



Response to the Industrial Strategy Green Paper

April 2017



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Cover photo: The first offshore wind turbine blade from the Siemens factory at Green Port Hull is lifted into place to form an art installation for the first season of Hull UK City of Culture 2017. *Copyright Blade by Nayan Kulkarni. Tom Arran/Hull 2017.*

Foreword

This response is a statement of our commitment to deliver the Industrial Strategy in the Humber, and an invitation to Government to help us do it faster.

The Humber is a distinctive place that plays a vital role for UK Plc. From the largest ports to the fastest broadband, the UK City of Culture to Europe's Food Town. At the centre of the world's largest offshore wind market, the gateway to Europe and a hub for world-class R&D. We keep the lights on and Britain moving.

In the past we have not experienced our share of the national prosperity that our region has helped to underpin. High unemployment, low wages, low skills and a shortage of opportunities contributed to many of our communities feeling left behind. The deteriorating fabric of our city and town centres reflected a feeling of decline.

But the Humber is now on an upward trajectory. We have made significant progress in improving our skills and employment levels. The major investments we have helped the offshore wind industry to deliver on the Energy Estuary and the award of UK City of Culture to Hull have contributed to a renewed feeling of optimism about the future. Businesses are capitalising on the new opportunities, we have begun transforming our city and town centres into more attractive places that can help to sustain growth, and our residents are starting to feel the benefits.

There is much to be positive about, but still much to do for the Humber to close the gap. Low productivity, skills shortages and instances of inadequate infrastructure must all be faced up to, along with the uncertainty and opportunities brought by Brexit.

Businesses, councils and education providers in the Humber are determined to continue working closely together to drive the transformation of our region, building on the progress we have already made together.

Our request through this response is for Government to continue to work in partnership with us on this journey. We set out some recommendations in this document for how the Industrial Strategy could help us achieve our vision.

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Chair
Humber LEP

Councillor Stephen Brady
Leader
Hull City Council

Councillor Stephen Parnaby OBE
Leader
East Riding of Yorkshire Council

Councillor Ray Oxby
Leader
North East Lincolnshire Council

Councillor Rob Waltham
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Executive summary

The Humber has made remarkable progress over recent years:

- The region's growth as the UK's Energy Estuary has seen major new investments from companies like Siemens and DONG join established energy sector firms, creating new jobs and supply chain opportunities as well as a new sense of purpose.
- Blue chip multinationals have chosen to make substantial investments in their operations here, expanding their focus on high value research and development.
- After a period of uncertainty, our traditional industries are on a more secure footing.
- We have begun to transform our city centre and main town centres, with improved public realm and new leisure opportunities helping to attract businesses and people.
- We have driven improvements to our skills levels, supported by new training facilities which meet the needs of our local economy, and our unemployment rate is falling.
- We have delivered some major improvements to our transport, flood defence and digital infrastructure, with more scheduled to start over the coming years.
- The physical and economic transformation of our region is being supported by a change in our image, driven by Hull UK City of Culture.

And yet we still have much further to go:

- Some of our infrastructure remains inadequate to support further growth, and our connectivity with other major centres in the North requires improvement.
- Pockets of deprivation and worklessness persist in some of our communities.
- Low productivity and skills shortages affect some major sectors, posing a risk for the future.
- With the UK's largest ports complex at the centre of our region and sectors like food processing dependent on migrant labour, the uncertainty caused by Brexit is a major issue for our economy.

We want to ensure that as many of our residents as possible can benefit from economic growth, but for growth to be inclusive issues such as health, skills, digital and social mobility must be addressed.

This joint response from the Humber LEP and Humber local authorities to the Government's industrial strategy Green Paper has been produced following widespread consultation with Humber businesses and stakeholders. Around 120 businesses have contributed directly, and more through their membership organisations.

It sets out our ideas and opportunities for how the industrial strategy could best work for our region. Above all, it restates the commitment of the Humber's businesses, councils and education providers to continue working together to drive the growth of our economy – and proposes how the Government could continue to back us through the industrial strategy and work across the North.

Our proposals cover:

- How the Government could work with us to develop our innovation capabilities to support the growth of the UK energy sector and local SMEs.
- How our innovative approach to improving our skills levels could be boosted to go further.

- How our infrastructure issues could be better resolved to enable our future growth, including how more private investment could be leveraged.
- How addressing certain barriers would accelerate business growth, and why a more tailored approach is required for an area like ours.
- How revising the UK's approach to procurement in light of Brexit could improve efficiency, increase local benefit and support medium-sized businesses to scale up.
- How the UK's approach to trade and investment could work better for areas like ours and support us to capture the benefits of new opportunities in our key sectors.
- How the Government could build on its approach to energy policy to drive the further industrialisation of renewable energy sectors in collaboration with areas like the Humber.
- How our priority sectors could be supported to build on their success.
- How our work in driving the growth of our place could be supported to go further, and how some of our innovative approaches could be rolled out elsewhere.
- How some of our key institutions have worked effectively and could be strengthened to deliver greater benefits.

The Humber has come a long way and has a lot more to offer. We look forward to working with Government to deliver the industrial strategy in our region.



1. Introduction

About the Humber

Centrally located on the east coast of the UK, the Humber has the UK's largest ports complex, is directly linked to a quarter of the UK's energy generation and supports a petrochemicals/chemicals sector worth £6bn per year. Major investments from multinational companies are supporting the Humber Energy Estuary's growth as the UK centre for offshore wind, whilst developing world-class R&D facilities in pharmaceuticals and healthcare.

The Humber is home to Hull: UK City of Culture 2017, industrial towns like Grimsby, Scunthorpe and Goole, market towns like Beverley and Driffield, and coastal resorts like Bridlington and Cleethorpes, with 925,000 residents and 35,000 businesses.

The Humber's strategy

The Humber Strategic Economic Plan (SEP) 2014-2020 has at its core the following ambition:

The ambition is to maximise the potential offered by the Humber Estuary, leading the Humber to become a renowned national and international centre for renewable energy and an area whose economy is resilient and competitive. We will continue to develop our strengths in key sectors, supporting our businesses to grow and helping our residents to access the opportunities they need to lead prosperous and rewarding lives.

The priorities in the SEP are:

Sectors	Strategic enablers
<ul style="list-style-type: none">• The Energy Estuary• Other strategically important sectors:<ul style="list-style-type: none">○ Ports and logistics○ Chemicals○ Engineering and manufacturing○ Creative and digital○ Food○ Visitor economy	<ul style="list-style-type: none">• Infrastructure, including transport, broadband and development sites• Business support, including finance, innovation, premises and advice• Housing and place, including Hull UK City of Culture 2017• Employment and skills• Flood risk and environmental management

The SEP was produced after broad public consultation and engagement with stakeholders. The SEP is overseen by the LEP, but it is the Humber's plan and the objectives are delivered by a large number of organisations.

