

Southend-on-Sea Borough Council Response: Building Our Industrial Strategy

Green Paper, January 2017

1. Introduction

- 1.1. Southend-on-Sea Borough Council is pleased to have the opportunity to respond to the 'Building our Industrial Strategy' Green Paper January 2017. The Council firmly believes that a strong national industrial strategy and plan for economic growth can maximise benefits for Southend and the South East and improve the lives of our residents.
- 1.2. Southend is 40 miles east of London, is 41.8sqkm in area and has approximately 9 miles of coastline along the south of the borough. Situated at the entrance to the Thames Estuary, in the South East corner of Essex, within the South East Local Enterprise Partnership area, the Borough is currently home to 178,700 residents and 6,480 businesses.
- 1.3. In 2014, the Council negotiated a 'City-Deal' with Government. Subsequently, Southend is now recognised as one of the major urban hubs of the South East. The area has delivered a huge amount of economic growth in the last 15 years and contributes over £3bn to the national economy every year. Southend has also been the focus of some significant private/public sector investment. Examples of this investment include:
 - £300million Better Queensway Project (projected)
 - £200million Southend Airport Business Park (projected)
 - £190million London Southend Airport
 - £105million – completion of the Southend Learning Quarter
 - £100million Marine Plaza (projected)
 - £50million Victoria Avenue (projected)
 - £30million Adventure Island, Sands Restaurant, Sea Life Adventure
 - £26million A127 Junction Improvements
 - £26million Park Inn Palace Hotel
 - £12.5million Garon Park Leisure Facility
 - £7.6million City Beach
 - £6million Roslin Hotel
- 1.4. Key sectors within the Southend economy include: Aviation and Engineering, Finance and Customer Services, Medical Technologies, Tourism, Retail and Cultural and Creative Industries.
- 1.5. Throughout 2016/17, the Council has been preparing a draft Economic Growth Strategy. Key areas of convergence between the Council's Growth Strategy and the Building our Industrial Strategy Green Paper include:
 - Strengthening the UK Skills System to better meet the needs of industry
 - Upgrading infrastructure to unlock economic growth – in particular rail, road and digital connectivity
 - Providing support for growing businesses
 - Supporting growth in sectors that will provide the greatest yield to the Southend and UK economies
 - Attracting inward investment

Further areas that are pertinent to enabling economic growth in Southend, that are not featured within the Green Paper include:

- Supporting ‘Strategic Sectors’ that support existing growth sectors or are likely to yield high growth in the future
- Enabling adequate provision of business accommodation
- Creating successful places that build-on and enhance existing cultural, historical and community assets
- Highlighting the links between housing and economic growth. Specifically, linking and referencing the ‘Fixing our broken housing market’ White paper and the ‘Building our industrial Strategy’ Green Paper.

1.6. The following response incorporates views taken from the local businesses with specific contributions made by the Southend-on-Sea Borough Council.

2. The Ten Pillars:

- **Does this document identity the right areas of focus: extending our strengths; closing the gaps; and making the UK one of the most competitive places to start or grow a business?**
- **Are the ten pillars suggested the right ones to tackle low productivity and unbalanced growth? If not, which areas are missing?**
- **Are the right central Government and local institutions in place to deliver an effective industrial strategy? If not, how should they be reformed? Are the types of measures to strengthen local institutions set out here and below the right ones?**
- **Are there important lessons we can learn from the industrial policies of other countries which are not reflected in these ten pillars?**

2.1. Broadly speaking, Southend-on-Sea Borough Council recognises the ten pillars as being the right areas of focus. However, the pillars/priorities identified will doubtless compete for Government attention and resources during the lifetime of the strategy, and therefore, the weighting of resources between pillars will be critical – as will be the commitment to future policy. Failure to ‘fully commit to’ or ‘resource’, any of these pillars sufficiently may result in an unbalanced approach and represent a failure to maximise the potential of the UK economy.

2.2. Further, the strategy appears to advocate an approach to future investment that supports both; targeting resources at selected sectors showing high potential for growth, and, utilising funds to address areas of market failure. However, no guidance is provided on the investment weighting or funding allocation for each approach. Therefore, the Council would welcome an Industrial Strategy that provides a clear plan for investment alongside strategic principles.

