

RESPONSE TO HM GOVERNMENT'S GREEN PAPER ON 'BUILDING OUR INDUSTRIAL STRATEGY'

April 2017

The Essex Economic Commission was set up in 2016 as an independent voice in providing strategic advice on the development of Essex, which is a key growth area for the UK economy. The Commission was set up with the full support of all local authorities in Essex – county council, district councils and unitary authorities – as well as key local business groups, and higher education partners.

The Commission published its first report '*Enterprising Essex: Opportunities and Challenges*' early in 2017, which provides an objective evidence base for the current position and trends in the Essex economy. The report can be downloaded from the Commission's website www.essexgrowth.co.uk. The membership and role of the Essex Economic Commission is set out in the Annex to this report.

The Commission's response to the Green Paper is based on the findings of this report. Five key challenges were identified by the Commission, which reflect key aspects of the Green Paper:

1. Raising skills and qualifications
2. Developing opportunity sectors and technologies
3. Improving transport infrastructure
4. Expanding availability of suitable workspace and commercial premises
5. Supporting coastal districts

While the first three of these topics feature prominently in the Green Paper, The Essex Economic Commission wishes to emphasise the importance of the fourth and fifth challenges which receive less profile:

- Finding suitable business premises in which to expand is a significant challenge for many businesses in Essex, particularly smaller firms. Research amongst local firms is being undertaken by the Commission in order to strengthen the evidence base on availability of suitable workspace and commercial premises across Essex.
- The specific issues faced by some coastal communities need to be reviewed independently of a broader regional agenda, as the challenges may be specific to these localities.

Industrial strategy and regional policy historically have tended to focus on improving the development of larger conurbations and metropolitan areas. It is crucial that, as follow up to the Green Paper, the Government places much more emphasis on multi-centred localities such as Essex. This will help to ensure that the growth potential of the whole UK economy is fulfilled.

Essex Economic Commission's response to 10 Pillars tackling the productivity gap and driving growth

1. Investing in science, research and innovation: Developing opportunity sectors and technologies is identified as one of five key challenges facing the Essex economy by the Commission. Opportunity sectors identified by the Commission have a strong focus on technology, including advanced manufacturing, low carbon and renewables, life sciences and healthcare. New technologies being

developed in Essex include automotive engineering, particularly with Ford's European Research Centre located in the county.

Opportunities exist throughout the county especially in West Essex, given its linkage with the London-Stansted-Cambridge growth corridor. The new Chesterford business park is based in the north west of Essex. An enterprise zone is being developed at Harlow.

Key initiatives by the local universities include:

- Anglia Ruskin University is establishing a Medtech campus in Chelmsford, Southend and Harlow in order to drive innovation and growth of the medical technology business sector and capturing the latest advances in technology and patient care.
- Essex University's Knowledge Gateway research and technology park on its Colchester campus is a key location in the eastern region for knowledge-based enterprises in science, technology and the creative sector, with more than 2,000 people likely to be employed.

Comment on industrial strategy: It is important to prioritise so that the £4.7bn available is invested in appropriate sector and technologies. The Essex Economic Commission's report (pp19 &20) sets out the key local opportunities in Essex. Some of these opportunities are focused on specific sectors in different parts of the county and include:

- Advanced manufacturing, particularly automotive in Basildon and Rochford, with large employers such as Ford.
- Life sciences and healthcare, with the business parks, university initiatives, and locally in Tendring, which has a larger share of people in older age groups.
- Digital, creative and cultural services in a range of locations.
- Financial and business services in Brentwood, Chelmsford, Braintree and Southend.
- Logistics in south Essex, with the logistics parks at Tilbury port and London Gateway port.
- Low carbon and renewables in Tendring, with wind farms serviced out of Harwich port, and Thurrock, with the development of Thames Estuary Park.

2. Developing skills: Despite progress over the past decade, the 29% of people in Essex with at least Level 4 qualification is still below the average UK share of 37%. As a result there is a recognised gap between the skills employers need and the current skills base in Essex. So, raising skills and qualifications is identified as one of five key challenges by the Commission.

Developing skills for the creative and cultural sector is a key area of development across the county including the Thames Estuary. The 14 acre High House Production Park in Thurrock has represented a significant investment, a result of long-term collaboration between a range of organisations including the Royal Opera House, Creative & Cultural Skills campaign, Acme Studios, Thurrock Council, Arts Council England, together with the departments of Business Innovation and Skills, Communities and Local Government and their agencies. In partnership with South Essex College and University of the Arts London, the Royal Opera House has also established a new degree course in Costume Construction to be delivered from specialist facilities in the Park.