The full document can be downloaded from the LEP's website.¹

The LEP reviewed the progress made to date in delivering the SEP during 2016 and will be refreshing the Humber strategy during 2017.

¹ <http://www.humberlep.org/strategies-and-deals/the-humber-strategic-economic-plan/>

About this response

This response is submitted jointly by the Humber Local Enterprise Partnership (LEP) and its four constituent local authorities (Kingston upon Hull City Council, East Riding of Yorkshire Council, North Lincolnshire Council and North East Lincolnshire Council). It was developed through broad engagement with the Humber business community and stakeholders.

In total around 120 individual businesses were directly engaged in developing this response through a mixture of 1:1 meetings, group meetings and qualitative survey responses. Three business membership organisations (the Federation of Small Businesses, For Entrepreneurs Only and Humber Chemical Focus) also provided us with input on behalf of their members. The University of Hull provided the LEP with direct input, while colleges, intermediaries and other training providers provided input through a Skills Network workshop.

Contact information

To discuss this response, please contact in the first instance:

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2. Principles of the Green Paper

Key points

- We welcome the publication of the Green Paper and the opportunity to inform the development of the Industrial Strategy.
- The Humber should be exactly the kind of place the Industrial Strategy seeks to support: away from London, with a city and towns that have in the past seen few of the benefits of national growth and prosperity, contributing to a feeling of being “left behind” – but with substantial economic potential, a clear vision for the future and strong public/private leadership which is delivering results.

Responses to consultation questions

1. Does this document identify 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?

We support the identified areas of focus, which are inter-related. In particular we welcome the focus on *place*, and want to see the Government continue to build on the progress it has made in devolving the powers and resources required to drive growth to local areas. Local leadership will be essential for developing a more equal country in which all local areas benefit from improved living standards and economic prosperity, but in order to extend local strengths and make local places more competitive, local leaders must have more of the levers of growth which have previously been pulled from Whitehall.

The Humber is an illustration of how local elected and business leaders can come together to drive a clear vision to transform their local area. The growth we are seeing around the Energy Estuary could not have been directed from a Government department – but nor could it have happened without the Government backing our plans and supporting us to do what is required. That is the kind of productive relationship we want to continue to see as we play our part in delivering the Industrial Strategy.

2. Are the ten pillars suggested the right ones to tackle low productivity and unbalanced growth? If not, which areas are missing?

The pillars are the right ones, and are of course inter-dependent. We comment on each one individually in this response, but overall we believe the following could have been given greater emphasis:

a) Linkages between areas

The Humber has embraced the Northern Powerhouse concept as a means to collaborating across the North. Notwithstanding the Northern Powerhouse Strategy which has been published separately, we would like to see greater emphasis in the Industrial Strategy on how all parts of the North can work together with Government to achieve improved connectivity, labour market mobility and a greater share of investment.

b) Overarching principles of devolving resources

The Humber has shown how it can use devolved resources to deliver priority projects and leverage substantial private sector investment. With LGF fully allocated and ESIF coming to an end, the Industrial Strategy could establish an important principle that there will be specific funding allocated to local areas for local decision-making across multiple themes, including transport, housing, skills and innovation. The

Government should also commit to working with local areas to co-design the future funding environment post-Brexit.

c) Quality of place

Humber local authorities are using their own and devolved funding to upgrade city and town centres and bring forward housing developments. We know from our work with inward investors and local businesses that this is a crucial part of having a competitive offer when it comes to attracting investment and trying to recruit workers. We would therefore like to see greater recognition in the Industrial Strategy of the importance of city and town centre regeneration, and of the links with housing policy and the role local leaders can play in unlocking developments. This should include interventions that deliver multiple outcomes, for example green infrastructure that improves the setting for investment and reduces the risk of flooding to homes and businesses.

3. 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?

a) Central Government institutions

We detail on page 66 how we have productive relationships with some central Government institutions, who we have worked with to ensure that they have a better understanding of the potential of the Humber and our vision for achieving it. However this is not true of every central Government institution. In our experience the issues have been from a lack of understanding of local places outside London; a failure to accept that all central Government institutions should have a growth role; and an unwillingness to work collaboratively with local institutions. To be effective, the Industrial Strategy must be a whole-of-Government strategy that does not fall in to silos, but also one where genuine partnership with local areas runs throughout. The Prime Minister and the Business Secretary should continue to champion this cause.

b) Local institutions

The Green Paper rightly recognises that consistency and patience in both industrial policy and the institutions charged with delivering it are key lessons from other countries' experiences.

We provide examples throughout this response of the progress that our local institutions have made in driving growth over recent years, and set out from page 63 how they could be strengthened and supplemented to enable us to make further progress.

4. Are there important lessons we can learn from the industrial policies of other countries which are not reflected in these ten pillars?

Whilst covered to some extent in several of the pillars, we would like to see the Industrial Strategy deliver greater UK economic benefit from UK infrastructure investment – whether in transport or energy generation. As we describe later in this response, there are particular opportunities to gain benefits from using British steel and driving the development of clean energy technologies. Some European countries have well-established policies on this, but the UK may find that Brexit allows it to go further on this than it has in the past.



3. Investing in science, research & innovation

Science, research and innovation in the Humber

- The Humber has strong, and growing, research and innovation credentials. Recent world-class private sector investments include RB, Indivior, Smith & Nephew, Croda, BP, Cristal, Novartis, Ideal Standard and Rofin Sinar. The University of Hull has an annual economic impact of almost £1bn to the economy and supports 8,000 jobs. It has a leading reputation in flood and climate change, logistics and supply chains (including the North's only Logistics Institute), High Performance Computing and gaming/visualisation, contemporary slavery and ethical business through its Wilberforce Institute and, as principal partner in Hull UK City of Culture, in creative and cultural endeavours. It is investing more than £200m in new facilities.
- The Humber now has an opportunity to capitalise on the major offshore wind investments taking place within, and in close proximity off the coast of, the region to support the industrialisation of the sector through research and innovation. Project Aura is being developed in response to this (see below).
- We are participating in two Science & Innovation Audits, covering offshore wind and the bio-economy and joining up with other LEPs on future waves including for chemicals and process.
- The Humber is also collaborating with neighbouring LEP areas on innovation on energy storage technologies using hydrogen and biorenewables and chemicals. The Humber has a competitive advantage for these and other commercialisation of research projects due to feedstock and energy availability.
- Stimulated by their joint activity on several Science and Innovation Audits, the 11 Northern LEPs have formed a joint Innovation Group to drive further collaboration. It has built closer relationships with organisations such as Innovate UK, BEIS and N8, and now plans to develop a Northern Innovation Strategy.
- Cluster study allow us to identify pathways to decarb, likely involve sig innovatiion

Project Aura

The University of Hull is working with industry to develop proposals for a world-leading offshore wind talent and innovation hub under the banner of Project Aura. The hub aims to identify and break down technical, operational and economic barriers to reduce the total cost of offshore wind energy throughout the supply chain. It will do this through engagement with industry, academia and research institutions on three strands:

- Industry Engagement and Enterprise
- Talent Pipeline
- Research, Development and Innovation

The Humber LEP and local authorities believe that Project Aura has the potential to make an important contribution to delivering the Industrial Strategy by focussing on an area of national opportunity that also has local benefit. We are seeking to work with BEIS, Innovate UK and industry to contribute to the development of Project Aura and ensure it can realise its potential.

