

Somerset County Council

Cabinet
15th November 2017

Consultation on the 'Heart of the South West Productivity Strategy: Stepping Up to the Challenge'

Cabinet Member(s): Cllr. David Fothergill – Leader of the Council; Cllr David Hall – Cabinet Member for Resources and Economic Development.

Division and Local Member(s): All

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	Opposition Spokesperson	Cllr Simon Coles	03/11/2017
	Relevant Scrutiny Chairman	Cllr Tony Lock	03/11/2017
Forward Plan Reference:	FP/17/09/11		
Summary:	<p>An outcome of discussions on devolution was that SCC along with other partners in the Heart of the South West (HotSW) would jointly commit to developing a plan in 2017 for boosting productivity. The draft Productivity Strategy is the result of this commitment. It has been prepared in partnership with district, county and unitary authorities, national parks and the HotSW Local Enterprise Partnership (LEP), as well as with Clinical Commissioning Groups (CCGs), private and third sector partners and central government.</p> <p>The Productivity Strategy is also a successor document to the LEP's Strategic Economic Plan published in 2014. It is an overarching strategy document that outlines key priorities and</p>		

	<p>objectives for the HotSW. Specifically, it sets out the aim of narrowing the ‘productivity gap’ evident in the HotSW area, driving up prosperity and living standards for all, and securing the resources needed to do so.</p> <p>The Productivity Strategy will act as a basis for:</p> <ul style="list-style-type: none"> • Engagement by the Heart of the South West in the UK Industrial Strategy • Securing investment for the Heart of the South West area (e.g. via the Government’s proposed Shared Prosperity Fund) • Future negotiations with Government by the HotSW partners, including any future dialogue linked to devolution <p>At the HotSW level it will:</p> <ul style="list-style-type: none"> • Align local economic delivery plans/strategies (e.g. Somerset Growth Plan 2017-2030) • Draw together resources of local partners and stakeholders <p>This report sets out the background to the Productivity Strategy, as well as its key themes, and recommends how SCC should respond to the consultation.</p> <p>This report complements the report elsewhere on the agenda for this Cabinet meeting recommending the establishment of a Heart of the South West Joint Committee. It is proposed that the approval of the Productivity Strategy on behalf of the constituent authorities will be a key function of the Joint Committee.</p>
<p>Recommendations:</p>	<p>That the Cabinet:</p> <ol style="list-style-type: none"> 1. Endorses the vision, strategic themes and objectives proposed in the consultation draft of the Heart of the South West Productivity Strategy. 2. Approves the points set out in paragraph 1.7 of this report as key considerations for SCC’s response to the consultation draft; and 3. Delegates to the Lead Director for Economic and Community Infrastructure approval of the final technical response to the consultation by the deadline of 30th November 2017.
<p>Reasons for Recommendations:</p>	<p>The above recommendations will ensure coordinated agreement on, and a timely response to, the official consultation on the Heart of the South West Productivity Strategy.</p>