The main local universities, Essex University and Anglia Ruskin University, have moved to link education with the requirements of the local economy. A vibrant further education sector exists with over 80,000 students working towards vocational and higher education qualifications at Further

Education Colleges and other providers. FE colleges in Essex are working closely with large employers to deliver level 4/5 apprenticeship programmes funded from the apprenticeship levy. This will raise the skills base, enabling faster growth of businesses in Essex and generating more jobs.

Another recent initiative is the establishment in 2014 of PROCAT, Prospects College for Advanced Technology, the UK's first College of Advanced Technology. PROCAT is mainly based in Basildon and seeks to meet the workforce development needs of businesses which operate in sectors which are critical to the UK economy. Further development of FE is still required to meet employers' requirements. Part of the challenge in Essex is associated with difficulties in attracting sufficient calibre of staff to teach relevant courses.

Comment on industrial strategy: The employer-led Essex Employment and Skills Board has been at the forefront of identifying skills requirements at the level of district councils across Essex. This has provided FE colleges with the evidence to develop provision of qualifications in areas where there is growth in demand and where gaps have been identified.

Larger FE colleges in Essex have cooperated to ensure that provision of qualification is complementary. It is crucial that the proposed Institutes of Technology build on FE provision that is already available and work in collaboration with existing FE provision not in competition.

3. Upgrading infrastructure: Deficiencies in local provision have resulted in two aspects of infrastructure being highlighted amongst the five challenges to be addressed by the Commission:

i. Improving transport infrastructure. Key arterial routes, already under pressure, are likely to face growing demand from the rise in population and housing across the county. In south Essex current and expected growth of the ports (Thames Gateway and Tilbury) and logistics capacity is already adding to traffic, reinforcing the need to move ahead with the construction of a second Thames lower crossing.

Three key aspects of transport infrastructure are being taken into account:

- Additions to road capacity on key arterial road routes as well as upgrading of rail.
- Development of routes that link growth corridors across Essex.
- Investment at junctions to facilitate efficient movement of traffic flows.

Improvements in transport infrastructure beyond Essex, such as the rerouting and upgrading of the A14, are also important to growth of the Essex economy.

Comment on industrial strategy: Integration of local and national infrastructure objectives and plans is essential to ensure outcomes locally and nationally are achieved.

ii. Expansion of workspace and suitable commercial premises: Local district councils across Essex have reported considerable difficulties for many businesses, including start-ups, in finding suitable premises of the appropriate quality to move into to facilitate their expansion. This is constraining expansion of existing businesses as well as opportunities to attract new businesses into the county. It may also discourage start-ups.

Comment on industrial strategy: The shortage of suitable commercial premises, both industrial and office space, is not given profile in the Green Paper, but poses a major challenge in some parts of the UK. The decline in bank lending to construction and specifically for commercial buildings in recent years poses an additional challenge. The Government should review what incentives are required to facilitate more investment in commercial workspace, both new build and regeneration of existing buildings. The ability of businesses to find larger more suitable premises is central to enhancing growth.

4. Supporting businesses to start and grow: The Commission's report found that Essex is an enterprising economy with a start-up rate well ahead of other counties in the south east and east of England. However, the higher start-up rate is not yet reflected in a faster rate of growth in Essex, despite the survival rate of start-ups over five years being above the UK average. Start-ups include a range of firms in high value added sectors.

Comment on industrial strategy: It is likely that the ability of firms to deliver faster growth locally will depend on a mix of improved qualifications and skills, transport infrastructure and an increase in the availability of commercial workspace. Access to finance will also be crucial. Maximising the potential of small businesses is crucial to facilitating growth and development of the economy.

5. Procurement: Sectors such as healthcare and defence are particularly dependent on the public sector as a client.

Comment on industrial strategy: It will be important for the Government to review the operation of public procurement to ensure enhanced opportunities in healthcare and defence where government is the main client.

6. Encouraging trade and investment: The Commission identified Essex as being in a prime location to facilitate the development of trade and investment opportunities. This is linked to the two airports and three seaports that are located in Essex as well as proximity to road and rail arterial routes that give access to the rest of the UK. Airports and seaports have business plans predicated on continuing expansion.

Invest Essex has had some success, landing a total of 182 projects bringing new investment in Essex over the four years to end-2016. Of these 29 were investments from companies outside the UK.

Comment on industrial strategy A greater focus on trade would help to prompt growth in productivity and the Essex economy. Integration of national and regional initiatives is vital to maximising investment opportunities from foreign companies.