Our response to the Green Paper

Key points

- The UK must continue to build on its reputation for world-class science, research and innovation in a global marketplace. However, more could be done to ensure research and innovation activity meets the needs of local economies, including their sector strengths. Providing for local influence over a proportion of research funding, building on the Humber's experience of funding PhDs with industry (see box), would be one simple way of addressing this.

Visiting appointments and PhD placements

Aligned to Project Aura, The University of Hull have undertaken an initiative to engage experts in the offshore industry and specific technical subjects to develop innovation capability locally, enhancing the University's ability to accelerate local industry and presenting a leading position to the wider research community.

The visiting appointments are secondments from industry, Government departments and other universities and research organisations. They will be focused on developing:

- High level strategic advice on developing particular areas of interest within the offshore wind industry and providing access to senior people within the industry.
- Transfer of knowledge or specific expertise, where the University does not currently have the capability. These placements will add to the capacity of the University and will help to further the development of Project Aura.
- Strategic links with partner organisations

The term of the appointments will be typically 18 months on either a part time or full time basis.

Enhanced PhD placements are seconded to companies undertaking industrially focused work to exploit potential new products and services. The University can attract the best postgraduate students by offering them opportunities to engage with businesses on industry priorities. Projects will typically be for three years in duration and have a strict focus on applying the PhD within an industry context through links to identified industry leaders and local SMEs.

The initiative is part funded by the University, the Green Port Growth Programme and industry.

- In some cases, new facilities and capacity may be required to support sectors to develop, maintain their competitiveness and drive productivity gains. One such example is Project Aura (see box above).
- The regional disparity in public sector R&D investment has a wider economic impact, leading to the under-exploitation of regional economic assets and out-migration of talent. The Government's recognition of this issue is welcome and we look forward to progress being made.
- More emphasis could be given to the innovation that happens in businesses and how this could be supported and rewarded. More could be done to support SME innovation, particularly following the end of ESIF, and link this to the UK's research base. SMEs have said to us that a network for bringing together innovative SMEs to provide business-to-business support would add value.

Innovation and entrepreneurialism in business

As part of our consultation on the Green Paper, the Humber LEP organised a workshop with a group of innovative businesses.

Participants felt that the Government's assessment of the main innovation challenges facing the UK (lack of success in commercialising research, low levels of investment in R&D, regional disparity in R&D investment)



was accurate and resonated with their experience. They noted that the regional disparity in public sector R&D investment had a wider economic impact, and welcomed initiatives which they saw as identifying and supporting innovation within businesses, such as prize funds, challenge funds, support for commercialisation and Science and Innovation Audits.

However, participants were critical of the approach taken by the strategy and the underlying assumptions reflected in the suggested interventions. Specifically, participants noted that:

- Government appeared to equate innovation with university-led R&D. This did not reflect the role of the private sector in driving innovation (the example of Silicon Valley was cited).
- The proposed interventions reflected “old thinking” around ways of doing innovation, based around academic cycles, university based research and IP protection.
- The interventions proposed by the Green Paper were based on established systems and previous support schemes and were not felt to be new or innovative. The proposal to relocate Intellectual Property Office representatives to the regions was seen as symptomatic of this approach. The IP regime was seen as an incumbent system which did not reflect the way that competitive advantage was maintained by genuinely innovative companies (i.e. by rapid development, deployment and iteration rather than formal patents or IP protection).

Participants suggested the Government needed to adopt more disruptive and entrepreneurial ways of thinking in order to stimulate advances in R&D, science and innovation, for example:

- Recognising the importance of consumers and markets as important drivers of innovation.
- Interventions that support and reward entrepreneurship – creating a bigger pool of disruptive entrepreneurs.
- Focusing on creating value, not jobs. Creating value will lead to job creation in the longer term.
- Developing a clear vision for the UK with defined measures of success.

Responses to consultation questions

5. What should be the priority areas for science, research and innovation investment?

a) Supporting local strengths and opportunities

The number of innovative international businesses in the Humber illustrates the range of activity carried out in the private sector, often without assistance. It also shows that local areas which may not have previously had a reputation for innovative activity may have hidden strengths. Supporting local strengths and opportunities can help to drive UK excellence by improving commercial collaboration and addressing areas which may otherwise have been missed, whilst reinforcing local economic growth.

b) Driving productivity improvements

Innovation can lead to productivity improvements in all aspects of business, from logistics to human resources. Continued emphasis on this will help to deliver improvements in productivity across the economy.

c) Early stage research

Supporting early stage research which the private sector would not fund must remain a priority to build up capability.

d) Areas linked to the Industrial Strategy

Investment in science, research and innovation can underpin several areas of the industrial strategy; for example, in developing clean energy technology, supporting the growth of key sectors, and driving growth in every part of the country. In the Humber's case, there are opportunities linked to energy generation (see box on Project Aura) and storage, automation such as in the food processing sector to address labour shortages post-Brexit, manufacturing/engineering, and life sciences/pharmaceuticals/healthcare.

6. Which challenge areas should the Industrial Strategy Challenge Fund focus on to drive maximum economic impact?

There are two areas we would highlight:

First, **clean energy technologies** – and particularly **offshore wind**. The UK has the largest offshore wind market in the world but with most of the manufacturing capacity supplying it based overseas it needs to work to ensure that future generations of technology are developed and manufactured here, and to ensure that the UK is the place to help the industry to address its challenges. The UK has the potential to support the industrialisation of the sector and turn it into an exporting business, but a focus on innovation (amongst other things) will be essential for driving this.

With the industry investments that have taken place around the Humber, and its proximity to the UK market, the region is ideally placed to play a role in the next phase of development for the sector, which will include low carbon energy storage and next generation transmission technologies. One way of achieving this would be through Project Aura (see box above).