<p>Links to Priorities and Impact on Service Plans:</p>	<p>The Productivity Strategy will be key to delivering the County Plan and its vision to secure ‘More jobs; more homes; more powers from government; more local co-operation; better health; better education and prospects; better roads, rail, broadband and mobile signal’. Achieving this vision will require SCC to work together with local partners and stakeholders to align priorities and draw together resources, to secure future investment for our area, and to ensure we get the powers that we need from government. The Productivity Strategy will be the key document with which to achieve these things.</p> <p>The work that SCC and partners did in developing the recently adopted Somerset Growth Plan 2017-2030 formed the basis for feeding into the consultation and drafting of the Productivity Strategy. The issues and priorities identified in the draft Productivity Strategy closely align with those in the Growth Plan. The Growth Plan will effectively sit beneath the Productivity Strategy focusing specifically on Somerset’s needs.</p> <p>The overarching ambition of boosting productivity and growing the local economy will be critical to SCC’s 2020+ financial strategy given scheduled changes regarding the local retention of business rates. With much more of SCC’s income in the future coming from the non-domestic rates that our businesses pay, their success and continued growth will be vital to SCC.</p> <p>As well as boosting overall productivity in the HotSW, the Productivity Strategy aims to foster inclusive growth, ensuring that everyone sees the benefits of economic improvement. This has the potential to reduce the demand for, and therefore cost of, the public services SCC delivers as a result of improved economic wellbeing, better health, and reduced vulnerabilities of Somerset’s residents.</p>
<p>Consultations and co-production undertaken:</p>	<p>The draft Productivity Strategy has been put together based on extensive consultation with partners and stakeholders, including businesses and individuals, across Somerset and the wider HotSW area.</p> <p>There was consultation on a Green Paper (<i>‘Driving Productivity in the Heart of the South West’</i>) early in 2017 to which SCC responded, along with a joint response on behalf of Somerset partners from the Somerset Growth Board. The focus of the SCC and Growth Board responses were based themselves on extensive consultation work for the recently adopted Somerset Growth Plan 2017-2030.</p> <p>Views from the Green Paper consultation informed the drafting of the Productivity Strategy by a project team with input from the LEP and various local authorities including SCC. This draft was then approved for circulation by the LEP Partnership Board and the HotSW Shadow Joint Committee.</p>

	<p>This draft is now being consulted upon in advance of a 30th November 2017 deadline. SCC as well as other partners and stakeholders are being consulted. There is also a series of public consultation events across the HotSW including one in Somerset on 22nd November 2017. There is also a cross-service consultation of the draft underway, being facilitated by the Economic and Community Infrastructure Commissioning Service.</p>						
<p>Financial Implications:</p>	<p>There are no direct financial implications for SCC as a result of the recommendations in this report.</p> <p>However, once the Productivity Strategy is adopted it will have important strategic financial implications insofar as it will be used to attract future government investment to the HotSW area (e.g. from the proposed Shared Prosperity Fund).</p> <p>Also, given scheduled changes regarding the local retention of business rates, the Productivity Strategy's targeting of business growth will be critical to SCC's 2020+ financial strategy. In the future, SCC will be more strongly reliant on business rates for its income, meaning that the success and continued growth of our businesses will be a vital consideration in SCC's financial planning.</p>						
<p>Legal Implications:</p>	<p>No legal implications have been identified as resulting from the recommendations in this report.</p>						
<p>HR Implications:</p>	<p>No HR implications have been identified as resulting from the recommendations in this report.</p>						
<p>Risk Implications:</p>	<p>The main risk for consideration is associated with SCC not responding to the consultation on the draft Heart of the South West Productivity Strategy. The implication would be that SCC's views are not given due consideration in the final strategy document.</p> <p>The converse to this risk is the opportunity to have SCC's views given due consideration in the final strategy document, and, therefore, better ensuring the Heart of the South West Productivity Strategy best reflects the issues and priorities SCC deems important for both Somerset and the wider HotSW.</p> <table border="1" data-bbox="513 1899 1465 1937"> <tr> <td>Likelihood</td> <td>2</td> <td>Impact</td> <td>2</td> <td>Risk Score</td> <td>4</td> </tr> </table>	Likelihood	2	Impact	2	Risk Score	4
Likelihood	2	Impact	2	Risk Score	4		
<p>Other Implications (including due regard implications):</p>	<p><u>Equalities Implications</u></p> <p>The Strategy is a vital document for Somerset and the Heart of</p>						

the South West and requires an Equality Impact Assessment to be undertaken. This is uncompleted but under way and will:

- Strengthen the document so it can deliver its overall objectives, in particular those relating to inclusivity and prosperity for all;
- Provide confidence and evidence to SCC and partners that the Strategy meets the needs of all our residents: for example, the provision of specific provisions to meet the needs of disadvantaged communities;
- Provide a robust and proportionate consideration of Due Regard; and
- Reduce the risk of, and potential for, successful legal challenge.

