

Meeting: Solent Growth Forum
Date: 14th March 2017
Item 4: Discussion on Building Our Industrial Strategy Green Paper and Fixing Our Broken Housing Market White Paper.

Purpose of report

This briefing note provides a high level summary of the Green Paper [Building Our Industrial Strategy](#) and the [Fixing Our Broken Housing Market](#) White Paper to introduce a discussion to inform the Solent LEP responses to each proposed policy document.

1. Introduction

This briefing note provides a high level summary of the Green Paper Building Our Industrial Strategy, which was published by the Department for Business, Energy and Industrial Strategy (BEIS) for consultation on 23rd January 2017 and the White Paper Fixing our Broken Housing Market, which was published by the Department for Communities and Local Government (DCLG) on 7 February 2017.

The Industrial Strategy Green Paper sets out how the government propose to build a "modern industrial strategy" and seeks views on the proposed approach, by the 17th April 2017. The LEP will be responding to this consultation and is convening a series of roundtables and other fora to inform and shape our response to the consultation.

The Housing White Paper sets out how the government intends to boost housing supply and, over the long term, create a more efficient housing market whose outcomes more closely match the needs and aspirations of all households and which supports wider economic prosperity. The government is seeking views on the proposed approach by 2nd May 2017. The LEP will be responding to this consultation also, and is convening a roundtable and other fora to inform and shape our response to the consultation.

2. Building Our Industrial Strategy

The government believe that an industrial strategy must respond to three challenges:

- Build on our strengths and extend **excellence** into the future;
- Close the gap between the UK's most **productive** companies, industries, places and people and the rest; and
- Make the UK one of the most **competitive** places in the world to start or grow a business.

By addressing these three challenges, the government will seek to achieve its objective *"to improve living standards and economic growth by increasing productivity and driving growth across the whole country."*

The underperformance of the UK in terms of productivity, noted in the discussion paper, is mirrored in the Solent economy. The total value of GVA in Solent stood at £27.8 billion, accounting for just under 12% of regional output. Average productivity in the Solent stood at £45,645 in 2015, this was 8.4% below the regional average and just under half a percent behind the UK average. There are a range of factors that influence this performance, including inadequate transport infrastructure, insufficient levels of higher level and technical skills, and the sectoral profile of the industrial base, amongst others. In response the LEP has prioritised investment in our economic infrastructure; developing the skills that our economy needs to succeed; ensuring that ideas and knowledge are at the forefront of our approach, supporting our businesses to innovate, export and grow; and building on our sectoral strengths and recognise our comparative advantage. Further detail is set out in the [Solent Productivity and Growth Strategy Update 2017](#).

The government see their approach to an industrial strategy as being different from past approaches, in that a *modern industrial strategy* should seek to create the right conditions for new and growing enterprises to thrive, rather than protecting the position on incumbent or traditional industries. This recognises the unfolding technological revolution that is disrupting existing and creating new markets and that the rate and profound impact of this revolution necessitates an approach that provides the conditions for the nurturing of new, rather than the sustaining of traditional, industries. Locally, the Solent LEP has commissioned work to identify those sectoral and technological strengths where the Solent has a competitive and comparative advantage. Sectoral excellence exists in relation to marine and maritime, defence, aerospace, photonics, aspects of life sciences, CleanTec, whilst we have technological strengths in autonomous systems, advanced materials, intelligent infrastructure, and web science.

The focus of the proposed industrial strategy also looks at providing the conditions and institutions to enable every "place" to meet its potential and this includes supporting economic growth in all areas, and there is an emphasis on ensuring that this is not just *'for prosperous places such as London and the South East'*. For an area such as the Solent that underperforms on a number of economic measures, most notably productivity, it is important that the strategy does recognise that not all areas in the South east are prosperous and that work will be required to address the barriers to economic growth and prosperity that we see in our area. Too frequently, the Solent is assumed to be atypical of the wider south east, yet our economic profile is more akin to that of a northern conurbation, and the scale of the challenges that these pose would benefit from a place-based approach that tailors response to the local situation. Indeed, even within the Solent there is disparity. The [UK Competitiveness index 2016](#) ranks Solent as the second least competitive LEP area in the south east of England, and within the Solent Gosport is ranked 208th (out of 379 Local Authority areas), whereas the Isle of Wight is ranked 339th.