Second, **adaptation to climate change**. The Humber, with the second highest risk of tidal flooding in the country, has much to gain from this but it is a national and international challenge which affects every sector and household. There is an economic necessity to act, but also an economic opportunity. We have already seen examples of innovative products developed by Humber SMEs (such as household protection measures) and the University of Hull has substantial expertise in coastal and estuarine studies, but doing more to drive research and innovation in this field would unlock further economic potential. The University of Hull and Humberside Fire & Rescue Service have advanced plans to build in the region a first National Centre for Flood Resilience to act as the catalyst for this.

We would also support the inclusion (as indicated) of healthcare/medicine; manufacturing processes and materials of the future; bioscience and biotechnology; and transformative digital technologies, given their relevance to our sector strengths, research/innovation strengths and growth opportunities. These locally-based capabilities can be global winners.

More generally, we note that the proposed Industrial Strategy Challenge Fund priority sectors do not fully align with the selected Science & Innovation Audits. This may result in opportunities being missed.

7. What else can the UK do to create an environment that supports the commercialisation of ideas?

National policies, programmes and incentives have an important role to play, and it is important that there is collaboration across LEP areas and that Catapults build up links with relevant local areas.

However, greater emphasis should also be given to place – ensuring that people with ideas do not have to move or travel far to commercialise them. This could include ensuring appropriate capital assets, such as incubators, equipment and testing facilities, are available across the country and easy to find, as well as improving access to finance and advice on areas such as intellectual property through Growth Hubs. Without this, disadvantaged areas will be less likely to benefit from the ideas generated in them.



SMEs have said to us that building networks of innovative companies to provide mutual support and encouragement would have a positive impact on their ability to innovate.

8. How can we best support the next generation of research leaders and entrepreneurs?

Links to industry (and therefore local economic strengths) are as important for linking research to practical applications and commercial opportunities, as they are for linking businesses to research expertise. Organisations such as For Entrepreneurs Only (see page 41), which is hosted at the University of Hull, enable potential entrepreneurs to learn from others.

Leadership skills are essential across all sectors, so there should be a continuing focus on leadership and management training.

9. How can we best support research and innovation strengths in local areas?

a) Influence over research funding

We would welcome a closer working relationship with Government, such as through UK Research and Innovation, to ensure existing research and innovation strengths in our area are supported and new ones which meet the needs of the local economy are developed.

We would support the rebalancing of research funding, which the Green Paper notes is currently heavily skewed towards Oxford, Cambridge and London. It should be for local areas to identify their strengths – and we are participating in two Science and Innovation Audits to support this – but to avoid reinforcing the current disparities consideration should also be given to local *opportunities*, such as those arising from the development of a new sector. Whilst local universities may not necessarily have a track record in the sector, they may have complementary expertise and through collaboration with other institutions could build up expertise located in the place where the sector needs it.

The Humber is piloting the funding of PhDs linked to the energy sector through the Green Port Growth Programme as a way of encouraging researchers in the fields required by the local economy (see box above). This is an approach that could be extended by allocating a proportion of research funding to local areas, with prioritisation through LEPs. A similar approach could also be taken with MBAs.

b) Investment in nationally and regionally important institutions and facilities

Anchor facilities can help to drive innovation activity which meets local economic needs as well as addresses national priorities. One such facility for the Humber would be Project Aura (see box), which is being developed to meet the needs of the offshore wind sector. Building further on the University of Hull's role as an anchor institution in the local economy, specifically its research and engagement capability with local industry, would aid regional competitiveness.

Innovation space, including incubators and facilities such as “fab labs”, can also help to drive commercialisation and support SMEs to capitalise on innovative ideas by providing access to facilities which they could not otherwise afford. One such ‘fab lab’, focused on robotics, will be completed this summer at the University of Hull. Through its Growth Deal programme the LEP is supporting ERGO, an innovation centre (also involving the University) at the heart of a new high quality business park next to the Humber Bridge. The LEP is exploring opportunities for other local facilities under ERDF. ERDF has traditionally been an important source of funding for regional innovation facilities, so for this kind of investment to take place in the future it is essential that similar funding remains available after the end of the ESIF programme.

Some major towns, such as Scunthorpe and Grimsby, lack a university presence but have identified that they would benefit from one. Support could be given to towns such as these to help attract a university presence and build links with universities.

c) Support for SME innovation

More could be done to support SME access to the higher education research base and experts who can help SMEs with the innovation process. Manufacturers in our area were disappointed by the closure of the Manufacturing Advisory Service, and although there is now some provision in place through ERDF a longer-term solution is required. Growth Hubs could collaborate with a national network of universities, Catapults and Innovate UK to act as a first independent local point of contact for SMEs.

Humber SMEs will shortly be able to benefit from ERDF-funded innovation support, including a voucher programme managed by the University of Hull. Simple support mechanisms such as these provide practical help and can stimulate first contact with universities and the research base, potentially leading to longer term relationships. Again, it is important that there is a successor to ERDF which enables such activities to be funded in the future – particularly in areas with lower productivity and R&D spend, and fewer patents registered.

Businesses in some sectors, such as food processing, have identified to us that the labour shortages they expect to occur after Brexit (and in some cases are already experiencing) may lead them to seek productivity improvements through automation. Depending on the sector, they may be able to access support for capital investment through our programmes, but there may also be a need for up-skilling to learn the skills required for more automated production lines.

Business-to-business innovation networks would help SMEs to innovate by sharing expertise and providing mutual support.

LEPs and their partners, including Growth Hubs, would also benefit from better access to information held by Government on innovation taking place in their areas, in order to shape the local support environment.

d) Support for skills

The availability of skills, particularly higher-level skills that are required to drive productivity improvements, is essential for enabling businesses to capitalise on research and innovation activity. The apprenticeship levy could be used flexibly to increase the opportunities for higher level apprenticeships that meet industry's requirements.

Some companies have said to us that they have struggled to implement change within their own organisations due to poor technical skills and poor adaptability within the workforce. They argue that the skills system needs to do more to prepare the workforce to operate in a rapidly changing environment, as well as ensuring that potential employees have the right technical competencies.

It is calculated that 65% of those currently in school will have jobs that do not yet exist. It is important, therefore, that consideration is given to creating a skills system that provides the flexibility, adaptability and creativity required to meet future needs as well as current demands. New careers are likely to involve increased use of mechatronics, robotics and automation. This will require very different skills sets to those that are prevalent today.



