

Growth Policy Update

Purpose of report

For discussion and direction.

Summary

This paper provides an update on national developments across key areas of growth policy, outlines current LGA work in these areas and proposes a reframed set of priorities for the Board's work on growth policy in light of these developments.

Recommendation

Members are invited to:

Note the updates on the following areas of growth policy:

1. Industrial Strategy (**paras 6 – 13**)
2. Investment in towns (**paras 14 – 17**)
3. Infrastructure investment (**paras 18 – 22**)
4. Clean growth (**paras 23 – 27**)
5. Inclusive growth (**paras 28 – 31**)

Comment on the proposed reframed set of priorities for the Board in light of these updates (**paras 32 – 37**).

Action

Officers to progress further growth policy and improvement work in line with Members' steer.

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Growth Policy Update

Background

1. At its first meeting of the current board cycle, the City Regions Board agreed to undertake further work in support of the place-based growth agenda. Within the LGA, different aspects of growth policy are led by the City Regions Board, the People and Places Board and the Environment, Economy, Housing and Transport Board.
2. The City Regions Board work programme included a specific commitment: 'to seek to ensure the key elements of Government's national economic strategy – Local Industrial Strategies, UK Shared Prosperity Fund and the LEP Review, fit with the priorities and ambitions of urban authorities and that councils are well placed to support sustainable and inclusive growth'. This commitment built upon extensive work on the Industrial Strategy over the previous 18 months led by this Board and the People and Places Board.
3. Recent national developments have indicated a shift in government priorities for national growth policy, with greater uncertainty surrounding the overarching framework of the Industrial Strategy and a recent spate of ad hoc policy announcements that have a greater focus on investment and delivery.
4. This paper provides an update on key areas of national growth policy: the Industrial Strategy, investment in towns, infrastructure investment, clean growth and inclusive growth. For each of these areas it outlines recent developments, existing or planned LGA work and related Conservative manifesto commitments.¹
5. The paper concludes by reflecting on the apparent shift in focus for national growth policy and proposes a reframed set of priorities for the Board's future growth policy work which Board members are invited to comment on.

Industrial Strategy

6. Following the publication of the Industrial Strategy in November 2017, Government initially placed a strong emphasis on developing the evidence, policies and governance arrangements required to drive productivity and boost inclusive growth: agreeing sector deals and supporting the creation of Local Industrial Strategies. While there were some funding announcements made during this period, these were principally tied to national policy priorities (e.g. the Grand Challenges). By contrast, local proposals for growth were not backed by funding or devolved powers. Indeed, local areas were specifically told that Local Industrial Strategies were not 'bidding documents'.

¹ A list of Conservative manifesto commitments relating to growth policy is available as **Annex A**. A list of Queen's Speech announcements relating to growth policy alongside key points from the LGA's response is available as **Annex B**.

14 January 2019

7. Since the publication of the Industrial Strategy, this Board has undertaken extensive policy and improvement activity relating to the three key place-based components of the Industrial Strategy – the development of Local Industrial Strategies, the Government's Review of Local Enterprise Partnerships and the design of the UK Shared Prosperity Fund (UKSPF).
8. Seven Local Industrial Strategies have now been published. However, despite a public commitment that all LEP and Mayoral Combined Authority areas will have a Local Industrial Strategy agreed by March 2020, recent months have seen a notable reduction in their visibility on the national stage and local intelligence suggests that there has been a downward shift in government engagement with LIS development and implementation.
9. The future of the proposals arising from the LEP Review are equally uncertain with a number of geography issues remaining unresolved and with no indication to date from the new Government on the future of the LEP Review and related policy proposals.
10. Despite the continued absence of a government consultation on the UKSPF, it is anticipated that this will now become a key focus of the Government's national growth policy following the election. The Conservative manifesto included reference to the UKSPF and outlined that the fund will 'at a minimum match the size of EU Structural Funds' in each nation.
11. The increasingly muted context surrounding the Industrial Strategy sits alongside a number of recent ad hoc policy announcements focused on investment and delivery without reference to an overarching strategy for place-based growth.
12. Councils have expended significant resource on the development of Local Industrial Strategies on the basis that these would provide a comprehensive local evidence base to inform future growth funding and devolution, and represent the beginning of a reshaped relationship between local and central government on the place-based growth agenda.
13. It will therefore be important that future growth policy, including the UKSPF, takes account of this work and is developed within a coherent national framework for place-based growth and devolution.