3. Investing in science, research & innovation:

- **What should be the priority areas for science, research and innovation investment?**
- **Which challenge areas should the Industrial Challenge Strategy Fund focus on to drive maximum economic impact?**
- **What else can the UK do to create an environment that supports the commercialisation of ideas?**
- **How can we best support the next generation of research leaders and entrepreneurs?**
- **How can we best support research and innovation strengths in local areas?**

- 3.1. Whilst the Government's proposed approach to supporting innovation and new product development is welcomed, it is important to recognise that many businesses do not regularly access business support from/or work with academic institutions. Therefore a new approach that encourages and enables innovation throughout the entire economy should be considered – not just through the academic institutions, but also through the Growth Hubs and numerous touch points that businesses have with organisations of all varieties, from submitting tax returns to applying for trading licenses.
- 3.2. Key growth and strategic sectors in Southend that would particularly benefit from science, research and innovation investment include: Medical Technologies, Health and Social Care, Aviation and Engineering, Specialist Construction, Specialist Manufacturing, Creative and Cultural Industries, Tourism, Retail and Financial Services.
- 3.3. The Council would support an approach to encouraging innovation that was accessible at all levels of business, from start-up to multi-national firms; as 86% of Southend businesses employ fewer than 9 employees and innovation is not restricted to large scale enterprises.
- 3.4. The Council would support an Industrial Strategy Challenge Fund that:
 - supports innovation within UK firms regardless of the 'distance to market';
 - is not restricted to any specific field of research/sector – but instead open to all industries and business types dependent on the merits of the innovation and potential to contribute to economic growth.
- 3.5. Providing a greater level of business support to access information on intellectual property rights, legislation and protocol, at all levels of business would be welcomed by Southend businesses. Too often the costs of accessing professional support are prohibitive to invention and innovation for micro/smaller firms. Building on the approach to sector deals, our own 'Medtech Innovation Partnership', is well placed to act as a medium for this information, making it more easily and readily available to businesses operating at every level of growth.
- 3.6. Implementing a range of innovation and invention competitions and awards, via local channels, would further catalyse the entrepreneurial and innovative instincts of the Southend population. These initiatives would be well placed to be coordinated through schools and colleges. However, educational institutions should not become the sole site/supplier of innovation advice – as a great deal of innovation in Southend companies occurs on industrial estates and in offices far away from the classrooms and laboratories traditionally associated with this activity.

4. Developing Skills:

- **What more can we do to improve basic skills? How can we make a success of the new transition year? Should we change the way that those resitting basic qualifications study, to focus more on basic skills excellence?**
- **Do you agree with the different elements of the vision for the new technical education system set out here? Are there further lessons from other countries' systems?**
- **How can we make the application process for further education colleges and apprenticeships clearer and simpler, drawing lessons from the higher education sector?**
- **What skills shortages do we have or expect to have, in particular sectors or local areas, and how can we link the skills needs of industry to skills provision by educational institutions in local areas?**
- **How can we enable and encourage people to retrain and upskill throughout their working lives, particularly in places where industries are changing or declining? Are there particular sectors where this could be appropriate?**