4. Developing skills

Skills in the Humber

- The Humber has historically lagged behind on national skills indicators but is making good progress. The Humber LEP has invested considerable focus on the development of an ambitious Employment and Skills Strategy² which has engaged an innovative, proactive and experienced network of stakeholders (over 350 in our Skills Network) to implement the appropriate interventions required.
- Through the Hull & Humber City Deal and Growth Deals, skills providers have been supported to upgrade their facilities and create new ones that meet the needs of the local economy.
- Our partnership work in the development of a Humber wide careers portal has improved access to information on education and training provision, labour market intelligence and careers advice.
- We have facilitated the development of the Humber Energy Campus, a virtual campus including all major providers of energy related courses that works in collaboration to support inward investment and develop curriculum.
- We have designed and implemented the Humber Gold Standard for the provision of high quality careers information, advice and guidance.
- We have created several innovative employment and skills pilots. Each is designed to influence policy by using existing and new resources to improve outputs. These include work in Justice, Fuller Working Lives, Health and NEETs provision. Each has the ability to be scaled up to regional and national level.
- We have led on the investment of £1m European Structure Investment Funds in the Humber Apprenticeship Brokerage Service, a new impartial service for SMEs that offers advice, training needs analysis and support to grow the numbers of apprenticeships at all levels in the Humber. This builds on the legacy of a successful pilot that resulted in an additional 157 new job roles and 26 graduate internships from a £146,000 investment delivered over 14 months.
- A further £6m ESIF investment has been launched for the new Skills Support for the Workforce Programme, that delivers SME training to drive productivity and growth.
- We have developed the Humber LEP Employability Passport Framework that will provide a LEP quality kite mark to assist employers in their considerations of potential employees. The Framework recognises those transferable skills which employers constantly tell us are so important when appointing their workforce.
- A successful School of Chemical Engineering was created at the University of Hull with the Humber's £6billion chemicals and process industry and a new School of Civil Engineering will follow this September, again driven by strong employer engagement.

Our response to the Green Paper

Key points

- Whilst we have excellent engagement with some schools, consistency remains an issue because of differing educational priorities. There is a perception with employers that some schools have

² <http://www.humberlep.org/skills/employment-and-skills-strategy/>

become ‘exam factories’ which are not preparing young people for their working lives. Greater emphasis by the Government and Ofsted on schools engaging with the local economy would help to address this and ensure school-leavers are better prepared for the jobs in their communities. We would welcome greater engagement between LEPs and the Department for Education.

- The LEP enjoys productive and effective relationships with education and training provider and the University of Hull who work collaboratively to design and deliver employment and skills pilots and projects.
- Good and productive relationships exist between the LEP and the Education and Skills Funding Agency, the Department for Work and Pensions, the National Apprenticeship Service and the Department for Business, Energy and Industrial Strategy.
- There is a need for improved Careers Education, Information, Advice and Guidance (CEIAG) linked with labour market intelligence to enable residents to make informed choices in terms of study, training or career pathways. Some regions, such as the Humber, have already developed significant approaches to CEIAG and apprenticeship support.
- Lifelong learning needs a cultural change to encourage and enable residents to maximise their personal skills and opportunities.
- Local knowledge and experience are required to deal with local skills issues. The role of LEPs in bringing together employers and schools, education and training providers is essential.
- Basic skills can be improved by making them relevant to everyday life and the world of work.
- The apprenticeship reform and the way information has been published sporadically has not helped with the general understanding of how the changes affect individuals and employers.

Responses to consultation questions

10. 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?

These basic foundations are essential in helping people progress to meaningful study and future careers. Basic skills can be improved by making them relevant to everyday life and the world of work. It is critical to ensure that assessments of need enable the most appropriate solution to be developed and delivered. It is important that individual learning/study styles and preferences are fully understood to enable full participation, thus ensuring that all those with a need to improve basic skills can participate. It is also important to recognise specific learning needs when designing programmes.

Barriers to progression start with ensuring residents can access and achieve level two qualifications, good literacy and numeracy skills and appropriate qualifications in these subjects are a vital part of progression pathways to higher level studies. GCSEs in these subjects may not always be the answer. The teaching of how to pass exams does not help young people learn, the subject matter needs to be stimulating and in context with the local economy. GCSE resits can turn people off further study; there is a plethora of alternative basic skills qualifications that have been developed to engage using a range of vocational tools which have evidenced good results. These can be delivered using a business style format which picks up the working life element.

Schools appear to have become ‘exam factories’ which do not fully prepare young people for their working lives, nor help them understand why employability skills are vital when employers tell us these are just as important as qualifications.



The new 'transition year' can be more successful by raising aspirations and expectations prior to the start of the year, by delivering creative and engaging activities. More needs to be done to ensure that young people pre-16 are given every opportunity to get a sound foundation in basic skills. Work experience is an important means of developing basic skills, a comprehensive offer of meaningful work experience opportunities needs to be made available to all young people.

There is a need for contextualised delivery of education and training within appropriate sector based curriculum. This would help drive career aspirations and assist in helping individuals to firm up their individual choice of pathway routes into further and higher technical education.

11. 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?

There was broad agreement with the different elements of the vision for the new technical education system. However it was identified that tourism and the visitor economy could be added to the strategy response to reflect the local economy. There is an opportunity to rebalance the economy with a more appropriate technical education approach, providing an alternative choice to the academic route with greater parity. This should assist in a change of perceived value of technical education in comparison to academic routes.

The challenge will be to ensure the deliverers of education and training understand and receive appropriate training to help prepare for these changes. This may result in a time-lag and reduced impact unless government responds rapidly.

A relevant experience of industry and commerce is vital to those involved in teaching, this should be significant and for a minimum time period which will also help teachers understand the world of work and the economic growth needs. This can be delivered by linking the corporate social responsibility of employers to support those in the education sector providing opportunities for placements and industrial experiences. The apprenticeship levy provides a potential resource to support this.

Whilst the work of the Careers and Enterprise Company is welcomed more emphasis on local business working in partnership with schools and education and training providers will improve the way curriculum is developed and delivered to meet the technical disciplines expected in employment. In the Humber we are working hard to forge greater relationships between these key stakeholders using pilots such as the Employability Passport Framework which will provide a LEP 'kite mark' for employers to recognise high quality and transferable employability skills in potential employees.

Experiences from Germany, Holland, Sweden, Norway, Denmark and Japan were cited by those we consulted as having strong models of successful technical education processes. There is opportunity to use these role models to mentor education leads to prepare for and deliver the necessary changes.

Work ethics, employability and personal resilience need to be included within the school curriculum from an early age so this becomes the core on which additional and higher level skills are built.

GCSEs can become more relevant if taught using contextual vocational skills, e.g. delivering maths through an industrial prism such as construction to gauge volumes is more relevant than counting apples and pears. Colleges and training providers can play their part here, delivering functional skills, which many employers want, as a part of an existing vocational qualification.

There is some confusion over the value of qualifications in comparison to skills. This needs more work as those residents who choose an alternative pathway to the formal academic route may be the most successful business leaders of the future. The Government could do more to back existing local support networks for young entrepreneurs. The Humber has some very good case studies here with the work of the Youth Enterprise Bank³, being one example.