Investment in towns

14. In July 2019, the Prime Minister announced an enhanced £3.6bn Towns Fund as part of the Government's commitment to 'levelling up' different regions and ensuring that communities across the UK can benefit from shared prosperity. This included a further £1bn for new Town Deals to deliver improved connectivity, support for better land use, skills and enterprise infrastructure as well as an additional £325m for the Future High Streets Fund. The LGA supported the measures announced and advocated for devolution to be made available to all parts of the country in order to deliver on the ambitions underpinning the funding.²
15. In November 2019, the Government launched the Towns Fund Prospectus which set out that the fund will provide the core public investment in Town Deals and confirmed the objective of the Fund as being to drive the economic regeneration of towns to deliver long term economic and productivity growth through urban regeneration, skills and enterprise infrastructure and connectivity.³
16. The prospectus, and announcements to date relating to the fund, make limited reference to how it will align with existing local growth policy such as Local Industrial Strategies or the Government's emerging proposals for English devolution. Similarly, the prospectus does not detail how the fund will align with other funding streams beyond referencing that additional funding for Town Deals 'may come from other sources or parts of government'.
17. The Conservative manifesto reaffirmed the commitment to the new Towns Fund and the LGA will continue to engage as appropriate on this policy as it develops. While the work on this specific policy will be led by the EEHT Board, officers will ensure that this is closely aligned with wider growth and devolution policy development.

Infrastructure investment

18. In recent months, investment in infrastructure has been a key theme of the government's growth policy announcements and the Conservative manifesto placed particular emphasis on this. The December Queen's Speech outlined the Government's proposed fiscal framework which it stated would '[allow for] a step change in infrastructure investment to deliver sustainable and inclusive growth'.
19. The Queen's Speech also reaffirmed the Government's commitment to publish a National Infrastructure Strategy that will be published alongside the first Budget. It outlined that this strategy will:

² <https://www.local.gov.uk/about/news/lga-responds-prime-ministers-funding-towns-announcement>

³ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/843843/20191031_Towns_Fund_prospectus.pdf

- 19.1. Set out ‘further details of the Government’s plan to invest £100 billion to transform the UK’s infrastructure’.
- 19.2. Set out the Government’s long-term ambitions across all areas of economic infrastructure including transport, local growth, decarbonisation, digital infrastructure, infrastructure finance and delivery.
- 19.3. Provide the Government’s formal response to the National Infrastructure Commission’s 2018 National Infrastructure Assessment, which made a series of independent recommendations to government across all sectors of economic infrastructure.
- 19.4. Have two key aims:
 - 19.4.1. To unleash Britain’s potential by levelling up and connecting every part of the country. Prosperity will be shared across all of the UK, and longstanding economic challenges addressed, through responsible and prudent investment in the infrastructure.
 - 19.4.2. To address the critical challenges posed by climate change and build on the UK’s world-leading commitment to achieve net zero emissions by 2050.
20. Following this announcement, national media has reported on a potential reassessment of the Treasury Green Book methodology for investment in infrastructure. These reports suggest that proposals are being drawn up which would reassess how officials calculate value for money of government investments in transport infrastructure, business development and initiatives such as free ports. This follows calls for a rebalancing of the Green Book in the ‘Manifesto for the North’ produced by the Convention of the North and NP11.⁴
21. The role of councils in relation to these further infrastructure commitments, as well as their alignment with wider growth and devolution policy, is unclear. The LGA will continue to make the case to the new government for councils to have stable, devolved infrastructure budgets and for the Government to work with the LGA and councils to deliver on its infrastructure commitments.
22. In addition to its work on government investment in infrastructure, the LGA will be progressing its work on the role of councils in encouraging inward investment which has been led by this Board and the People and Places Board. This follows the recent publication of a guide by the LGA and the Department for International Trade on how councils can use their unique position to attract private and foreign investment into local areas.⁵

⁴ <https://www.np11.org.uk/wp-content/uploads/2019/11/ManifestoForTheNorth-November2019.pdf>