The industrial strategy is proposed to be built on ten pillars, which the government believe important to drive forward the industrial strategy. These are summarised in Annex 1.

In broad terms there are also three key challenges that the strategy will seek to address as the UK looks to make decision about their long terms economic future. They are as follows:

- a. To **build on our strengths and extend excellence** into the future; and
- b. To ensure that **every place meets its potential** by working to close the gap between our best performing companies, industries, places and people and those which are less **productive**;

and

- c. To make the UK one of the **most competitive places in the world** to start or to grow a business

At the SGF meeting, the LEP Executive will share feedback from roundtable meetings it has been convening with business to inform its response to the Industrial Strategy Green Paper and will seek the views of the SGF on this feedback.

3. Fixing our Broken Housing Market

The Government has published a new White Paper that seeks to address three key challenges that are identified as:

- a. **Over 40 per cent of local planning authorities do not have a plan that meets the projected growth in households in their area.** The government acknowledge that there are many reasons for this, but they contend that one of the most significant is the way local decision-makers respond to public attitudes about new housing; and
- b. **The pace of development is too slow.** This Government's reforms have led to a large increase in the number of homes being given planning permission. But there is a large gap between permissions granted and new homes built. More than a third of new homes that were granted planning permission between 2010/11 and 2015/16 have yet to be built; and
- c. **The very structure of the housing market makes it harder to increase supply.** The government advise that housing associations have been doing well – they're behind around a third of all new housing completed over the past five years – but the commercial developers still dominate the market.

The White Paper proposes an approach to house building based on the following:

- **There is a need to plan for the right homes in the right places.** This is critical to the success of our modern industrial strategy. Growing businesses need a skilled workforce living nearby, and employees should be able to move easily to where jobs are without being forced into long commutes.
- **There is a need to build homes faster.** We will invest in making the planning system more open and accessible, and tackle unnecessary delays
- **They will diversify the housing market,** opening it up to smaller builders and those who embrace innovative and efficient methods.

They key elements of the White Paper are summarised in Annex 2.

Solent LEP have identified the need to bring forward new housing and as such have prioritised infrastructure funding to support key housing schemes as North Whiteley and Welborne. In both instances these developments have encountered delay and the pace of development is slow.

In the Solent area the market is challenging when viewed from the perspective of new supply, availability and affordability. There is a serious and chronic shortage of housing and steps are being taken to address this with delivery of new housing featuring very prominently in the Solent SEP. Notwithstanding this we need to do more as it is affecting productivity and restricting labour market flexibility, with many businesses simply unable to fill vacancies and many areas of the health and social sector reporting skills shortages as they struggle to recruit key workers.

A recent report published by Savills shows that economic growth in the Solent area will place further pressure on an already undersupplied housing market. According to the current Strategic Housing Market Assessments (SHMAs) for the local authorities along the M27 corridor, at least 4,000 additional homes are required per year. The following diagram shows affordability ratios in our area.

Average house prices, affordability and supply in the M27 corridor



Source: HM Land Registry, DCLG, local authority SHMAs, DCLG

Whilst the supply of new homes increased over the last five years, reaching 3,060 in the year to March 2016, it was still short of need by 940 homes. The low level of supply has contributed to an increase in house prices. Over the year to September 2016, house prices have grown between 8.0% and 10.7% across all six local authorities, above the national average of 7.1%.

At the SGF meeting, the LEP Executive will share feedback from roundtable meetings it has been convening with business to inform its response to the Housing White Paper and will seek the views of the SGF on this feedback.