**Heart of the South West Partnership draft Productivity Strategy consultation**

**Devon County Council officer response**

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1. The Heart of the South West (HotSW) has a productivity problem: GVA per hour is just 86.6% of the national average. That impacts directly on wages and living standards, which are also lower than in the rest of the UK. Addressing that problem is a key part of unlocking our potential and raising the prosperity of our communities.
2. We believe that the draft Productivity Strategy correctly identifies the three key drivers of long-term economic growth: business, people and infrastructure. The proposals contained in the draft Strategy should help to close the gap between the HotSW and the rest of the UK. It will be critical, however, to ensure that proposed priorities that emerge in any action plan or investment framework do not operate in silos and recognise the cross cutting nature of investments and actions that will be needed to achieve the growth outcomes we seek.
3. However, we believe that there are a number of overarching themes that need to be addressed or significantly strengthened in the Strategy. These are:
4. **Defining success** - the draft Strategy sets an ambitious end-goal of doubling the size of the economy by 2036. Given recent downward revisions to UK GDP growth projections, this could be viewed as lacking credibility inside and outside the region. But it is also very distant and it is difficult for people to understand what it means in practice and how such an ambition can translate into meaningful actions and investments. More broadly, the Strategy needs to more clearly articulate what success looks like, and should identify specific metrics within each theme that we are targeting for improvement (e.g. raising the % of L4 qualifications or the level of private-sector R&D expenditure). These targets should be backed by plans to collect and monitor the data to judge whether we are being successful.
5. **Inclusive growth –** It should be our aim to ensure that the proceeds of growth benefit all individuals and geographical areas.There are significant disparities within the region that need to be addressed. For example, GVA per head in Exeter is £32,090 which is higher than Bristol. This performance is outstanding and is a key regional strength. Unfortunately though, it is not shared by all parts of HotSW. For example, GVA per head in Torridge is just £15,363 putting it in the bottom 10% of UK local authorities. Inequalities also exist within places, with significant gaps between the economic opportunities available to the poorest and richest in society. The Strategy is insufficiently clear on what is meant by “inclusive growth” and doesn’t explain how the proposed policy priorities will help to reduce these inequalities.
6. **Good growth –** The Strategy rightly identifies productivity as the main enabler of a rising living standards. But this is just a means to an end. Economic success and wellbeing depend on a broader set of factors than simply rising incomes. These include employment, health, skills, housing affordability, commuting times, environmental factors and income inequality. The strategy should be broadened to become a comprehensive strategy for the local economy, with appropriate links drawn to social policies. The strategy can also do more to express the merits of such growth as part of a wider productivity approach, freeing up resources currently committed to combatting issues such as deprivation and underachievement to drive forward wider economic opportunities.
7. **Rural issues –** Rural areas account for 58% of economic output and 60% of jobs in the South West. Yet their productivity is 8% lower than urban areas in the region and 10% lower than the average for rural areas in England. Closing that gap would secure an additional 5% increase in output. [[1]](#footnote-1) As such, rural issues (inc. agriculture) need to be given due prominence throughout the Strategy, particularly as rural considerations are not given the emphasis they deserve in national economic strategies. The Strategy should incorporate the key recommendations of the SW Rural Productivity Commission’s report – particularly those concerning broadband connectivity. There should also be an alignment between the evidence base for the Productivity Strategy and the SW Rural Productivity Commission.
8. **Devolution** – The UK is one of the most centralised systems in the world, which is holding back economic performance in HotSW. The Strategy should act as HotSW’s manifesto for devolution, yet the strategy doesn’t once mention devolution and why it is necessary to deliver our economic objectives. It is important that the Strategy sets our ambitions for devolution in the context of the economic challenges that we face as a region. This is also relevant given the emergence of the Joint Committee, and its core role in having oversight for the Productivity Strategy in conjunction with the LEP. It is vital that the document is owned by the LEP and Local Authorities alike and that a single case is put to Government for greater powers, flexibilities and investment to support the delivery of the strategy. It should also act as a joint articulation of the resources and alignment of effort from across both the LEP and Local Authority partners to work with Government to achieve the ambitions set out.
9. **Simplifying the presentation** - We need to succinctly summarise our priorities and the region’s unique selling points if we are to communicate this Strategy effectively and secure buy in from key stakeholders. The Strategy is arguably too complex in its current form. There are multiple audiences for the Strategy and consideration needs to be given to the style and language used to appeal to local, regional and national stakeholders, and to audiences such as the public, businesses, and government.
10. There are also a number of **key strategic challenges** which are mentioned but would benefit from **a greater or different emphasis**:

* **Establishing the foundations for growth** – The Strategy should be clearer that our approach is as much about protecting what we already have, as well asseizing new opportunities, some of which won’t be apparent to policymakers today. The best way of delivering that is by ensuring that the basic conditions for growth are in place across the whole economy. As a result, most of the policy priorities should be cross-cutting rather than sector-specific. These priorities should be clearly supported by the evidence base gathered as part of this process.