- 4.1. Supporting the development of basic skills at all ages is critical to maximise the performance of the Southend and UK economies.
- 4.2. The Council welcomes measures that aim to improve basic skills, in particular the 'transition year' and proposals to further support the studying of Maths at GCSE level.
- 4.3. However, any progress made in improving basic skills levels is severally threatened by funding cuts in education budgets implemented via the 'national funding formula for schools'. We must have a solid basis for improving skills at all levels and, in the UK, this begins with schools. The current level of cuts is undermining a productive, holistic approach to improving skills, and if not addressed, we expect a delayed effect to be felt by our businesses and subsequent failure to meet our economic growth potential.
- 4.4. Southend businesses echo the shortage of STEM skills in the local workforce – and support the strategy ambitions to specifically improve this area of the skills system. The top five 'skills gaps' identified by Southend businesses are:
 - Basic Computer Literacy Skills/Computer skills
 - Communication Skills
 - Numeracy and Maths Skills
 - Literacy skills/writing Skills
 - School leavers or graduates with appropriate skills/attitudes
- 4.5. Developing greater links between businesses, schools and colleges, should be a central objective for the Government going forward. To this end, improving the vocational qualification system will increase aspiration and opportunity for those that do not naturally thrive within a traditional academic environment. The Council supports a shift towards an 'employer-led' skills system that improves Information, Advice and Guidance for learners at all levels and shapes the curricula available. Initiatives such as those run by the Careers and Enterprise Company have made some progress in this area in recent years, however much more could be done to better develop the links between local industries and school curricula.
- 4.6. Confusion and increased costs for businesses are commonplace where new policies and changes to the skills system are introduced. The Council recommends that a consistent and long-term approach to the skills system is necessary to enable businesses to understand and embed the practices that will ultimately help them succeed.
- 4.7. A greater focus on developing adult and 'in-work' skills should also be employed within the strategy to support mobility within the labour-force and a higher average retirement age; ultimately resulting in a greater level of economic growth across the UK.
- 4.8. Measures to place employers in greater control of the skills system, such as the apprenticeship levy, are broadly welcomed by the Southend business community. However, once again, we would encourage clarity and consistency in any new policy measures, including these. For example, a lack of accurate information on the apprenticeship levy has recently resulted in confusion and a delay in investing in funding for some companies in Southend.

5. Upgrading Infrastructure:

- **Are there further actions we could take to support private investment in infrastructure?**
- **How can local infrastructure needs be incorporated within national UK infrastructure policy most effectively?**
- **What further actions can we take to improve the performance of infrastructure towards international benchmarks? How can Government work with industry to ensure we have the skills and supply chain needed to deliver strategic infrastructure in the UK?**

- 5.1. In Southend we are critically aware of the effect that infrastructure plays on enabling economic growth; with projects such as the Lower Thames Crossing, Cross-rail and housing growth being of particular importance to the town. As such, the Council would urge the Government to employ a holistic approach to supporting the economy that simultaneously considers the wider needs of housing, transport and healthcare – alongside potential gains from economic growth.
- 5.2. As a borough with two train lines and nine stations, supporting the maintenance and renewal of rail infrastructure is of particular importance to Southend. Accordingly, the Council would welcome Central Government utilising its powers to ensure that the rail franchise operators are working with key institutions to support economic growth across the country.
- 5.3. Further, the Council would urge Government to ensure that future investment is closely linked with growth and, in particular, is targeted where there is the capacity and appetite to deliver on national targets for housing and economic growth.
- 5.4. Where critical infrastructure needs are identified, in for instance, rail/road/air travel; Southend Borough Council would urge the Government to act swiftly and decisively. Delay and prevarication on matters such as the Lower Thames Crossing has a serious, damaging effect on levels of investment and the fortunes of local businesses.
- 5.5. Southend-on-Sea Borough Council has developed a pioneering approach to digital technologies and the development of the SMART city. Accordingly, where new solutions are required, the Government must be willing to act as innovator and project sponsor to drive through the changes required that will facilitate future economic growth.
- 5.6. In considering the 'Upgrading of Infrastructure', it is vital that Government maintains an approach that seeks to address the areas of market failure that the private sector regards as unviable. Whilst a prioritisation of infrastructure needs is entirely appropriate, we must ensure that future policy ensures that basic rights to sound infrastructure are met for all and that no business is left at a disadvantage simply due to their location.
- 5.7. Indeed, the Council would urge Government to go further and to proactively address these areas/issues in advance and not simply wait until a shortfall/issue has developed, as has been the case with access to digital networks and broadband connectivity.
- 5.8. The Council also recognises that infrastructure plays an important role in the productivity levels of Southend SMEs and therefore would support a Government approach that seeks to utilise infrastructure investment to improve productivity across the UK.