The proposals seem to indicate a full-circle change to FE colleges that were once classed as technical education providers before successive governments encouraged reform and widening of responsibilities by use of funding and policy reform. This is both costly and confusing for business. The government needs to make a commitment and stick with this approach without dilution. This could be a cross-party movement in the light of Brexit. The new proposed Institutes of Technology can be reviewed to look at a collaborative model, rather than a new organisation that may duplicate existing provision. There are a number of unfilled places across the provider network and this should be taken into consideration when designing new organisations.

The Industrial Strategy implementation will require increased numbers of instructor/teachers in technical skills, but the salaries and lengths of contract that providers can now offer mean that fewer tutors of a high calibre are attracted from industry. Government could support local campaigns by promoting the benefits of encouraging staff to work part time for employers and providers and incentivising this, such as through sector deals. New collaborations across technical institutes are needed to ensure best use of resources and expertise; LEPs can assist in setting up these partnerships.

Many of the suggested strands focus on young people aged 16 and above, but as the education and training landscape has changed with the development of UTCs, Studio and Free Schools. Whilst the government's Area Based Review process was designed to look at post 16 provision in colleges this does not provide the full picture, and with the development of the landscape there is now over-provision for many areas in regard of 14-16 and 16+ provision. This is expensive and does not encourage collaborative development across partnerships, leading to further confusion from employers, duplications of offer and waste of the public purse. There is further opportunity to look at curriculum needs at 14 years. This would inform young people of the STEM opportunities available and help with the transition to technical skills at higher levels.

The government should recognise that the continued focus on STEM is not appropriate when considering the significant role the wider 'arts' plays in local economies. The Humber is enjoying a new positive recognition via the City of Culture programme and this is benefitting our schools, training providers and business; many of which are the supply chains to events and leisure facilities. The 'arts' element is also a useful enabler in driving creativity in many forms of traditional education provision. Creativity is vital within any job role and fits well with entrepreneurship.

One of the key issues facing schools is the narrow accountability measures arising from the English Baccalaureate (EBacc) and Progress8. Whilst these measures recognise the importance of Maths, Science and computing they also place the value of languages and humanities, (referred to as EBacc subjects) above that of technical qualifications. This impacts negatively on the perception of parents/carers who then believe that these are of less value and thus reduces the number of students who opt for those technical courses. If the Progress8 measure was redesigned to place appropriate technical qualifications in

³ <http://youthenterprise.co.uk/>



'bucket 2' of the measure then the numbers studying technical qualifications at 14-16 and hence at 16+ would naturally increase. A further opportunity would be for LEPs to use their intelligence on skills priorities to decide what qualifications are the most appropriate for the local economy and for these to count in the accountability measures.

These accountability measures are one of the key instruments that are used to classify the success, or otherwise of schools. Thus schools face a conflict between providing education that fits the needs of the individual and the economy as a whole and that which meets the requirements of the accountability measures.

In the Humber we have good and some outstanding provision in a wide range of Science, Technology, Engineering, Arts and Maths (STEAM) related vocational areas. There is good opportunity to develop an Institute of Technology which is directly linked to our sector growth areas. For example an IOT with a renewables theme or broader energy related technical centre. This would provide a technical route into the new jobs being created locally. The Humber LEP facilitates the Humber Energy Campus, a collaborative partnership of all major education and training providers with specialisms in energy related training and education. The Campus provides a central point of contact for investors and works in partnership with Green Port Hull.

There is broad agreement on the various elements, however more needs to be done to understand why so many young people do not achieve GCSE English and Maths and tackle this issue at a much younger age when children are not meeting milestones. Remedial action post 16 is costly and repeated exams turn off students who often then drop out or lose interest in the main programme of study.

It is also essential to recognise skills in enterprise and entrepreneurship in addition to employability as these qualities are essential in any job role and can help drive productivity and creativity. Innovation is at the heart of maximising opportunities both on a personal level but also in business processes and design. Enterprise can form part of a school curriculum from primary stage to build confidence and resilience and a culture of learning. This is equally of importance in lifelong learning as a large majority of people enjoy new experiences.

As the Humber is particularly reliant on current use of European migrants to fill skills gaps it is a suitable place with the right residential numbers and geographic characteristics to develop an employment pilot that can explore what components are necessary in the transition to Brexit. The LEP has established an active 'Recruiter Forum' which has membership as senior HR level from all key sectors; this can be the vehicle to design such a pilot that would focus on skills gaps and suitable interventions.

The government can learn from other countries regarding the stability of funding provision to ensure local skills interventions meet the needs of the economy to tackle skills gaps and drive productivity in key growth sectors. There is great concern regarding the cessation of ESIF and what its replacement might be; early indications of replacement is essential as stop-start investment is costly both in terms of administration and in the development of suitable engaging programmes.

12. How can we make the application process for further education colleges and apprenticeships clearer and simpler, drawing lessons from the higher education sector?

There is need to ensure that residents recognise and are supported through these new developments; the new application processes need to be developed with the end user and clarify how these differ from local arrangements.

Bridging the Gap

The Humber has an innovative careers portal (www.bridgingthegaphumber.co.uk) that has been developed to raise awareness of career pathways and increase access to provision, utilising impartial, effective and current carers education, information, advice and guidance. The portal is designed to be a central point for young people and adults wishing to study in the Humber to access information about training provision. The portal has been designed in collaboration with users to ensure it is fit for purpose; using innovative engagement methods to inspire qualification and career progression. Bridging the Gap currently takes the form of a landing page from which young people, adults and employers are able to choose their local authority area and access information about local provision. This investment is the tool on which to build any local UCAS-type approach, utilising the strength of the local authorities, providers and the LEP to deliver a local service.

Local labour market intelligence is vitally important at particular relevant times in a young person's education, for example when choosing options for GCSEs or A levels, or choosing an apprenticeship route.

The apprenticeship reform and the way information has been published sporadically has not helped with the general understanding of how the changes affect individuals and employers. Local providers, partners and the LEP are working hard to overcome these barriers but this will take some time for all stakeholders to fully understand the impact. Whilst the digital services are welcomed, this will not replace one to one support and guidance, and this is often the requirement of smaller businesses. National support mechanisms such as those on the NAS website are often difficult to find and navigate and have less meaning for young people than local web services that use local employer case studies.

Each apprenticeship standard needs more information provided for individuals to assess whether that particular pathway is the best option for them, in a similar way to general college courses are promoted.

Humber Apprenticeship Brokerage Service (HABS)

Building on a successful pilot that supported 300+ SME employers; HABS has been developed to offer a single point of contact for apprenticeship needs from both employers and individuals in the Humber area.

HABS encourages and supports learners that are considering taking an apprenticeship route to work. The service gives potential clients the information they require to assist with transition and the choice of progression routes. Learner clients will be supported with a resource pack containing relevant impartial information and everything provided will be tailored to their needs. Learners will be given a list of employers and the most relevant and suitable providers that offer both frameworks and standards relevant for the choice of employment route in their local area.