* **Sectors –** The Strategy identifies a number of “Golden Opportunities” that can act as a catalyst for change. However, such a narrow focus is unlikely to achieve the cross cutting productivity enhancement sought. In particular, the Strategy should also reference the need to innovate and support improved productivity in our largest employment sectors (e.g. Health & Social Care and Tourism). It should also be more explicit about the need to support emerging sectors with high growth potential (e.g. ICT/ Digital, Construction or Food and Drink /Agri-tech).
* **Digital connectivity** – Digital connectivity is an essential pre-requisite for economic growth, particularly in rural areas. Consultation events across the HotSW have highlighted that people and businesses feel strongly that broadband access should be the number 1 priority for the Strategy. The Strategy should be clear that this will continue to be a priority area for investment. It should also call on the government to implement its Universal Service Obligation (USO) as soon as possible, or at least to set the approach it will take to achieving this. HOTSW should also consider endorsing the Rural Productivity Commission’s call for the USO to be raised to 30 Mbps, given the higher speeds and reliability of broadband in our competitor economies. An argument should also be made for symmetrical upload and download speeds.
* **Infrastructure priorities –** we recognise that the purpose of this document is to set a high-level Strategy, but key infrastructure priorities should be clearly indicated in any delivery plan. For Devon, these would include key road improvements such as the North Devon Link Road and the A30/A303 corridor, and improvements in rail services and resilience, including in support of the Peninsula Rail Task Force and the potential for new services to places like Okehampton. The strategy should also reference the importance of air connections more strongly, and again the development of the delivery plan should recognise the importance of Exeter Airport to the Heart of the South West economy.
* **The government’s Industrial Strategy** – The Strategy should ensure that its policy priorities are aligned with the key funding opportunities coming out of the Industrial Strategy.
  + **R&D** - R&D is one of the most important drivers for productivity, and it is the area which the Industrial Strategy has devoted the largest amount of funding. Unfortunately HotSW ranks just 33 out of 39 LEP areas for R&D expenditure. The Strategy would benefit from a far greater emphasis on the importance of R&D and a clear plan to improve the area’s R&D performance and share of government R&D funding. For example, the Strategy could state that HotSW will now build on the work of the Science and Innovation Audit to identify new investment propositions across HotSW that are tailored to the region’s research strengths, both across our HEIs and Research Institutes and within business.
  + **Grand challenges -** The Strategy should contain hooks for the government's Grand Challenges: AI and Data, Future Mobility, Clean Growth and an Ageing Society.
  + **Sector deals** - The Strategy should clearly signpost the area’s links to emerging sector deals**.** In particular, thecreative industries, nuclear and the digitlisation of industry represent important opportunities for HotSW.
  + **Skills** –We need toincrease our emphasis on skills development as a primary requirement for facilitating the “economy of the future” (e.g. maths, computing and digital skills). This should include ensuring improved outcomes from our education environment in STEM related subjects; as well as clarity on how we plan to address higher level skills gaps through vocational as well as academic provision.
* **Links to Wider Social Policy** – Similarly, the strategy should reflect the Government’s recent announcements around social policy, reinforcing the strategy’s commitment to inclusive growth. Key announcements to consider include:
  + **Careers Strategy** – The Strategy should make links to the Government’s new approach to careers advice and guidance, extending the offer available to those within education and amongst adults. This should also link into the HotSW Pilot role on Careers Learning.
  + **Improving Lives** – The strategy should reference and respond to the Government focus on extending and improving the routes to employment, learning and wider economic activity for those facing a disability or other health related barriers. The Strategy should include reference to how it will support the Government’s pledge to increase the number of disabled individuals in work by 1 million by 2027.
  + **Health in All Policies –** Public Health England are supporting an approach known as “Health in All Policies”, whereby the all policies should consider the potential impact on health outcomes.
* **Clarity of the 3 Core Themes** – As set out, the Strategy rightly identifies the core thematic issues of People, Place and Business within its introduction. However, the document as drafted then loses this clarity by changing its core themes, structured around the more nebulous concepts of Connectivity and Infrastructure; Leadership and Knowledge; and Working and Learning. This results in a lack of detail in some areas (notably around Enterprise and Innovation), as well as creating grey space between and within themes. This has raised some confusion at the various workshops run by the Council to support the development of this response.
* **SMEs** – 98% of HotSW businsesses employ fewer than 50 people. By definition, therefore, most of the productivity gains we are aspiring to will need to come from SMEs. The Strategy could do more to explain how we will support small businesses and provide help to allow those businesses that want to grow. In particular, the sections on skills and businesssupport place significant emphasis on businesses proactively engaging with training and process improvements, but say less about how they will be assisted to create capacity and develop the culture in which such self improvement will be achieved.
