the measures outlined but an important area in which the government could go further concerns the Community Infrastructure Levy (CIL). We consider a review of CIL and Section 106 Agreements is required urgently.
- On a zonal system for brownfield land - There are a number of technical issues to get right with implementing a zonal system and it may be more appropriate for local planning authorities to be encouraged to use the existing legislation, Local Development Orders and allocation policies to bring forward brownfield housing, rather than new legislation.

- The availability of housing is an important issue but so too is the availability of land for business growth. It will be important that the approach of granting automatic permission in principle for housing on brownfield sites does not lead to a loss of employment sites which are essential to support business development and local economic and productivity growth.
- It is essential that local authorities remain central to a locally accountable planning process. In discussion with local people and businesses, they are best placed to determine the most appropriate way forward for meeting local housing and business growth needs in their areas.
- Whilst improving housing land availability is important, so too is positive action to facilitate business development and growth. For this, Simplified Planning Zones and Local Development Orders can have an important role.
- Under *Financial services that lead the world in investing for growth*, the Plan rightly highlights the need to do more to promote the most productive forms of investment and identifies high level national measures. It is also important to ensure the availability of finance to support productive sub-regional business growth and that EU and national funding including the Local Growth Fund continue to be available to support local schemes throughout the country.

Rural Productivity Plan

- We welcome the publication of Defra's 10-point plan for boosting productivity in rural areas and the recognition that rural areas make a substantial and vitally important contribution to the economy of this country. We support the priorities for rural areas set out and welcome specific policy intentions. However, the Plan lacks substantive analysis of the causes of lower than average productivity in rural areas. As with the overall Productivity Plan, more needs to be done to understand the reasons for variations in productivity to provide a basis for effective action both locally and nationally.
- We welcome the commitment to empowering local leaders to drive growth through policies anchored in the specific needs of local areas. However, the Plan repeats the Government's prevailing mantra that it will encourage any further proposals from local areas for devolution of significant powers in return for a mayor. In our view, the elected mayor model is more likely to be appropriate to city-regions than to non-metropolitan and rural areas and should not be used to limit devolved powers in those areas.

Introduction

1. This Memorandum of evidence is submitted jointly by the Chief Economic Development Officers Society (CEDOS) and the Association of Directors of Environment, Economy, Planning and Transportation (ADEPT).
2. The Chief Economic Development Officers Society (CEDOS) represents Heads of Economic Development in upper tier local authorities throughout England. Membership includes county, city and unitary Councils in non-metropolitan

areas. The Society carries out research, develops and disseminates best practice, and publishes reports on key issues for economic development policy and practice. Through its collective expertise, it seeks to play its full part in helping to inform and shape national and regional policies and initiatives.

3. The Association of Directors of Environment, Economy, Planning & Transport (ADEPT) represents local authority Strategic Directors who manage some of the most pressing issues facing the UK today. The expertise of ADEPT members and their vision is fundamental in the handling of issues that affect all our lives. Operating at the strategic tier of local government they are responsible for crucial transport, waste management, environment, planning, energy and economic development issues. ADEPT membership is drawn from all four corners of the United Kingdom.

4. CEDOS and ADEPT welcome the opportunity to submit evidence to the Business, Innovation & Skills Committee's Inquiry into the Government's Productivity Plan. Our joint evidence focuses in particular on the key topics identified in the Inquiry announcement. In framing our submission we have consulted with our members across the country. We put forward our views in response to the specific questions identified by the Committee for its Inquiry within the overall context of the crucial role of Local Enterprise Partnerships, local authorities and partners in promoting and supporting economic growth in their areas and of the significant differences in productivity performance at sub-regional level across the UK.

CEDOS/ADEPT overall position

5. There can be no doubt that this country has a serious and long-term productivity problem that must be tackled. Historically the average increase in labour productivity in the UK has been about 2% per annum but in the seven years since the beginning of the 2008-9 global recession, productivity has stagnated. The Office of National Statistics says the lack of productivity growth in this lengthy period is unprecedented in the post-war period¹. Moreover, the UK productivity performance, particularly relative to the pace of growth prior to the crisis, has been considerably weaker than that of most other advanced economies². As the Office of National Statistics has pointed out "output per hour in the UK was 17 percentage points below the average for the rest of the major G7 advanced economies in 2013, the widest productivity gap since 1992"³.

