

## Heart of the South West Joint Committee and Draft Productivity Strategy

Joint report of the Head of Economy, Enterprise and Skills and the Head of Organisational Development

**Recommendation: that the Committee notes the work to develop a Joint Committee and considers whether it wishes to make any comments on the Heart of the South West draft Productivity Strategy.**

### 1. Introduction

1.1 Since August 2015, Devon and Somerset County Councils, all Somerset and Devon Districts, Torbay Council, Plymouth City Council, Dartmoor and Exmoor National Parks, the Local Enterprise Partnership (LEP) and the three Clinical Commissioning Groups have worked in partnership to progress towards securing a devolution deal for the Heart of the South West (HotSW) area focusing on improving productivity and raising prosperity for all.

1.2 On 8 November 2017, the Cabinet agreed to become a constituent member of the Heart of the South West Joint Committee (Minute 77 refers). This decision is subject to approval of the County Council on the 7 December 2017.

1.3 This paper refers to the Joint Committee and introduces the draft Productivity Strategy, which is currently out for consultation and upon which the Scrutiny Committee might wish to comment.

### 2. HotSW Joint Committee Proposal

2.1 The Government is keen for areas to come together as Combined Authorities and is no longer insisting on a Mayoral model for predominantly rural areas. The Partnership, at this time, is not minded to pursue a Combined Authority until Government has clarified the benefits of entering into this statutory arrangement. The Partners are keen to formalise arrangements and, having considered the advantages and disadvantages, opted for a Joint Committee model.

2.2 The Joint Committee has a much more limited role than a Combined Authority. It does not have the statutory or legal status of a Combined Authority and cannot deliver the full range of benefits that a Combined Authority can. Its role will initially be limited to developing and implementing the Productivity Strategy, however the main benefits of a Joint Committee over the current informal arrangements are considered as follows:

- Stronger voice and influence with Government and inward investors
- Closer strategic joint working between all member councils and the LEP
- Forum to develop a coherent economic vision across a wide area across all member Councils working alongside the LEP
- Transparent governance framework of debate and decisions
- Opportunity to share resources.

2.3 The detail of the proposed functions, financial, legal and constitutional arrangements are set out in the Cabinet report (CX/17/26). These arrangements have been developed with Monitoring Officers across the Partnership. Cabinet has now met and agreed

recommendations that will be considered by the County Council at its meeting on 7 December 2017.

2.4 The LEP is often folded into a Combined Authority model. This is not possible under a Joint Committee model as it is not a statutory arrangement. The HotSW Joint Committee will work alongside the HotSW LEP – it will not replace the LEP. The LEP is a non-voting member of the Joint Committee and the relationship will focus on increasing the formal collaboration between local councils and the LEP. The intent will be to work towards greater formal collaboration on the economy between local councils and the LEP.

### **3. Draft Heart of the South West Productivity Strategy**

3.1 The Partnership has, since its inception, focused on working together to tackle low productivity and increasing prosperity for all as this is seen as the key to future economic growth. The academic research undertaken in the HotSW Green Paper on the Productivity Strategy highlighted that whilst Devon and Somerset have one of the highest employment rates in the country too many of those jobs are part-time and low paid. This means that our area has one of the lowest productivity rates in the Country and below average wage levels and these are major barriers to future prosperity.

3.2 The Partnership has continued to lobby Government to work more closely with our area to make good on its promise to spread economic growth across the Country. Following a recent positive meeting with the Minister for Devolution, Jake Berry MP, there is a requirement to develop a joint vision and case for investment so that we do not get left behind other areas that have strong, cross boundary, strategic partnership arrangements such as the six Mayoral Combined Authorities.

3.3 The aim of the Joint Committee through the delivery of the Productivity Strategy will be to:

- Improve the economic prosperity of the wider area by bringing together the public, private and education sectors;
- Work together to realise opportunities and mitigate impacts resulting from Brexit;
- Increase understanding of the local economy and what needs to be implemented locally to improve prosperity for all;
- Ensure the necessary strategic framework, including infrastructure requirements, is in place across the HotSW area to enable sub-regional arrangements to fully deliver local aspirations; and improve the efficiency and productivity of the public sector.

3.4 The Productivity Strategy is a successor document to the LEP's Strategic Economic Plan published in 2014. It is an overarching strategy document that outlines key priorities and objectives for the Heart of the South West. It has a dual purpose of bringing together public sector partners and local business on a collective vision for economic growth for the area and as the basis for negotiating new powers and funding from Government relating to devolution, the Industrial Strategy and other consultations and funding streams relating to the economy.

3.5 The Productivity Strategy is being developed through an academic evidence base and engagement with stakeholders and the community. The evidence base can be viewed on [www.devon.gov.uk/devolution](http://www.devon.gov.uk/devolution). The draft plan is currently out to consultation and can be viewed at [www.torbay.gov.uk/devolution](http://www.torbay.gov.uk/devolution). The deadline for response is 30<sup>th</sup> November 2017. Members are encouraged to respond to the draft strategy.

3.6 The draft strategy sets out an ambitious agenda to double the size of the annual economy to £70 billion of GVA by 2036. It sets out a range of objectives and potential areas

for action to achieve this. Once agreed the strategy will set out a vision for the whole of the area that will be used as a tool to lobby for investment both from the private sector and Government.