⁵ <https://www.local.gov.uk/lga-report-attracting-investment-local-infrastructure-guide-councils>

Clean growth

23. Delivering ‘clean growth’ has been a key focus of national growth policy and ‘maximising the advantages for UK industry from the global shift to clean growth’ was identified as one of the ‘Grand Challenges’ in the Industrial Strategy. The Government’s Clean Growth Strategy was also framed as an important part of the Industrial Strategy.
24. At a local level, clean growth has been a focus of local and combined authority action on climate change and features prominently in the published Local Industrial Strategies.
25. The Conservative manifesto pledged to deliver net zero greenhouse gas emissions by 2050 through investment in clean energy solutions and green infrastructure to reduce carbon emissions and pollution. It outlined that the Government’s first Budget would prioritise the environment, investing in [research and development (R&D)]; decarbonisation schemes; new flood defences; electric vehicle infrastructure including a national plug-in network, a ‘gigafactory’; and, clean energy.
26. Given the downward shift in emphasis at a national level on the Industrial Strategy, the future national policy framework for investing in and driving clean growth, as well as the implications for councils, are uncertain.
27. The LGA’s work on climate emergency is overseen by the EEHT Board and details of our work to date in this area, along with proposed next steps for the LGA are available in the latest climate emergency update report to the EEHT Board.⁶ There is clear scope to enhance the clean growth focus of the LGA’s devolution and growth policy work - this is reflected in the proposed reframed priorities for the Board and it is proposed that the Board could receive a paper on clean growth for discussion at a future meeting.

Inclusive growth

28. Councils across the country are exploring how they can use local levers to catalyse economic growth which benefits all residents. There are a range of approaches local government is adopting to achieve its goals with local programmes seeking to ‘create an inclusive economy’, ‘drive inclusive growth’, support ‘wealth creation’ or spur on the ‘thrive agenda.’ Whilst each strategy differs depending on local circumstances, they share the same overall goal – that no one is cut off from the proceeds of growth.
29. In response to this local activity, the LGA has commissioned IPPR North to deliver a thematic inclusive growth engagement programme which will result in the production of a report detailing practical, evidence-based proposals for councils to advance this agenda.
30. At a national level, though the terminology of ‘inclusive growth’ may have been less prominent than in the work of councils, the policy emphasis detailed elsewhere in this paper indicates an emphasis on ensuring that all places and communities are able to

⁶ <http://lga.moderngov.co.uk/documents/s23907/Climate%20Emergency%20Update.pdf>

drive and benefit from growth, particularly those that previously have not shared fully in the growth generated by the national economy.

31. The LGA will continue to explore opportunities to advance the ambitions of councils to deliver inclusive growth through our improvement support offer as well as our policy and public affairs activity. This will necessitate further consideration as to how devolution could provide a vehicle to advance the inclusive growth ambitions of local and combined authorities.

Proposed board priorities

32. As this paper outlines, there has been a clear shift in focus for the Government in its national growth policy development. The Industrial Strategy no longer appears to be the guiding national framework for growth but it is unclear what will replace it if this is the case.
33. With a renewed emphasis on devolution, further investment in towns and infrastructure and the introduction of the UKSPF it will be important that growth policies are developed in a coherent and aligned manner. Work across Whitehall departments should be delivered in pursuit of an overarching strategic vision for place-based growth and devolution that empowers local leaders and should build upon the extensive work delivered in support of the Industrial Strategy over the past two years.
34. The need for this strategic coherence across Whitehall policy development is particularly acute when one considers the rumoured structural changes to key departments, such as DIT, BEIS, DCMS and DfE.
35. Given this shift in emphasis for national growth policy, it is proposed that the Board should continue to retain place-based growth as a key focus of its activity, with particular emphasis on local activity to drive clean and inclusive growth. However, the previous framing of this agenda within the context of the Government's Industrial Strategy is seemingly no longer relevant to the priorities and approach of the new Government.
36. Subject to further national developments in this area, the following reframed set of priorities for the Board's work on growth policy are therefore proposed:
 - 36.1. Broaden the previous focus of improvement and policy activity on Local Industrial Strategies to supporting councils to develop local economic strategies, with a specific emphasis on their role in delivering clean and inclusive growth, working with the EEHT Board as appropriate.
 - 36.2. Following the General Election result, advance the Board's work on key growth policy areas linked to the UK's departure from the EU such as the UKSPF, trade and inward investment.