6. We therefore welcome the Government's decision to put in place a national Productivity Plan. As the Secretary-General of the OECD said in presenting the latest economic survey of the UK earlier this year, low productivity is the structural challenge of our time⁴.

7. As a national Productivity Plan, it is perhaps understandable that the Plan focuses on what the Government plans to do and on what it has achieved so far.

¹ *Labour Productivity Q4 2015* Office of National Statistics 01 April 2015

² *The UK productivity puzzle* Bank of England Quarterly Bulletin Q2 2014

³ *International Comparisons of Productivity - Final Estimates, 2013* Office of National Statistics 20 February 2015

⁴ Angel Gurría, Secretary-General of the OECD presenting the Economic Survey of the United Kingdom 2015. London 24 February 2015

However, we consider the Plan needs to go further and address the issue of variations in the levels of productivity in the different regions and local areas of this country and acknowledge the importance of local knowledge and action to address the productivity problem.

8. Although Chapter 15 of the 16 chapters of the Productivity Plan covers “Resurgent cities, a rebalanced economy and a thriving Northern Powerhouse”, the focus must be much wider and genuinely acknowledge the important contribution that all areas of the country can make and are making.

Individual Inquiry questions

Do you agree with the Government’s assessment of the reasons for the UK’s productivity slowdown (as outlined in the Annex to the Plan)? Has the Government acknowledged all of the main causes of the UK’s poor productivity growth?

CEDOS/ADEPT Views:

9. We largely agree with the assessment of the reasons for the UK’s productivity slowdown, although what is widely referred to as ‘the productivity puzzle’ underlines the point in the Annex that it is difficult to identify the precise role that each of the factors plays. It would have been helpful to have more assessment of the impact of the banking crisis on lending to more productive and innovative firms and the extent to which this continues to be an issue. It would also have been valuable to have more consideration of the link between the UK’s innovation performance and productivity given that innovation is acknowledged as a key driver of productivity growth and economic prosperity⁵.

10. In our view a major gap in the assessment is the absence of analysis of the variations in productivity across the country and the possible reasons for this. A number of member authorities already undertake such exercises. The only reference to sub-national areas in the annex is to cities being “the foundation of a dynamic economy, providing deep markets for labour and enabling rapid diffusion of ideas and vibrant competition between firms” and that “the concentration of activity within cities itself contributes to productivity through the sharing of knowledge and ideas”⁶.

11. Whilst we agree on the importance of cities to the national economy, the true picture of productivity performance is much more varied. Office of National Statistics (ONS) data on sub-regional productivity⁷ shows that in England, outside London, the highest ranking NUTS3⁸ sub-regions for GVA per hour worked (the ONS preferred measure of productivity) are in county as well as city areas - see Table 1 below.

⁵ *Innovation, Research and Growth* Department for Business, Innovation & Skills Innovation Report March 2014

⁶ *Fixing the foundations: Creating a more prosperous nation* HM Treasury July 2015 (Productivity Plan – Annex)

⁷ *Sub-regional Productivity – February 2015* Office for National Statistics

⁸ EU Nomenclature of Territorial Units for Statistics - in England NUTS 2 comprise counties (some grouped) and inner and outer London, and NUTS3, counties and groups of unitary authorities.

Table 1: Nominal GVA per hour worked – highest ranking NUTS3 sub-regions in England (outside London) 2013

Berkshire	132.8
Surrey	121.6
Buckinghamshire	119.7
Milton Keynes	117.3
Derby	114.3
Swindon	112.4
Hampshire	110.3
Cambridgeshire	109.0
Luton	106.7
Oxfordshire	106.7
UK	100

Source: Office for National Statistics

12. A similar picture is revealed in analysis by Local Enterprise Partnership areas.

Table 2 Nominal GVA per hour worked - highest ranking LEPs in England (outside London) 2013