3.7 The Strategy sets out a vision “*for all parts of the HotSW to become more prosperous, enabling people to have a better quality of life and higher living standards.*” Since the financial crisis levels of employment have risen in the HotSW, yet productivity has slipped against the UK average. The Productivity Strategy argues that closing this so called ‘productivity gap’ is our route to economic growth and avoiding the future risk of declining communities, reduced living standards and alleviating demand for public services.

3.8 The document highlights a number of challenges facing the HotSW:

- Productivity has slipped and varies considerably across the patch
- Business are less likely to export or invest in innovation in the current climate
- Our working population continues to diminish as our population continues to age
- Notable skills shortages and gaps – e.g. technical skills
- Connectivity – digital and transport remain priorities
- Growing infrastructure demands for housing and employment.

3.9 The draft strategy is structured under three strategic objectives seen as key to developing our productivity levels:

- Leadership and Knowledge
- Connectivity and Infrastructure
- Working and Learning.

#### **4. Areas of the draft Productivity Strategy that Scrutiny might wish to consider**

4.1 The draft strategy identifies many of the key strategic challenges facing Devon. However, Devon County officers have reviewed the strategy and believe there are some major themes missing. These are set out below and Members might like to consider these in their deliberations:

- **Devolution** – the strategy needs to refer to the Heart of the South West’s aspirations for greater devolution and why this is necessary to deliver our economic objectives.
- **UK Shared Prosperity Fund** – the withdrawal of EU funding is a major issue for Devon, and the UK Shared Prosperity Fund is likely to be the single most important regional policy tool over the next few years. Devon Officers believe that our key asks of government need to be set out in this document as the basis for any future negotiation.
- **Measuring our effectiveness** - the Strategy does not explain what success looks like or what performance metrics we will judge ourselves against.

4.2 And some **key strategic challenges seem to lack emphasis**:

- **Automation and Artificial Intelligence** – independent analysis shows that HotSW and Devon in particular is likely to be one of the regions most affected by the trend towards greater automation, with over 30% of jobs at risk by 2030<sup>1</sup>. How will we respond to this?

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<sup>1</sup> “The Impact of AI in UK Constituencies: Where will automation hit hardest?”, Future Advocacy, 17 Oct 2017

- **Ageing population** – the changes to both the labour force and the nature of work is fundamental. Does the strategy adequately address this?
- **Skills** – The Strategy contains few specifics on how HotSW proposes to fill gaps in higher level skills, or delivering the skills needed for the economy of the future e.g. digital skills. The strategy does not explain how we will support the government's focus on technical education e.g. through Institute of Technologies or the rollout of new "T-levels".
- **Underemployment** – the under-utilisation of existing levels of human capital is a major feature in the Devon economy, yet is not something the Strategy really focusses on.
- **Rural issues** – in particular, the key recommendations of the SW Rural Productivity Commission should be incorporated and given due weight in the Strategy.
- **Sectors** – Need to reference how we support emerging sectors with high growth potential – (e.g. ICT/ Digital, Food and Drink / Agri-tech), and also the need to innovate and support improved productivity in large employment sectors (e.g. Health and Social Care). Certain sectors may face specific challenges e.g. construction skills.
- Supporting firms to seize the **opportunities created by Brexit** – particularly with exports, where firms may need help to adjust depending on how terms of trade change.
- **Connectivity** – the single most important policy for connectivity will be the Universal Service Obligation for Broadband. Should we be reiterating pressure on government to deliver it as promised?
- The balance between **productivity and prosperity for all** – is the balance correct?
- **Housing** – availability of affordable housing is an issue which lacks a degree of emphasis in the document, and should be included, and actions developed as part of the Delivery Plan. Given the constrained labour market across the area, being able to attract key workers into the area and to retain local talent is in part dependent on housing.

4.3 The Productivity Strategy also needs to have a clear read across to the Government's own Industrial Strategy, not least because that is where the money will be coming from. Members might wish to consider:

- Are the policy priorities aligned with key government funding streams? (e.g. government has announced a £2bn p.a. increase in Research and Development but is it clear what HotSW's Research and Development proposals are?)
- Does the Strategy draw clear enough links with the "sector deals" (e.g. creative industries; digitalisation of industry) that the government is in the process of agreeing.

4.4 And finally, the Strategy seems to lack a simpler and succinct articulation of HotSW's key unique selling points, priorities and asks of government.

Keri Denton  
Head of Economy, Enterprise and Skills

John Smith  
Head of Organisational Development

### **Electoral Divisions: All**

Leader of the County Council: Councillor John Hart  
Cabinet Member for Economy and Skills: Councillor Stuart Barker

Local Government Act 1972: List of Background Papers

Contact for enquiries: Sue Rose

Room No. County Hall, Topsham Road, Exeter. EX2 4QD

Tel No: (01392) 382371

Background Paper	Date	File Reference
1. HotSW draft Productivity Strategy and consultation questionnaire	2017	<a href="http://www.torbay.gov.uk/devolution">www.torbay.gov.uk/devolution</a>
2. Cabinet Report CX/17/26	8 November 2017	<a href="http://democracy.devon.gov.uk/documents/s11925/Heart%20of%20the%20South%20West%20-%20Joint%20Committee.pdf">http://democracy.devon.gov.uk/documents/s11925/Heart%20of%20the%20South%20West%20-%20Joint%20Committee.pdf</a>

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