- 36.3. Ensure that developments with the LGA's growth policy activity are aligned with our emerging work on devolution, including on funding and a 'single pot' approach and consider how devolution can be a vehicle to further the inclusive and clean growth ambitions of local and combined authorities.
 - 36.4. Ensure that national growth and devolution policy is developed in a coherent manner across Whitehall departments and with the input of local government, ensuring that Government articulates an overarching place-based growth strategy to inform future policy development if the Industrial Strategy is no longer the guiding framework for this.
 - 36.5. Work to understand and influence any changes to the Treasury Green Book appraisal process, working with other Boards as required. Recognising that these have the potential to change the level of investment in urban areas, the weight attached to infrastructure proposals developed at the local rather than national level and the prominence given to issues of regional inequality.
37. Board members are invited to comment on the proposed reframed priorities for its growth policy work.

Annex A – overview of key growth commitments in the Conservative manifesto

	UK Shared Prosperity Fund The UKSPF will be used to 'bind together the whole of the United Kingdom, tackling inequality and deprivation in each of our four nations'. The fund will 'at a minimum match the size of [EU Structural Funds] in each nation'. Ensure that £500 million of the UKSPF is used to 'give disadvantaged people the skills they need to make a success of life'.
Industrial Strategy	Infrastructure investment Invest £100 billion in additional infrastructure spending – on roads, rail and other responsible, productive investment [...] flood defences will receive £4 billion in new funding. Through bodies like the Northern Powerhouse, Western Gateway and Midlands Engine drive greater levels of foreign investment into the UK, promoting our towns, cities and counties around the world. As part of plans for full devolution [...] invite proposals from local areas for similar growth bodies across the rest of England, such as the Oxford-Cambridge Arc.
	Transport Give city regions the funding to upgrade their bus, tram and train services to make them as good as London's, with more frequent, better-integrated services, more electrification, modern buses and trains and smart ticketing. Make a £28.8 billion investment in strategic and local roads. Invest £1 billion in completing a fast-charging network to ensure that everyone is within 30 miles of a rapid electric vehicle charging station.
Infrastructure	Invest in a number of rail networks, including Northern Powerhouse Rail, the Midlands Rail Hub and improving train lines to the South West and East Anglia. Give city regions the funding to upgrade their bus, tram and train services to make them as good as London's, with more frequent, better-integrated services, more electrification, modern buses and trains and smart ticketing.
	Housing and regeneration Build 300,000 homes a year by the mid-2020s. This will see [...] at least a million more homes, of all tenures, over the next Parliament – in the areas that really need them. Cement our Opportunity Areas programme to raise standards and support regeneration. Amend planning rules so that the infrastructure – roads, schools, GP surgeries – comes before people move into

	<p>new homes. [A] new £10 billion Single Housing Infrastructure Fund.</p> <p>Mobile and broadband</p> <p>Roll out gigabit broadband across the country by 2025, with £5 billion in funding already promised, and provide greater mobile coverage across the country.</p>
Investment in towns	<p>[The] new Towns Fund will go to an initial 100 towns to improve their local economy.</p> <p>Cut taxes for small retail businesses and for local music venues, pubs and cinemas.</p>
Clean growth	<p>[The] first Budget will prioritise the environment: investing in [research and development (R&D)]; decarbonisation schemes; new flood defences; electric vehicle infrastructure including a national plug-in network and gigafactory; and clean energy.</p> <p>In the next decade, [the Government] will work with the market to deliver two million new high quality jobs in clean growth.</p>

For a detailed breakdown of the Conservative manifesto commitments relating to environment, economy, housing and transport policy, see this [EEHT Board paper](#) from December.