Thames Valley Berkshire	132.8
Buckinghamshire Thames Valley	119.7
Enterprise M3	116.2
Oxfordshire	106.7
Swindon & Wiltshire	105.0
Hertfordshire	104.9
Coast to Capital	104.5
Solent	103.0
Greater Cambridge & Greater Peterborough	103.0
UK	100

Source: Office for National Statistics

13. The ONS report highlights the fact that in total there were thirteen LEPs with GVA per hour worked above the UK average. These being the ten listed in Table 2 plus South East Midlands, West of England, and Cheshire and Warrington LEPs. By contrast, in the city based LEPs of the North of England, such as Liverpool City Region, Greater Manchester, Greater Birmingham and Solihull, and Leeds City Region, productivity was around 8-11% below the UK average in 2013. In Sheffield City Region it was 16% below the UK average.

14. The ONS sub-regional data for lowest ranking areas for GVA per hour worked includes urban and rural/city and county areas as Table 3 shows.

Table 3 Nominal GVA per hour worked - lowest ranking LEPs in England 2013

York, North Yorkshire & East Riding	84.8
Worcestershire	84.5
Sheffield City Region	84.4
Greater Lincolnshire	84.2
Northamptonshire	84.1
Heart of the South West	83.8
Stoke-on-Trent & Staffordshire	81.0
Lancashire	80.4
Cornwall & the Isles of Scilly	72.0
UK	100

Source: Office for National Statistics

15. For the Government's Productivity Plan to be effective, much more needs to be done to understand the reasons for the variations in sub-regional productivity to provide a basis for action both locally and nationally to capitalise on the advantages of areas with high levels of productivity and to tackle the issues that are depressing productivity levels in other areas. There needs to be, for example, a more in-depth assessment of the sectoral dimension of the productivity puzzle and the impact it has on sub-regional productivity as well as the impact of variations across the country in investment in transport and digital infrastructure, employment sites and the availability of finance for business investment and development.

16. A further point is that in looking at productivity statistics for any given area, it is important to recognise that overall productivity figures can mask both under- and over-performance. An example is Greater Lincolnshire where although productivity is low overall, there are real strengths in the power engineering and agri-food sectors on which the Local Enterprise Partnership is focusing its efforts. This underlines the importance of local knowledge and action

in driving forward productivity improvements in this country and in realising the ambitions of the Government's Productivity Plan.

17. It also raises the more general issue of measuring productivity. As the Plan says one of the clear and ongoing challenges that arises in assessing productivity is the difficulty of measuring it accurately in a modern and increasingly technological economy. We therefore welcome Professor Sir Charles Bean's independent review of UK economic statistics, which we hope will lead to improved ways of measuring productivity at national, regional and Local Enterprise Partnership area level. Concern has been expressed amongst our membership that many areas that have branch plants rather than head offices of major companies are likely to be underestimated in terms of GVA and therefore their productivity performance.

One pillar of the Government's Plan is to increase "long-term investment". It outlines eight areas with specific measures to increase productivity.

a) Why has the UK's long-term investment been so low up to now?

CEDOS/ADEPT Views:

18. Of the eight areas outlined, from our professional perspectives we would like to highlight in particular the importance of: a highly skilled workforce, a modern transport system, world-class digital infrastructure in every part of the UK, and high quality science and innovation, including investing in the UK's research infrastructure. The OECD in its latest UK Economic Survey has called for further efforts to improve infrastructure and promote skills. To this it adds the need to enhance access to finance for sound businesses and further develop the knowledge based economy⁹. We agree with the emphasis given by the OECD on these factors.

19. One important reason why the UK's long-term investment has been low up to now is acknowledged in the Productivity Plan, when it says that "for decades, the UK has not invested well enough in the transport infrastructure that is the lifeblood of business". It also acknowledges that there are still too many businesses hampered by slow broadband connections and in this context the deficiencies of the Government's rural broadband programme have been the subject of strong criticism by both the National Audit Office and the House of Commons Public Accounts Committee both in terms of a lack of provider competition and the delivery of the programme running two years late.