The Equalities Assessment will feed into the final draft of the Strategy as well as deliberations by the Joint Committee who will be responsible for signing off and leading delivery of the strategy. Cabinet should note that all constituent members of the Joint Committee are subject to the same duties as SCC under the Equality Act 2010.

Community Safety Implications

Once adopted, the Productivity Strategy will act as a key strategic document for securing investment in the HotSW. It has the stated ambition of boosting productivity and raising living standards for all through inclusive growth. In this regard there are potential positive implications in terms of improved quality of life and wellbeing for Somerset's residents, and a reduction in social isolation and exclusion. These positive improvements are also commonly associated with reduced crime rates and therefore improved community safety.

Sustainability Implications

Once adopted, the Productivity Strategy could have positive sustainability implications insofar as it has a stated commitment to both safeguarding and capitalising upon our significant natural assets (i.e. our 'natural capital') in the HotSW.

Health and Safety Implications

No health and safety implications have been identified as resulting from the recommendations in this report.

Privacy Implications

No privacy implications have been identified as resulting from the recommendations in this report.

Health and Wellbeing Implications

Once adopted, the Productivity Strategy could have positive

	health and wellbeing implications through boosting productivity and raising living standards for all through inclusive growth in the HotSW.
Scrutiny comments / recommendation (if any):	The draft Productivity Strategy was considered by the Scrutiny Committee for Policies and Place on the 31st October 2017. Comments and recommendations from this have helped inform the recommended SCC response to the consultation in this paper.

1. Background

- 1.1. In March 2014, the HotSW LEP published the area's Strategic Economic Plan, aiming to maximise economic growth across the area. Since its publication, government has turned its attention to the challenge of productivity and is now developing a national Industrial Strategy to boost UK productivity. The HotSW Productivity Strategy will replace the Strategic Economic Plan, outlining the contribution the HotSW area can make in closing the UK's productivity gap and how we can be an integral part of the forthcoming UK Industrial Strategy. As well as being framed by the national productivity agenda, the Productivity Strategy is also framed by the emerging devolution agenda. The commitment to develop a plan in 2017 for boosting productivity was a key outcome of discussions on devolution between SCC and other partners in the Heart of the South West (HotSW). The Productivity Strategy will form the basis for negotiations with government on future investment and devolved powers, and will act as a focal point to draw together local economic delivery plans and strategies as well as local resources.
- 1.2. The draft Productivity Strategy was approved for wider circulation and consultation by the LEP board and the HotSW Shadow Joint Committee in September 2017. The Strategy will receive final sign off and thenceforth be owned by the Joint Committee, representing all local authorities, and the business led HotSW LEP Board in early 2018.
- 1.3. The Productivity Strategy aims to double the net worth of the HotSW economy from approximately £35 billion to £70 billion of Gross Value Added (GVA) by 2036. Since the financial crisis levels of employment have risen in the HotSW, yet productivity has slipped against the UK average. The Productivity Strategy seeks to close this so called 'productivity gap', to fully realise the area's potential, and avoid the future risk of declining communities, reduced living standards, higher levels of poverty and a potentially greater pressure on public services. However, the Productivity Strategy is not intended to articulate all the specific issues and priorities of partners and stakeholders, and it is focussed specifically on boosting productivity as opposed to being a more generalised economic development strategy. Moreover, it is not intended to be a detailed delivery plan outlining how the Strategy will actually be implemented. It states that subsequent to its adoption a detailed Delivery Plan will be published. Therefore, it is suggested at this stage that we advocate a focus on strategic level feedback in our response to the consultation.