6. Supporting businesses to start and grow:

- **What are the most important causes of lower rates of fixed capital investment in the UK compared to other countries, and how can they be addressed?**
- **What are the most important factors which constrain quoted companies and fund managers from making longer term investment decisions, and how can we best address these factors?**
- **Given public sector investment already accounts for a large share of equity deals in some regions, how can we best catalyse uptake of equity capital outside the South East?**
- **How can we drive the adoption of new funding opportunities like crowd-funding across the country?**
- **What are the barriers faced by those businesses that have the potential to scale-up and achieve greater growth, and how can we address these barriers? Where are the outstanding examples of business networks for fast growing firms which we could learn from or spread?**

- 6.1. The Council welcomes an approach to catalysing economic growth within sectors that have the greatest potential for productivity, wealth generation and employment.
- 6.2. However, what is perhaps understated within this section is the importance of further diversifying our business base to avoid market risks to employment and disparities in productivity. Accordingly, whilst targeting some specific resources at particular sectors is appropriate, the Government must also seek to support businesses of all shapes and sizes to improve their practices, productivity and compete effectively within their own marketplaces – not just the selected specialist industries or niche ‘high-growth potential’ firms.
- 6.3. A long-term consistent approach is important in providing support for businesses to improve their performance and working practices. Southend is currently home to the BEST Growth Hub and we are working hard to ensure that the growth hub system is embedded in local business consciousness. We would strongly suggest that projects such as Growth Hubs are given the time and resources necessary to fully embed themselves in business landscape and fully realise the benefits that they can offer – as opposed to being subjected to the regular peaks and troughs of Government funding regimes, and adding greater confusion and uncertainty to the journey of running a business.
- 6.4. Some Southend businesses have cited uncertainty over their future cost base as being a key barrier to capital investment. Therefore Southend Borough Council would welcome any measures the Government can take to encourage macro-economic stability for the UK.
- 6.5. The imminent removal of UK access to key funds such as ERDF and ESF, that have previously targeted SME support and addressed market failures, will leave a significant gap in the landscape of publicly funded business support products and services. Therefore Southend would urge Government to replace these funds with a UK based equivalent that will continue to offer support and improvement for the SME base as soon as possible.
- 6.6. As with skills, Southend would urge the Government to try to achieve long-term consistency over the systems and funds that are available to support businesses. The South East Local Enterprise Partnership (SELEP) and SELEP Growth Hub have gone a considerable way to simplifying the previously fractured support landscape for SMEs. In this area, continuous changes to the system do not necessarily equate to continuous improvements, and can instead result in the reduced credibility and confusion amongst SMEs.
- 6.7. A focus on ‘scale-up’ businesses and those looking to achieve high levels of growth is welcomed by Southend Borough Council. However, we would like to make it clear that only a small fraction of businesses in Southend currently fit into the Governments’ definition of a ‘scale-up’ business. Further, the majority of employment in Southend does not occur within ‘scale-up’ or ‘scaled-up’ businesses. Accordingly, we urge Government to learn from previous initiatives such as Growth Accelerator, and ensure that support is available to the wider business base, as opposed to a selective few.
- 6.8. Recent non-domestic rate changes have been a significant concern for some of our smaller businesses, particularly High-Street retail businesses. We would like to suggest that the Government investigates measures to simplify and combine the business tax regimes. Greater transparency and in particular, ability to predict costs, is likely to result in more companies being willing to invest and plan effectively for the future.

7. Improving procurement:

- **Are there further steps that the Government can take to support innovation through public procurement?**
- **What further steps can be taken to use public procurement to drive the industrial strategy in areas where Government is the main client, such as healthcare and defence? Do we have the right institutions and policies in place in these sectors to exploit Government’s purchasing power to drive economic growth?**

- 7.1. Utilising public sector supply opportunities to support innovation and business development is a welcome approach with sound basis for suggestion. However, with an opportunity to re-wire our ability to trade beyond our current borders imminent, it is important that we also create a new system of trade where businesses are helped and supported to become lean and productive entities, instead of enabling poor business practice through protectionist principles. Our competitiveness in global markets must be enhanced and not diminished in our newly forged international trading relationships.
- 7.2. Southend Borough Council supports a 'balanced-scorecard' approach to Government procurement that enables social benefits to be accounted for and considered within procurement processes. The Council also supports public/private forums and dialogue processes that can better inform and assist the private sector to produce products and services to meet current and anticipated public sector needs. In some sectors, such as health and social care, where new business models are required, the need for an open dialogue is more urgent and pertinent than others.
- 7.3. In considering a new procurement system, Southend Borough Council would urge the Government to improve the access and visibility to public sector opportunities. Measures such as 'Contract Finder' have gone a considerable way to providing better transparency on Government supply opportunities, but more could be done to communicate opportunities at a local level – such as local supply chain programmes and working with the growth hubs to enhance Government procurement transparency.
- 7.4. Similarly, there are many Southend businesses that have the will and ability to supply the public sector but aren't equipped with the internal systems and procedures to win these contracts. Therefore, a greater level of support for SMEs to become 'supply ready' would be welcomed by the Council. Further, Southend-on-Sea Borough Council would be willing and able to act as a pilot for such an initiative.