⁹ OECD News Release 24 February 2015 – launching its latest Economic Survey of the UK

b) How can we ensure that the measures relating to long-term investment in the new Plan will contribute to productivity growth?

CEDOS/ADEPT Views:

A Modern Transport System with a Secure Future

20. We agree that transport has a vital role to play in improving productivity. With regard to the Government's proposed measures, our views are:

- *Revision of vehicle excise duty* – We would like to see the roads fund that this creates being used for other roads, and not solely for the trunk road network which is in reality only a small proportion of the total road length in the UK;
- *Developing a second road investment strategy* – Whilst we support this in principle, there are several roads that do not form part of the strategic road network that carry significant traffic levels. These should also be considered for investment within this strategy;
- *A more efficient, reliable and better rail network* – We support the measures to drive improvements in the rail industry. We consider the Government could go further and consider reducing rail regulation practices to reduce construction costs whilst maintaining high standards of design and safety provision, and encourage innovation within the rail industry.

Importance of action at local area level

21. It is our strong view that the Plan must focus on the importance of action at the local area level as well as at the Government level. This is also underlined by the OECD in another recently published report, which cites the importance of the devolution of employment and skills policies to the local level to support growth and productivity by improving connections between skill formation and employers' needs¹⁰.

22. In this context we welcome the Government's moves to devolve economic development powers and responsibilities to local areas. We are encouraged by the progress that is being made and we reiterate our view that devolution should be given equal emphasis in all areas of the country and as we argued in our evidence to a previous Inquiry by the Communities & Local Government Committee, this should include fiscal devolution¹¹.

23. In terms of actions, the Productivity Plan very much focuses on Government achievements. In our view, practical actions at local level by local authorities and Local Enterprise Partnerships are equally important. To assist the Committee in its Inquiry we would like to give just some examples of the many initiatives being taken in local areas across the country, which are making important contributions to economic growth and productivity:

¹⁰ *Employment and Skills Strategies in England* OECD February 2015

¹¹ Communities & Local Government Committee Inquiry into fiscal devolution to cities and city regions – Memorandum of evidence from CEDOS and ADEPT January 2014

- "*Cambridgeshire* - where Cambridgeshire County Council is leading on infrastructure projects including a £30 million upfront investment in Cambridge Science Park station, which will boost local economic productivity and growth by improving accessibility and journey times. The County Council's investment is the key to the project starting in 2016, with repayment over a period of time by Network Rail and the train operating company";
- *Dorset* – where Dorset County Council and the county's district and borough councils are investing £10.7 million to bring high-speed fibre optic broadband to 97% of premises in the county within three and a half years. This is matching the Government's Broadband Delivery UK contribution and unlocking a £12.87 million investment by BT. The Dorset councils have invested a further £1.3 million to make sure the benefits of the network are maximised;
- *Essex* – where Essex County Council has supported over 2,700 apprenticeships since 2009, with Essex now having the largest number of 16-18 year old apprenticeship starts across all local authorities in England; and has supported over 490 SMEs through its Skills for Growth programme since 2012, benefiting the Essex economy by an estimated £18 million;
- "*Lincolnshire* – where the County Council is providing funding to boost economic growth and productivity, including:
 - investing £10 million in a new £28 million 35 hectare strategic employment park in Lincoln in partnership with Siemens and local developers;
 - investing £300,000 p.a. in skills to ensure that gaps in national provision that benefit the area's productivity growth can be met;
 - establishing the Lincolnshire Investment Network in partnership with the University of Lincoln to help SMEs become 'investor ready' and be able to make strong cases for equity investment in new products";
- *The Marches LEP* – which is the location of the new Agricultural Innovation Centre at Harper Adams University, a national centre to support advanced technology and manufacturing for the agri-food sector and provide a base around which university/industry collaboration can be stimulated. The Marches LEP committed £750,000 of its Growing Places Fund allocation to invest in the Centre;
- *Shropshire* – where Shropshire Council has established a new University Centre in Shrewsbury as a joint venture with the University Of Chester to address the challenge of boosting local productivity through sharing research, innovation and knowledge between academia and local SMEs;
- *Staffordshire* – where Staffordshire County Council is making major investments to develop and improve infrastructure to secure economic growth and improved productivity, for example:
 - investing £40 million, jointly with Wolverhampton City Council in infrastructure works on the i54 business park and a motorway link to

the M54 to enable the site to be developed and secure an investment by Jaguar Land Rover of more than £500 million;