1.4. The document itself identifies a number of challenges facing the HotSW area:

- Productivity has slipped and varies considerably across the area
- Businesses are less likely to export or invest in innovation
- We have a growing and ageing population
- We have notable skills shortages
- We have issues with transport and digital connectivity
- We have growing infrastructure demands for both housing and employment

1.5. Besides challenges, the Productivity Strategy points out that the HotSW has numerous areas of world class economic strength and potential for increasing productivity. It calls these our 'golden opportunities', many of which are found here in Somerset, including strengths in aerospace and advanced manufacturing, nuclear and agri-tech. Indeed, the challenges, opportunities and priorities identified in the Productivity Strategy closely reflect those faced in Somerset specifically, as identified through the development of the recently adopted Somerset Growth Plan 2017-2030. The latter plan effectively sits beneath the Productivity Strategy, both informing it and being informed by it, whilst focusing specifically on Somerset's needs. Crucially, the work that was done in developing the Somerset Growth Plan formed the basis for feeding into the draft Productivity Strategy, to ensure the priorities agreed for Somerset are addressed.

1.6. The Productivity Strategy sets out a 'vision', a number of important 'cross-cutting themes', and three 'strategic objectives' for the HotSW.

'Our vision is for all parts of the HotSW to become more prosperous, enabling people to have a better quality of life and higher living standards. To achieve that, we have to create a more vibrant and competitive economy where the benefits can be shared by everyone'

At the core of this vision is a commitment to doubling the size of the HotSW economy by 2036 through stimulating a significant and sustained increase in productivity. Stimulating business growth will be central to achieving this ambitious target, but the Productivity Strategy rightly identifies that this must not be at the expense of people and the environment. As such it highlights the importance of both 'inclusive growth' and 'natural capital' among its four important cross-cutting themes.

- **Inclusive growth** for our communities and places
- Building on our **golden opportunities**
- Valuing our **natural capital**
- Maximising the potential from **digital technologies**

In order to deliver upon it vision, the Productivity Strategy identifies three strategic objectives of:

- Developing **leadership and knowledge** within businesses
- Developing our people's ability for **working and learning**

- Strengthening our **connectivity and infrastructure**

As per its first recommendation, this report advocates SCC endorsement of the Productivity Strategy's vision, its cross-cutting themes, and three key strategic objectives.

- 1.7. Alongside recommending broad endorsement of the Productivity Strategy, it is suggested that SCC's response also focuses on the following set of key messages. These have been identified through engagement across the organisation, including a review of the draft strategy at the Scrutiny Committee for Policies and Place.
- **Productivity ambition** – The Productivity Strategy sets out a clear ambition to double the size of the HotSW economy from £35 billion to £70 billion of GVA by 2036. Whilst endorsing this macro level ambition, it is suggested that as we move forward towards delivery, due consideration is also given to what this will mean for more specific geographies within the HotSW, including Somerset.
 - **Inclusive growth** - The commitment to 'inclusive growth' is welcomed. It is important that interventions made to improve productivity are not only focussed on our currently most high-performing places and businesses. Improving productivity of the HotSW area will best be achieved by improving performance of the economy and capitalising on opportunities across the area. It is important that the commitment to inclusive growth is fully embedded throughout the document.
 - **Social Mobility** - Closely related to inclusive growth is the importance of fostering social mobility, both as an end in itself and as a means for boosting productivity. Social mobility is a policy concern in many parts of the HotSW, often due to low wage employment and lacking skills opportunities. Within Somerset in particular, West Somerset has been designated by government as one of six 'Opportunity Areas' due to it having the lowest level of social mobility in the whole of England. It is suggested that the challenge of addressing social mobility be given stronger emphasis within the final document, with the West Somerset Opportunity Area plan being referenced as one of the key activities in the "working and learning" theme of the Strategy.
 - **Rural Economy** – Agricultural/land based industries and the broader rural economy are vital in Somerset as well as the wider HotSW. Rural communities and businesses often worry that they will be left behind by development initiatives vis-à-vis their urban counterparts, and whilst the draft strategy rightly recognises this concern within its commitment to inclusive growth, it is suggested that there ought to be a stronger focus on the enormous potential we have in our area for boosting rural productivity, both as end in itself and a means for boosting overall productivity. It is suggested that the views from the SW Rural Productivity Commission be incorporated in this regard, including its emphasis on issues and priorities for the rural economy post Brexit (and therefore post Common Agricultural Policy).