* **Consistent emphasis on skills** – Whilst Skills is one of the three core priorities within the Productivity Strategy, and arguably one of the most important drivers of enhancement / improvement looking ahead, the document is often inconsistent in its handling of skills matters, and its relative integration with the Leadership and Knowledge / Enterprise and Innovation agenda. The front section of the document in particular is considered light on skills content when compared with other matters, with little analysis of the challenges and opportunities faced, nor much recognition of the cross cutting aspects of workforce capacity and talent in enabling wider productivity growth
* **Specificity of Skills Proposals** - The Strategy contains few specifics on how HotSW proposes to fill gaps in the skills landscape, in particular around higher level skills and delivering the skills needed for the economy of the future e.g. digital / technical skills. The Strategy should include reference to how the HotSW will support the ongoing reform of technical education and the forthcoming introduction of T Levels. It should also provide hooks for the HotSW emerging bid for an Institute of Technology. The Strategy should also make mention of the recent award of the Digital Skills Partnership Pilot to the HotSW, and its potential to drive forward wider productivity through both a range of strategy and delivery activity.
* **Employability / Underemployment** – Despite the Productivity Strategy’s emphasis on inclusive growth, there is a limited level of detail within the plan on how employability / underemployment issues will be addressed. The Strategy should reference the ongoing work of the Department of Education to extend training funding opportunities for those currently outside of work, and those currently underemployed within the HotSW. The Strategy would ideally tie together these opportunities with the wider narrative around improving an individual’s overall contribution to the area’s productivity. This would also partly fulfil a need for an improved narrative around social mobility and life chances within the document, meeting the commitment to embed inclusive growth through the Strategy.
* **Education** – There are few references to education and educational performance within the document, despite their fundamental link to the wider challenge. Whilst references to CIAG and aspiration are welcome, a focus on wider achievement and improving educational outcomes (and subsequent retention of skills students) should also be considered. In particular, the Strategy should include specific references to the emerging linkages to the government’s Careers Strategy, and working with the education sector to enhance the uptake of STEM related qualifications and emerging technical pathways..
* **Brexit** – the likely impacts of Brexit are currently very unclear. It will be important though that as a Partnership we stand ready to capitalise on opportunities and respond to any challenges. For example, we may need to provide greater support to firms to respond to new trading opportunities or additional skills provision to help plug any skills gaps that may emerge if migration policies change.
* **Automation & AI** – The Strategy identifies the positive productivity benefits of increased automation, but firms will need support to embrace new ways of working and the Strategy should acknowledge that. Furthermore, a recent report stated that HotSW and Devon in particular is likely to be one of the most affected regions by this trend, with over 30% of jobs at risk by 2030.[[2]](#footnote-2) This represents an unprecedented challenge and the skills element of the Strategy needs to focus on how to respond to that by supporting lifelong learning and retraining.
* **Ageing population –** Expected changes to both the nature of the labour force and the nature of work will be fundamental to the region’s productivity over the next 25 years. Our ability to meet these challenges will likely make or break any commitment to future growth. Whilst the Strategy recognises the demographic challenge, it could do more to explain how HotSW intends to respond to it. For example, by ensuring that lifelong learning can help people to have longer and more varied careers. Or how transformation in the health and social care sector can spur innovation while also supporting our ageing population.
* **Coastal communities –** Our coastal communities face well-documented economic challenges, and often have higher levels of deprivation than other parts of the country. As a Partnership we should support initiatives that would help to address the challenge these communities face.
* **UK Shared Prosperity Fund** – The withdrawal of EU funding is a major issue for many parts of the HotSW. The government’s replacement for this money – the UK Shared Prosperity Fund – represents a significant opportunity. The Fund is likely to be the single most important source of regional development funding over the next few years if, as is expected, the government rolls into it other domestic funding pots e.g. Local Growth Fund. Our key asks of government need to be set out in the Strategy. These should include:
  + At the very least maintaining current levels of funding
  + Continuing to allocate funding on the basis of need rather than competition
  + Giving control to local areas via a single pot allocation
  + Devolving further economic funding to local areas
* **Resilience to economic shocks** – the Strategy is written against a context of virtually full employment across the HotSW. But this is a long-term strategy and we know that shocks are possible, even likely, over such periods of time. The Strategy should recognise this explicitly and explain how policies will support resilience and be adapted as necessary as and when shocks arise.
* **Transport coordination** – the government’s revealed preference is to provide greater funding to those areas that are able to co-ordinate strategic transport policy at a regional level. As a SW Regional Transport Body appears unlikely to materialise, DCC would be keen for HotSW to explore options for collaboration and co-ordination on strategic road and rail in the Peninsula to ensure that HotSW does not suffer financially.
* **Natural Capital** - DCC supports the joint work being undertaken by Devon, Somerset and Plymouth Local Nature Partnerships to produce a ‘Natural Capital Advocacy Document’ and would like to see this used to inform the final version of the Productivity Plan.

1. South West Rural Productivity Commission report, 2017 [↑](#footnote-ref-1)
2. “The Impact of AI in UK Constituencies: Where will automation hit hardest?”, Future Advocacy, October 2017 [↑](#footnote-ref-2)