- investing £10.7 million in the construction of the new Redhill Business Park in Stafford, which will target businesses in research and technology;
- investing £6.8 million in an Innovation Centre at Keele University Science Park to help develop and expand a cluster of medical research and engineering companies;
- *Stoke on Trent* – where the City Council provides support for business growth in the city including:
 - Make It Your Business - a programme based on the US 'economic gardening' approach, which focuses on the ability to sell goods and services as a fundamental element of business growth. The programme addresses this through: providing SMEs with business intelligence to help identify customers/supply chains; identifying gaps in the market; providing information on competitors etc; helping smaller companies access trade fairs; operating virtual supply chains, especially for the local construction sector; and helping SMEs with search engine optimisation;
 - Business Growth & Investment Network - which links companies and entrepreneurs seeking to grow with funders, and links companies with sources of grant aid and public sector loans as well as business angel and venture capital funding.

24. Local authorities and their partners in Local Enterprise Partnerships need to continue to be able to take actions such as these to support economic and productivity growth. For this sufficient resources must be available. At national level, the reality is that despite the introduction of the Local Growth Fund and the Regional Growth Fund, there has been a significant reduction in central government funding to support local growth in the last five years¹². Alongside this, the reduction in central government funding to local government of up to 40% during 2010/11 – 2015/16¹³ has put further pressure on the availability of finance to support local economic growth. Although councils have tried to protect spending on social care services, other service areas have seen larger reductions. Indeed, the National Audit Office has reported a reduction in budgeted spend 2010-11 to 2015-16 in the economic development service area of -47%, one of the highest reductions amongst individual service areas¹⁴.

25. Looking ahead, the forthcoming spending review will be critically important. Projections from the Office for Budget Responsibility at the time of the 2014 Autumn Statement indicated that in the new Parliament local government is set to face one of the toughest spending reviews in living memory. In our view, it

¹² *Funding and Structures for Local Economic Growth* National Audit Office December 2013

¹³ *Financing English Devolution* Independent Commission on Local Government Finance October 2014 and *The Impact of Funding Reductions on Local Authorities* National Audit Office November 2014

¹⁴ *The Impact of Funding Reductions on Local Authorities* National Audit Office November 2014

will be vital in the national as well as the local interest that local authorities continue to have the resources for local action to stimulate economic and productivity growth across this country. Although local authorities continue to prioritise economic growth, the fact remains that economic development is a discretionary service and is vulnerable to further spending cuts, which could jeopardise essential local investments to help secure continued economic growth and improvements in local area productivity¹⁵.

26. As far as national funding to support economic growth and productivity is concerned, there are question marks over the future of the Regional Growth Fund. This puts even more emphasis on the future of the Local Growth Fund and local growth deal rounds in terms of both the overall size of the Local Growth Fund, its scope and the support it provides for local action to secure productivity improvements. As we said in our report on local growth deals there is the need for an improved Local Growth Fund – one that is genuinely additional; provides for revenue as well as capital spending; and gives local areas real flexibility over its use to meet local needs¹⁶.

The second pillar of the Government's Plan is to encourage a "dynamic economy". It outlines seven areas with specific measures to increase productivity.

a. What are the main weaknesses of our economy, in terms of dynamism, which are suppressing our productivity?

CEDOS/ADEPT Views:

27. From a national perspective the Productivity Plan covers key areas of weaknesses of the UK economy in terms of dynamism that can suppress productivity. However, it is important that distinctive sub-regional and local productivity issues and actions identified in Local Enterprise Partnership Strategic Economic Plans are supported through future rounds of local growth deals and the Government's Local Growth Fund.

b. Do the measures introduced in the plan address those weaknesses and are they appropriate?

CEDOS/ADEPT Views:

28. As professional societies, we focus on the measures that relate directly to our particular areas of interest and expertise.