7. Delivering affordable energy and clean growth: The Commission identifies low carbon and renewables as opportunity sectors for Essex. Opportunities are centred around offshore wind at Harwich International Port; a centre for energy and environmental technologies at Thames Enterprise Park; and other smaller sector strengths in north west Essex and south Essex.

Comment on industrial strategy: How can government, business and academic research collaborate to ensure that competitive opportunities in the delivery of affordable energy and clean growth are

exploited? All parts of the country should benefit from funding to be delivered to support innovation.

8. Cultivating world leading sectors: The Commission's response has already flagged up the key role of developing those sectors that invest in new technologies which can drive growth.

Comment on industrial strategy: Essex is a diverse economy and will have an interest in many of the sector deals being discussed and negotiated with Government. The Government needs to take account of two aspects:

- Firstly that the interests of Essex, along with all areas and regions having a stake in the deal, are taken account in formulating any sector deals
- Secondly, the Government needs to ensure that sector deals are applied to all of the regions involved in the process.

9. Driving growth across the whole country: In recent years regional policy has tended to focus on metropolitan regions with large centres, such as the Northern Powerhouse and the Midlands Engine. This has overlooked important regional economies such as Essex which is multi-centred, with for example no single local authority accounting for more than 10% of the Essex population. However, the Essex economy is still, outside London, the eighth largest regional economy in the UK, and the fourth largest in the south east and east of England.

Comment on industrial strategy: In her Foreword to the green paper, the Prime Minister emphasises a new approach to government that "backs business and ensures more people in all corners of the country share in the benefits of its success". Supporting this strategy, the ninth pillar of the industrial strategy is driving growth across the *whole* country. The Government must therefore focus on how all parts of the country contribute to economic growth. This should include maximising the contribution of multi-centred regions such as Essex and not just the larger metropolitan areas.

10. Creating the right institutions to bring together sectors and places It is evident that a wide range of institutions already exist at a pan regional level, such as the South East LEP, as well as at the level of the county, growth corridor and district level. The Commission considers that any proposal for new institutions should be tested; would strengthening or reform of existing institutions be a more productive strategy?

Comment on industrial strategy: Many local initiatives are already in place. The Government should look at how to strengthen existing networks in both multi-centred regions such as Essex, as well as metropolitan centres. Any changes need to be focused on improved delivery of outcomes.

Annex: Role and Membership of the Essex Economic Commission

The Essex Economic Commission is an advisory body set up to help shape the economy in one of the UK's most exciting growth areas. Local authorities across the Greater Essex area (covering Southend, Thurrock and the County of Essex) have an ambition to become one of the strongest and fastest growing economies in the UK.

Dr Andrew Sentance CBE was invited by local authority leaders to lead an independent Economic Commission that would provide advice and analysis over three years, following its launch in May 2016. The Commission has the support of key business groups and partnerships (e.g. the Greater Essex Business Board, Opportunity South Essex) and higher education partners (i.e. Anglia Ruskin University and the University of Essex).

The Commission is providing analysis that is objective, independent and evidence based. It is seeking to inform and influence decisions and investment that affect Greater Essex – whether these are made at the local, national or European level.

'Enterprising Essex: Challenges and Opportunities', published this year, represents the Commission's first major output, and is intended to establish a context in which the current position and trends in the Greater Essex economy can be understood compared to other counties in the south east and metropolitan areas. The analysis also looks at the position of each local authority within the relevant growth corridors. A number of key challenges facing the Greater Essex economy emerge from the analysis, which are listed at the beginning of this response to the Green Paper.

Members of the Commission

Chair	Position	Representation
Andrew Sentance	Senior Economic Adviser, PwC	Economist
Members		
Kate Barker	Non-Executive Director: Taylor Wimpey plc and the Yorkshire Building Society	Economist
Andy Barratt	Chair & Managing Director, Ford of Britain	Business
Jason Falkingham	Head of Business & Corporate Banking for Barclays in Essex	Business
Jonathan Haskel	Professor of Economics & Academic Director, Imperial College Business School, Imperial College London	Academic
Angela O'Donoghue	Principal/Chief Executive, South Essex College of Further & Higher Education	Academic
Gary Packham	Pro Vice Chancellor & Dean, Ashcroft Internatl. Business School	Academic
Eric Smith	Professor of Economics, Essex University	Academic
Guy Smith	Vice President, National Farmers Union	Business
Peter Ward	Forth Ports	Business
Nick Wargent	General Counsel & Company Secretary, e2v technologies plc	Business
Duncan McKenzie	Economics Consultant to Commission	