In a similar way, employers will meet with a HABS representative who will provide support and the information they need to decide which education and training provider can deliver the most suitable option for their business.

HABS provides an impartial, supportive and inclusive brokerage service that encourages partner involvement across the region. There is a transparent referrals process in place. Employers will be encouraged and assisted to employ an apprentice to grow their business. This will contribute towards the development and delivery of the Humber's Apprenticeship Growth Plan.

There is general understanding that UCAS equates to entry to universities and as such Government can consider using an alternative term. There are some areas of good practice that can be used for the post 16 options, such as the development of the personal statement for all individuals. It is good practice to recognise an individual's skills and this reflection will help define career options.

Schools need to be more proactive in the delivery of high quality impartial CEIAG, and this should form part of the school plan which can be assessed during an Ofsted visit.



Whatever the ultimate choice, Government needs to ensure that the process is standardised as the population is often transient and one framework process would reduce resource costs and bureaucracy. Options may include a sector application route that clearly outlines all study opportunities within that sector, this can then link through to employers demonstrating the types of job roles available and help employers recognise skills in a particular cohort. However it is recognised that personal choice may change and develop so this would need to be accounted for in such processes.

Young people mature at different levels and in different timescales, therefore a two-year pathway programme may result in improved skills development and ensure the most appropriate career routes are followed.

Schools are assessed on a completely different set of indicators to business and this is part of the problem, whilst employer engagement is welcomed further work is needed to link employment to schools. The new destination measures will help to a degree but more is needed to ensure schools focus on supporting individuals to be work-ready. The continued focus on qualifications and academic standards needs to be balanced with the needs of the local economy with appropriate school resources to assist with this internal information. One good example is www.plotr.co.uk.

A national mandatory system for all post 16 providers, including schools linking to core funding is essential, however the introduction of choice at 14 also needs consideration e.g. UTCs – how would this aspect be managed? The system needs the ability for localisation regarding products and services that link schools, education and training providers and employers, e.g. use of good quality case studies to encourage employers to do more. The Careers Enterprise Company can assist here with a national framework that has flexibility for local data.

13. 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?

In the Humber we have a number of significant skills shortages in maths teachers, health and care professionals, project managers, programmers and in construction and digital skills. Employers are competing for high calibre staff and this is already causing anxiety and increased recruitment costs pre-Brexit. There is further recognition that manufacturing and agri-tech is reliant on economic migrants who may not stay in the Humber on a long-term basis.

Government needs to recognise when policy decisions affect negatively on local skills issues; for example the removal of the nursing bursary which has seen a resultant drop in applications. The continued reduction in the Adult Education budget has not encouraged education and training providers to be more innovative in their approaches and this is now apparent in several key sector areas.

Further reductions in FE and HE funding is likely to have a significant impact on the recruitment of Humber residents and their ability to progress to higher technical level qualifications.

The Humber has a particular issue with recruiting skilled and qualified health and social care workers. This is driving costs for service providers who are investing in global recruitment processes which are unsustainable. The LEP has helped facilitate a Health working group that is working in partnership with the Sustainability and Transformational Plans, in the local case the Humber Coast and Vale and this is now been expanded to the York, North Yorkshire and East Riding LEP area. Whilst in its infancy this group could be used to assess and drive local interventions that will increase essential reform local health and care services.

Employers can also play their part in addressing skills shortages, such as in engineering at higher levels. For example, East Riding College works with employers who are prepared to release their experienced engineers to deliver some aspects of training, while a new high-level Industrial Advisory Board is being assembled at the University of Hull's School of Engineering & Computer Science.

The use of a consortia approach with the levy and support from industrial training boards will help ensure that skills gaps are reduced but this needs consistent support from the government. However, issues remain with the standards still lacking in a number of areas, including those lower grades which are part of the progression pathway. The requirement for apprentices to hold employed status is requiring a re-think and this may result in fewer rather than more apprentices in the short term.

The Humber has an ambitious employment and skills strategy which is being delivered with and through all partners; we can build on this with structured programmes to address the needs of the national strategy.

Employers need further support to recognise how individual competencies underpin their business delivery. The Humber LEP has developed the Employability Passport Framework in response to the growing numbers of local passports that have been developed; this will help assist in ensuring the quality of each passport meets employer needs.

Pre-apprenticeship routes are helpful, using the traineeship model, and this can be used by employers to develop their own staff. Employers need to lead the way here and demonstrate their commitment to their staff.

Currently there is no national work experience programme and therefore this means a misfit with employers. The LEP is working with providers to try to fill this gap but schools have withdrawn from buying in the previous service and this is resulting in less participation.

The Humber has an excellent model in the CATCH site which has developed specialist training facilities for the chemicals and process sector which are used by a range of training partners. The LEP prioritised this for Growth Deal support to enable further expansion.

The LGV Training Model in North East Lincolnshire has helped change employer culture, resulting in further investment and job growth. This took adults with transferable skills into an industry where there were skills demands, using an Employer Ownership of Skills model.

Flexible funding should be allocated to deliver added value programmes where there is either market failure or opportunity for growth of jobs and higher skills developments. These examples can be replicated for other sectors to draw in the best teaching talent and investment in resources that can be used by many.

There is recognition that new technologies require an increase in digital skills and this can be a barrier for the older workforce and/or unemployed. Government should look at how it can invest in ensuring everyone is digitally confident as this will become increasingly important to access services and work opportunities. There is further opportunity to increase the numbers of coding workshops available in schools, colleges and in tasters to the public.

The Humber is experiencing significant challenge with an older workforce and some of this can be overcome with opportunity to re-skill from sector areas that are declining. More freedoms in the way organisations such as JCP and LEPs can use resources would help this issue. The Humber has some innovative practice in breaking down barriers to increase residents' opportunities to enter industries that are



perceived as not accessible. One example is the work of Women into Manufacturing and Engineering (see box below).

Women into Manufacturing and Engineering (WIME)

In the Humber region, manufacturing contributes 17% of our employment compared with 8.7% for England and this number is set to grow thanks to the investment in renewable energy. However, despite the high demand for people with STEM (Science, Technology, Engineering and Maths) qualifications, women are under-represented in these roles.

Green Port Hull launched WIME to encourage, inspire and help women in the region discover the opportunities available in manufacturing and engineering. The initiative has the support of many local companies, including Siemens, Airco Refrigeration & Air Conditioning Limited, Swift Group, ABP, Spencer Group, British Steel, Centrica, and Ideal – all of whom are looking to address the gender and diversity gap.