Planning freedoms and more houses to buy

29. We support in principle a number of the measures outlined: simplifying compulsory purchase; allowing major infrastructure projects with an element of housing to apply through the Nationally Significant Infrastructure Regime; ensuring that 50% of applications are determined on time; extending the

¹⁵ For more information on this please see the report *Local Authority Economic Development – Funding Governance & Delivery* published by CEDOS in May 2015

¹⁶ *Local Growth Deals – An early assessment* CEDOS/ADEPT September 2014

performance regime to cover minor schemes. Whilst we are generally supportive of the principle of supporting higher density housing around commuter hubs, current and future capacity needs to be a key consideration in any policy.

30. We support the Government's intention to bring forward proposals to streamline the process of local plan preparation and creating a time limit for local authorities to prepare plans. On this ADEPT is keen to work with government to refine the details about the specific time limit and when it would apply from.

31. In our view an important area in which the government could go further concerns the Community Infrastructure Levy (CIL). We consider a review of CIL and Section 106 Agreements is required urgently.

A zonal system for brownfield land

32. The Productivity Plan proposes introducing a zonal system for brownfield land and legislating to grant automatic permission in principle on brownfield sites identified on statutory registers of such land suitable for housing in England. In our view, there are a number of technical issues to get right with implementing a zonal system and it may be more appropriate for local planning authorities to be encouraged to use the existing legislation, Local Development Orders and allocation policies to bring forward brownfield housing, rather than new legislation.

33. The availability of housing is clearly an important issue but so too is the availability of land for business growth. It will be important that the approach of granting automatic permission in principle for housing on brownfield sites does not lead to a loss of employment sites which are essential to support business development and local economic and productivity growth.

34. It is our considered opinion that it is essential for local authorities to remain central to a locally accountable planning process. In discussion with local people and businesses, they are best placed to determine the most appropriate way forward for meeting local housing and business growth needs in their areas.

35. Cornwall Council gives a specific example whereby a zonal system, without adequate safeguards, could be particularly damaging for sites of industrial heritage significance, which is an important economic driver in its own right and cites the case of the World Heritage Site in Cornwall and West Devon which has been enhanced in places by appropriate, negotiated development, providing a better result than would have been achieved by fast tracking and presumption.

Positive action for business development and growth

36. Whilst improving housing land availability is important, so too is positive action to facilitate business development and growth. For this, Simplified Planning Zones and Local Development Orders can have an important role to play. Examples from our member authorities are:

- *Slough Borough Council's Simplified Planning Zone (SPZ)* – the SPZ is a specialised planning permission that applies across most of Slough Trading

Estate. It effectively grants permission in advance for specified uses in particular zones provided a number of conditions are met. This enables bespoke and speculative developments, mostly datacentres, warehouses and research and development centres to be custom built without the need to apply for individual planning permission or S106 agreements.

The Trading Estate (STE), operated by SEGRO, is home to 400 businesses employing 17,000 people, including international brands as well as smaller specialised enterprises and start-ups. It is also a priority area for regeneration and investment by the Council to ensure local residents continue to have access to a wide range of job opportunities.

The exclusion of residential from the STE, and in the Council's other existing business areas, provides developers with stability regarding land values and uses, and enables business, manufacturing and industrial uses to operate without restrictions required in mixed use or residential areas. This is particularly relevant in Slough as an intensively developed built up area adjoining Heathrow and competing with London.

The latest SPZ was adopted by the Council in 2014 and will run until 2024. There has been an SPZ on the Estate since 1995, and it has played a critical role in helping Slough to attract and retain business investment in the town, and SEGRO to deliver world class industrial premises in a high quality environment.

The SPZ also brings other benefits for Slough including supporting: the 'Hoppa bus' service that connects Slough and Burnham Rail Stations; the 'Aspire' skills training centre; improvements to pedestrian, cycle and bus access to Burnham Station in preparation for Crossrail.