8. Encouraging trade and investment:

- **What can the Government do to improve our support for firms wanting to start exporting? What can the Government do to improve support for firms in increasing their exports?**
 - **What can we learn from other countries to improve our support for inward investment and how we measure its success? Should we put more emphasis on measuring the impact of Foreign Direct Investment (FDI) on growth?**
- 8.1. The forthcoming negotiations on Britain's access to the European single market and revised trade deals with America and Asia could be the key opportunities to improve the living standards of UK citizens experienced in a generation. Government cannot miss this chance to 'kick-start' the economy and catalyse the potential gains of international trade for the UK business base. Concurrently, Government must dedicate sufficient resources to overcoming the perceived challenges presented in the negotiations.
 - 8.2. Utilising Government funds to unlock private sector investment can be a critical tool in tackling some of our wider social issues. For example, a recent Regional Growth Fund grant scheme for small businesses in Southend has been a critical catalyst in improving the long-term future of a ward area traditionally associated with high levels of deprivation.
 - 8.3. Similarly, in order for businesses to build the confidence required to invest in their own futures, economic stability, over and above any other single influence is the critical factor. Extended periods of uncertainty over international trade opportunities are reducing business confidence and hampering investment. Therefore, measures should be taken to 'shore-up' investor confidence and reduce uncertainty wherever possible.
 - 8.4. Southend would strongly support any activity that provides Southend businesses with access to new markets and sales opportunities. Activities should not focus on a single sector or group of businesses, but instead be structured to provide support to the whole

business base, from bedroom-businesses wishing to expand sales made via eBay; to large firms undertaking international trade missions.

- 8.5. Southend Borough Council would welcome a collective approach to attracting foreign direct investment. This is an area that the Council has made significant progress on to date, by fostering new relationships with partners in Groningen, Faro and Rennes. Therefore, we'd specifically welcome a local-level approach that builds on local competitive advantage and existing relationships.

9. Delivering affordable energy and clean growth:

- **What are the most important steps the Government should take to limit energy costs over the long-term?**
- **How can we move towards a position in which energy is supplied by competitive markets without the requirement for on-going subsidy?**
- **How can the Government, business and researchers work together to develop the competitive opportunities from innovation in energy and our existing industrial strengths?**
- **How can the Government support businesses in realising cost savings through greater resource and energy efficiency?**

- 9.1. Retaining a keen focus on greening business is important – as such the Council welcomes the embedding of these principles within an Industrial Strategy. As the home of an extensive industrial business base, South Essex is particularly cognisant of the negative effects of pollution in the past and we are keen to ensure that businesses continue to receive the support necessary to 'green' their practices in the face of increasing competition from global markets and numerous national challenges.

- 9.2. Once again, we would request that long-term sustainable models are imbedded wherever possible and that lessons are learned from previous initiatives, including The Green Deal, Carbon Trust, etc.

- 9.3. Southend-on-Sea Borough Council has been a partner to several successful ERDF funded projects, including 'South Essex Leading a Low Carbon Economy' project and 'Low-Carbon Across the South East', which have been particularly effective at reducing business carbon emissions in the area. As such, the Council would be keen to see similar schemes replicated/extended where possible.

- 9.4. Concurrently, the Council would encourage Government to utilise a taxation system that minimises the externalities that regularly occur in heavy industry. Money from such a regime should be actively ploughed back into initiatives capable of catalysing innovation and implementing resource efficiencies across the wider economy.

- 9.5. Similarly, available investment should be targeted at initiatives that enable local energy generation/storage that matches local demand and supports effective grid re-balancing, thus embedding a sustainable energy framework that protects our residents and businesses against future price fluctuation and market shocks.