Annex B – Queen’s Speech – growth policy announcements and key points from LGA response

Queen’s speech announcement	LGA response – key points
<p>English devolution</p> <p>“My government... will give communities more control over how investment is spent so that they can decide what is best for them.”</p>	<p>It is essential that a bold English devolution settlement is delivered in this Parliament. The LGA therefore welcomes the Government’s commitment to re-ignite the process of English devolution.</p> <p>While devolution to Mayoral Combined Authorities has worked in an urban context, this model may not appropriate or necessary for all places, particularly non-metropolitan England. The future devolution of powers and investment should not therefore be contingent on the adoption of a Mayoral governance model and areas should be afforded the opportunity to propose their own governance arrangements that will ensure robust accountability and democratic oversight.</p> <p>The UK Shared Prosperity Fund (UKSPF) is the ideal opportunity to empower communities through councils, Combined Authorities and their local areas to drive economic growth, increase prosperity and productivity and tackle deep rooted inequalities. Delivery of such change can best be achieved through a locally determined fund that operates alongside other funding the UK Government provides to help boost economic growth in local areas and which is at least the same quantum as under ESIF. There is an urgent need to consult with local areas and ensure that there is not a funding gap between the end of EU Structural Funds and UKSPF. We must not replace Brussels with the fund being administered through unelected bodies such as LEPs.</p>
<p>Trade and investment</p> <p>“My ministers will bring forward legislation to ensure the United Kingdom’s exit on that date and to make the most of the opportunities that this brings for all the people of the United Kingdom.”</p>	<p>As the UK renews its trading relationship with the world councils are ready to help attract new business investment into communities and drive exports particularly from small and medium sized enterprises that risk falling through the gap of existing support structures.</p> <p>Given the vital role that councils could play, the International Trade Select Committee has recommended that local government should have a voice in all aspects of the trade policy process. The LGA agrees and looks forward to working with the new Government to ensure that the expertise and strong international links of local government can best be harnessed as the UK enters into any future trade negotiations.</p> <p>Funding from the European Union currently underpins significant levels of local activity to promote trade and</p>

	investment and the development of the detail to the UK Shared Prosperity Fund is key.
Climate change “My government will continue to take steps to meet the world-leading target of net zero greenhouse gas emissions by 2050. It will continue to lead the way in tackling global climate change, hosting the COP26 Summit in 2020.”	The Government’s ambitions will need strong local leadership and partnerships. This is where councils can play a vital leading role as agents of change. New funding streams for green infrastructure, energy efficiency, low carbon technologies and flood defences will need joining up at the local level. Councils can maximise these funding streams. Effective delivery will need local flexibility and a single place based funding pot.
Infrastructure “The National Infrastructure Strategy will be published alongside the first Budget, and will set out further details of the Government’s plan to invest £100 billion to transform the UK’s infrastructure.”	The Government’s national infrastructure strategy needs to implement the recommendations of the National Infrastructure Commission. Specifically, that councils should have ‘stable, devolved infrastructure budgets, as Highways England and Network Rail have’, which would mean providing councils with a funding allocation in advance for five years. This is the most effective way for us to deliver transport infrastructure improvements quickly in a way that complements local growth strategies. It should also devolve the management of the broadband roll out programme to local areas enabling councils to use their experience and local knowledge to hold broadband providers to account and secure greater value for money for local residents.
Broadband “New laws will accelerate the delivery of gigabit capable broadband.”	The Government’s commitment to amend legislation so that all new build homes are required to have the infrastructure to support gigabit-capable connections is positive and recognises the LGA’s call to place a statutory requirement on developers to ensure no home goes unconnected. We are pleased the Government has listened to councils and await further details including the level at which the cost cap per premise will be set. The Telecommunications Infrastructure (Leasehold Property) Bill which will create a cheaper and faster ‘light-touch’ tribunal process for telecoms companies to obtain interim code rights (or access rights) for a period of up to 18 months, is an important piece of enabling legislation and the LGA looks forward to working with Government to develop the detail of how this process might work in practice. For many a decent mobile connection is vital. The LGA has welcomed the Shared Rural Network (SRN) as a positive step forward. However, the mobile network operators must be held to account on their coverage. Independent analysis of

	coverage has revealed patchy access, high dropped call rates and not-spots in areas where coverage data provided by Ofcom and mobile operators reports excellent signal
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For the full LGA response to the Queen's Speech, see our [on-the-day briefing](#).