- *Central Bedfordshire Council's Local Development Order* - The Council adopted a Local Development Order (LDO) for the Woodside Industrial Estate and surrounding area in Dunstable on 27 May 2014. The LDO will make it easier for businesses to grow and expand by relaxing some planning restrictions so that they can do certain works without needing to apply for planning permission. The aim is to help businesses to save time and money, which puts them in a better position to respond quickly to opportunities and contribute towards the economic health of the area.

The works which no longer require planning permission include a wide range of minor works such as certain changes of use, mezzanine floors, solar or PV panels, lighting, new fencing and a range of others. It also allows the expansion of existing buildings up to 25% provided they stay within their current plot and allows new builds of up to 1200sqm.

37. Details of these schemes can be made available to the Committee as required.

Finance for business growth and productivity

38. Under *Financial services that lead the world in investing for growth*, the Productivity Plan rightly highlights the need to do more to promote the most

productive forms of investment. The measures listed are high level national ones. In our view, particularly in the context of the uneven sub-regional pattern of productivity growth, it is also important to ensure the availability of finance to support productive business growth in sub-regional areas across the country.

39. For this, business finance schemes promoted by local authorities and Local Enterprise Partnerships have an important role to play. Examples from some of our member areas include:

- *Shropshire* – Business Investment Fund, where Shropshire Council has invested £1 million matched with the European Regional Development Fund and the Regional Growth Fund to make a total fund of £3.1 million. So far more than 40 fast growing companies have been assisted and 78 jobs created;
- *South East LEP* – which is proposing the establishment of a South East Fund (SEFUND) as a professionally managed, recyclable investment fund to enable significant business expansion and jobs and secure the delivery of new homes across the South East. It is envisaged that SEFUND will be funded initially by recycled monies from the Growing Places Fund and local authority contributions, with major private investment to follow. Under the South East Growth Deal, the Government stated that it will work with the LEP to help put the Fund in place;
- *Stoke on Trent and Staffordshire* - Small Business Loan Scheme, where the County Council and Stoke City Council are jointly providing £1 million matched by the European Regional Development Fund. Over 100 small businesses have already benefitted;
- Tees Valley Unlimited LEP – where a range of approaches to funding economic growth is being developed including:
 - *Tees Valley Catalyst Fund* – an innovative project funded through the Regional Growth Fund which provides extra financial security to SMEs to enable bidding for larger contracts, thus opening up new markets and opportunities;
 - *the creation of a flexible Tees Valley Business Fund* – set to run from 2016, this will combine European Regional Development Fund and Local Growth Fund to provide capital grants and revenue funding for businesses to enable them to maximise opportunities for high productivity business growth, energy efficiency, innovation and e-commerce.

40. It will be important that European and national funding including the Local Growth Fund continue to be available to support local schemes such as these to assist productivity growth in local and sub-regional areas throughout the country.

Resurgent cities, a rebalanced economy and a thriving Northern Powerhouse –

41. We are pleased to see that the Productivity Plan addresses the need to achieve a more balanced economy but in our view the policies put forward are

much too limited. Whilst the Plan recognises that the UK has relied too heavily on London to generate growth and that economic power is more evenly spread across the country in economies like Germany and the US (In 2010, London accounted for 28% of UK GDP, whilst Berlin and New York accounted for much smaller shares, at 5% and 7% of their respective national GDP), the policy response in the Plan is inadequate and places too much emphasis on the core cities and the 'Northern Powerhouse'.

42. Whilst we support action to achieve productivity growth in the core cities and investment in the cities and towns across Northern England, we consider our other cities, counties and rural areas to be equally important to achieving economic growth and improving productivity in this country. In our view it is essential that sub-regional areas across the country have, as far as possible, a level playing field on which to pursue economic action and it is in the national interest that we both capitalise on the advantages of areas with high levels of productivity and tackle the issues that are depressing productivity levels in other areas.

43. Whilst it is true that one sentence in the 88 page document says that "all areas of the economy contribute to, and benefit from, productivity growth", what follows is limited solely to a reference to the Secretary of State for Environment, Food and Rural Affairs' intention to launch a new '10 Point Plan' for rural productivity. In our view the focus on local action to address the productivity puzzle must genuinely acknowledge the important contribution that *all* areas of the country can make and are making to achieve sustainable growth in productivity.