10. Cultivating world-leading sectors:

- **How can the Government and industry help sectors come together to identify the opportunities for a 'sector deal' to address – especially where industries are fragmented or not well defined?**
- **How can the Government ensure that 'sector deals' promote competition and incorporate the interests of new entrants?**
- **How can the Government and industry collaborate to enable growth in new sectors of the future that emerge around new technologies and new business models?**

- 10.1. We welcome the proposed approach to supporting key sectors. However, two key issues should be considered within this:
- When considering the sectors to support/invest within, we would recommend the Government avoids a blunt analysis of employment numbers/growth potential and instead recognises the strategically important role that all sectors can play in the national economy (tourism for example) and as such should be considered alongside sectors that offer more obvious and easily quantifiable rates of return (automotive for example).
 - Concurrently, the approach of supporting sectors must be ‘balanced’ to ensure that the diversity of our business base is retained and enhanced at all levels, instead of using ‘protectionist’ policies to attract unsustainable business growth likely to result in poor economic resilience in the future.
- 10.2. The Government can support the coming together of businesses of specific sector origins by:
- Improving and utilising existing Government measurement systems, such as Standard Industry Classification (SIC) codes to enable a more accurate identification of companies within particular sectors. Making Companies House information more easily accessible and free to download/manipulate would also go some way to supporting the identification of sectors.
 - The Government can utilise existing ‘touch points’ such as HMRC, licensing bodies, etc to promote and encourage membership of trade representative bodies such as guilds, industry associations, and local forums.
- 10.3. Incentivising new and emerging firms to engage in sector deals is critical to their success, if the UK is to play a part in new global markets. In order to engage all firms, financial incentives via the tax system could be employed – providing a reason for all firms to ‘align’ with a particular sector body.

11. Driving growth across the whole country:

- **Do you agree the principles set out above are the right ones? If not what is missing?**
 - **What are the most important new approaches to raising skill levels in areas where they are lower? Where could investments in connectivity or innovation do most to help encourage growth across the country?**
- 11.1. Whilst we recognise that many infrastructure problems faced by rural businesses and communities represent unique and acute market failures; we would also seek to highlight the vast range of infrastructure issues that affect urban/city areas such as Southend. Southend’s current infrastructure concerns include (but are not limited to): broadband access, housing provision, highways congestion, rail service provision and flood defences. Further, due to the density of population, infrastructure improvements in urban areas can often impact on and improve the lives of far greater numbers of people than similar scale projects that target rural communities.
- 11.2. Despite its close proximity to London, Southend cannot be considered part of the Capital, and as such, needs to have its unique infrastructure, skills, science and institutional requirements addressed specifically and directly. Indeed, Southend is part of a wider ‘Thames Estuary Regeneration Area’ that presents many unique opportunities for the UK economy – and should be suitably supported, via initiatives such as the Thames Estuary Commission, in order to fully capitalise on the opportunities available.

12. Creating the right institutions to bring together sectors and places:

- **Recognising the need for local initiative and leadership, how should we best work with local areas to create and strengthen key local institutions?**
- **What are the most important institutions which we need to upgrade or support to back growth in particular areas?**
- **Are there institutions missing in certain areas which we could help create or strengthen to support local growth?**

12.1. The most active and appropriate institutions for bringing together businesses in Southend are:

- Southend-on-Sea Borough Council
- The BEST Growth Hub
- Opportunity South Essex Partnership
- South East Local Enterprise Partnership
- Sector and area based industry bodies, Chambers of Commerce, Industry Network Event Programmes, etc.

13. Conclusion

13.1. In terms of the support offered, consistent and long-term reduction in local authority funding is restricting the Council's ability to support businesses in the local economy. Appropriately funding local authorities to support their work with businesses would increase the level of activity and capacity of local authorities to deliver.

13.2. Further resources to build the capacity of sector based guilds and trade bodies would also be welcomed.

13.3. Southend-on-Sea Borough Council feels that the above represents a constructive, representative and appropriate response to the 'Building Our Industrial Strategy – Green Paper January 2017'.

13.4. If the Department for Business, Energy and Industrial Strategy requires any further information or wishes to speak to the Council about any of the issues mentioned above, then we would be happy to take part in further discussions.

13.5. For any further information, please contact:

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