- **Cultural capital** – As highlighted by the SW Rural Productivity Commission, our natural and cultural assets are key to the region’s identity, but also provide the foundation for much of its economic success. The Productivity Strategy recognises the importance of natural capital, but could make stronger references to the importance of our cultural capital too, and its potential for boosting productivity in the HotSW area.
- **Regional dimension** - The document acknowledges at some points the importance of working on a regional or cross-LEP basis on particular topics, but overall the strategy is quite ‘inward-looking’ to the HotSW area. Given the importance of partnership working and common agendas across wider geographies (incl. in Somerset’s case, for example, regarding nuclear and aerospace sector ambitions, A303 improvements, etc.), as well as the strategic importance of infrastructure beyond the LEP area (e.g. universities, airports, rail links), it is suggested that this needs to be more strongly articulated in the final document.
- **Internationalisation** – Another way in which the Productivity Strategy could be more ‘outward-looking’ is through a stronger focus on the importance of international trade and exports for improving growth and productivity. These are central components of the national productivity agenda - with a strong government focus in particular on boosting exports - as well as an area of untapped potential for the HotSW.
- **Connectivity** - With regards to improving connectivity, it is suggested that stronger references be made to specific, strategic network improvements needed in the HotSW (e.g. A303/A358/A30, Peninsula Rail Task Force plan). Moreover, it is suggested that emphasis be given also to the importance of upgrading the broader arterial network (or ‘intra-area’ connectivity) within the HotSW.
- **University for Somerset** - Although it is mentioned in the document, supporting the creation of a University for Somerset is one of SCC’s key ambitions, and holds significant potential to benefit the wider HotSW area and beyond. As such, it is suggested that the ambition for a university be more strongly emphasised in the final strategy document.
- **Delivery** – It is suggested that the document more clearly defines how the Delivery Plan for the Productivity Strategy will be developed and implemented. It is also suggested that it more clearly articulates what the HotSW’s key asks and key offers will be in any ‘deal’ process with government on funding and future powers, as per the document’s *raison d’etre*.

In formulating our feedback on the basis of these key issues, it is felt that we can better ensure the document is fit for purpose and sufficiently representative of Somerset’s key interests.

- 1.8. There is currently a detailed cross-service consultation of the draft Productivity Strategy underway, being facilitated by the Economic and Community Infrastructure Commissioning Service. In addition, SCC are listening to the views of other partners and stakeholders, including the Somerset Growth Board. As

per the report recommendations it is suggested that subject to any Cabinet amendments, the Cabinet delegates final SCC approval of the Draft Productivity Strategy to the Lead Director for Economic and Community Infrastructure consistent with the above points in paragraph 1.7.

2. Options considered and reasons for rejecting them

2.1. The possible alternative recommendations would have been:

- That SCC not respond to the consultation on the Draft Productivity Strategy, or;
- That SCC simply endorse the Draft Productivity Strategy with no further amends.

It was felt that neither of these alternatives would have ensured SCC's views and needs were given due consideration in the final document.

3. Background Papers

3.1. Heart of the South West Productivity Strategy: Stepping Up to the Challenge [Draft]. The Draft Strategy is being hosted on the Torbay Council website for the purposes of consultation, please see www.torbay.gov.uk/devolution.

3.2. The Somerset Growth Plan 2017-2030. Please see www.somerset.gov.uk/policies-and-plans/plans/somerset-growth-plan.

3.3. The County Plan 2016-2020. Please see www.somerset.gov.uk/policies-and-plans/plans/county-plan.

3.4. Driving Productivity in the Heart of the South West [Green Paper]. Please see: <https://exeter.gov.uk/media/3031/driving-productivity-in-the-heart-of-the-south-west.pdf>.

3.5. SCC response to consultation on 'Driving Productivity in the Heart of the South West [Green Paper]'. Please see: <http://democracy.somerset.gov.uk/ieDecisionDetails.aspx?ID=307>

3.6. South West Rural Productivity Commission report. Please see <http://heartofswlep.co.uk/south-west-rural-commission-report>.