Rural Productivity Plan

44. As regards rural areas, since the Committee's Inquiry was announced Defra has issued the 10-point plan for boosting productivity in rural areas¹⁷. We welcome the publication of the plan and the recognition that rural areas make a substantial and vitally important contribution to the economy of this country. We support the priorities for rural areas referred to:

- rural areas fully connected to the wider economy;
- a highly skilled rural workforce;
- strong conditions for rural business growth;
- easier to live and work in rural areas;
- greater local control.

45. We welcome specific policy intentions of the plan including the roll-out of superfast broadband, high quality, widely available mobile communications, modern transport connections, access to high quality education and training, expanded apprenticeships, Enterprise Zones in rural areas. It has to be said though that many of these factors also apply to urban areas. There is limited assessment of how these factors differ in rural areas and of variation across rural areas. The Rural Productivity Plan lacks substantive analysis of the causes of lower than average productivity in rural areas. As with the overall Productivity

¹⁷ *Towards a one nation economy: A 10-point plan for boosting productivity in rural areas* Department for Environment Food & Rural Affairs August 2015

Plan, to be effective much more needs to be done to understand the reasons for lower productivity to provide a basis for action both locally and nationally.

46. On the issue of making it easier to live and work in rural areas, the Rural Productivity Plan makes the point that home-working is more prevalent and growing faster in rural areas. In 2013, around 1 million, or 22%, of workers in England's rural areas worked from home, spending at least half of their work time using their home. Moreover, according to ONS, home workers are more likely to be working in higher skilled roles¹⁸. More needs to be done to assess the implications of this and develop appropriate policy responses.

47. Many of the policy intentions and actions that are set out in the Rural Productivity Plan will be dependent on the outcome of the spending review now underway. Decisions in the spending review will be critical if the rural productivity gap is to be bridged. As part of this the financial ability of local authorities in rural areas to undertake and support actions to improve rural productivity will be critical.

48. On the issue of greater local control, we welcome the commitment to empowering local leaders to drive growth through policies anchored in the specific needs of local areas. However, the Plan repeats the Government's prevailing mantra that it will encourage any further proposals from local areas for devolution of significant powers in return for a mayor. Proposals that seek more limited devolution of powers to boost economic growth without a mayor will also be considered if they can ensure "strong and accountable local governance".

49. In our view, the elected mayor model is more likely to be appropriate to city-regions than to non-metropolitan and rural areas and should not be used to limit devolved powers in those areas. As we have said in our evidence to the Communities and Local Government Committee's current Inquiry into the Cities and Local Government Devolution Bill, because of the different circumstances of local areas – both urban and rural - there should be no one-size-fits-all governance model for devolution in this country.

50. It is not appropriate to go into any further detail on Defra's 10 point plan in our evidence to this Inquiry into the Government's overall Productivity Plan. However, if the Committee wishes we could endeavour to provide a more detailed assessment.

Overall, does the Productivity Plan adequately address the main causes of low productivity in the UK (as discussed in question 1) and will it have the desired results?

CEDOS/ADEPT Views:

51. We consider the Government's Productivity Plan is an important step forward in tackling the issue of low productivity in the UK. However, whilst the Plan addresses many of the reasons for the UK's productivity slowdown, we reiterate our view made in answer to question one that a major gap is the absence of any

¹⁸ *Statistical Digest of Rural England* Defra June 2015

in-depth analysis of the variations in productivity across the country. As we said, for the Plan to achieve the desired results more needs to be done to understand the reasons for these variations to provide a basis for action both locally and nationally.

52. The Plan concentrates largely on Government action at national level, which is of course essential but, as we said in our introduction, to be really effective the plan needs to go further and acknowledge the importance of local knowledge and action to address productivity problems across the country. Moreover, to be effective, it is not just a matter of focusing on core cities and the Government's 'Northern Powerhouse', important though they are. The Productivity Plan must recognise the importance of actions that all areas can make and are making to boost productivity. In this context, the role of local authorities and Local Enterprise Partnerships and the resource issues they face are key issues.