In March WIME, in partnership with Hull: UK City of Culture's Women of the World festival, held its second careers event which was a huge success with more than 300 women attending to explore employment opportunities with 15 local employers in the engineering and manufacturing sectors in the Humber.

The results speak for themselves with Siemens seeing a marked increase in applications from women; indeed they have recently recruited one new female operative from WIME. Airco has taken on three trainees and Swift, Ideal and CITB have over 60 females each signed up to their open days.

WIME was invited to give evidence at the Government's Science and Technology Committee for its 'Closing the STEM skills gap' inquiry and was put forward as an exemplar of good practice in addressing the gender balance by breaking through the barriers, misconceptions and stereotypes to illustrate the diversity that engineering and manufacturing careers can offer.

Labour market intelligence is essential in assisting people to make study and career pathway choices that will lead to sustained work. This will help with business planning i.e. supply chain development and informing teaching and learning.

Low skilled workers in agriculture, the caravan industry, food manufacturing etc. require review as the UK moves more into robotics and technical advances. Skills interventions are essential to support this workforce to respond to change. Incentives for employers can aid local projects and assist with the resource costs of engagement, for example apprenticeship standards, STEM traineeships etc.

14. 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?

There needs to be a cultural change and this includes raising the expectations of communities to promote the continuation of education, skills and learning at every stage in life; in work, on career breaks, in periods of unemployment etc. This can be further supported by employers who can recognise that higher skilled staff are likely to improve productivity and growth. This is particularly the case for technical skills that can drive efficiencies and new practices in a business.

The apprenticeship reform can help deliver this message, using the 'earn whilst you learn' approach to encourage people to think about their next steps. Employers will respond to this in the current climate as they assess how to use their levy payments to upskill staff.

The Humber has previously delivered the most successful Skills Support for the Workforce programme, with over 6,000 employee participants in over 1,000 SMEs. Employers understand and like this model which can be used to help the UK improve productivity and competition.

Employers can be further encouraged to invest in the skills of their workforce by introducing tax incentives for reinvestment in equipment and staff. This can help bridge the gap between the old and new ways of working and encourage more creative responses.

All residents should be encouraged to think about their personal career pathways, this can be supported by access to provision of high quality, impartial careers education, information, advice and guidance in a format to suit the individual. This needs to be provided by underpinning labour market intelligence which can be designed to suit young people, adults or educators. This will provide individuals with the knowledge of the local economy growth and retractions when making choices on study options and career routes. For the Humber this is of significant importance given the reliance on low skilled, low paid manual labour which is likely to reduce with the further development of robotics and automation in manufacturing.



5. Upgrading infrastructure

Infrastructure in the Humber

Energy

- As the UK's Energy Estuary, the Humber already provides 25% of national oil refinery requirements, 25% of coal imports and, as the UK gateway to North Sea and Norwegian gas supplies, meets 21% of national demand for gas. The region is now at the centre of the growing UK offshore wind industry, with substantial potential for further clean energy growth (see response to the energy pillar).
- Several proposals are also under development in the Humber to support energy storage linked to clean energy generation, and the region's potential for hydrogen technology.

Transport

- Humber local authorities have delivered **local major transport schemes** such as the £22m Beverley Integrated Transport Plan, with a further round of projects part-funded by Growth Deals due to be complete by 2020/21. But significant pinch-points remain which are holding back growth – such as on the Stoneferry Road corridor through Hull, which links many of the city's Enterprise Zone sites; while funding for the initial phase of the Western Relief Road in Grimsby, essential to unlock development of the Grimsby West strategic housing site and other housing developments, remains uncertain due to the cessation of the Greater Lincolnshire devolution proposals.
- Highways England is delivering the A160/A180 upgrade, improving access to the Port of Immingham and major industrial employers, but other parts of the A180 Corridor, particularly in Grimsby, are nearing the end of their effective life and need a new, sustainable approach to maintenance to maintain access to the South Humber Bank Enterprise Zone sites. The **strategic road network** through Hull - on the A63 Castle Street, Garrison Road and junctions on the A1033 - is inadequate for the current level of demand and unable to support future growth in the city. A recent report claimed that congestion in Hull is as bad as in New York and worse than in São Paulo.⁴ Some businesses have said the loss of productivity arising from delays on the roads may make them consider moving out of the city. It is vital in order to address this that there is significant investment in the Road Investment Strategy Round 2 in the period 2020-2025.
- **Air quality** along the A63 corridor in Hull is amongst the worst in the country due to HGVs using it for access to the port, but imposing congestion charging would have adverse implications on the port and wider city region economy whilst failing to alleviate the issue. Addressing the cause of stop-start traffic through the A63 Castle Street and Garrison Road schemes would reduce congestion and improve air quality.

⁴ TomTom European Congestion Index, 2012-2015

- The LEP and local authorities are active participants in **Transport for the North** and **Rail North**, and welcome the progress they are making on pan-northern strategic issues. We want to see this carried through to improvements for our area.
- Network Rail has completed **track and signalling replacement** work on the South Bank, although line speeds require further improvement, and is undertaking re-signalling work between Hull and Gilberdyke which is due to be completed by mid-2018. But delays in Network Rail decision-making and cost-overruns have hampered the delivery of Growth Deal-supported projects, and a funding gap remains on the A18 Melton Ross bridge replacement which links employment sites around Humberside Airport. We would welcome a closer working relationship with Network Rail.
- The campaign to retain direct Cleethorpes-Manchester services in the new **Transpennine** franchise was successful, but Hull will not gain the half-hourly service to Leeds it has long sought until 2019 and the region will miss out on the new rolling stock being delivered to other parts of the north; and opportunities to develop new direct links to London from Northern Lincolnshire have also been missed. Businesses have highlighted poor connectivity to core cities as a barrier to growth.
- The Humber has been left out of **rail electrification** plans, posing a risk to future connectivity.
- **Humberside Airport** has the potential for supporting further growth, with a range of commercial property and development opportunities available on the Enterprise Zone alongside opportunities associated with offshore energy.
- The region is continuing to see the benefits of reduced **Humber Bridge tolls**, with bridge crossings up by an average of 29% since 2012 and continuing to rise, improving the flow of goods and labour across the Humber. The Bridge could also play a greater role as part of an alternative north/south route should road improvements elsewhere (such as to the A15 and A1079) take place.

Housing and employment sites

- The lower cost of development in the Humber is a competitive advantage, but when combined with low margins and high abnormal costs (arising from issues such as flood protection, drainage and environmental mitigation), we regularly experience market failure. We have responded to these **structural issues** in our housing and commercial development markets by investing in up-front infrastructure costs, but Government-sponsored instruments are not always a good fit for our area.

South Humber Industrial Investment Programme

North East Lincolnshire Council is delivering the South Humber Industrial Investment Programme (SHIIP) to de-risk and accelerate delivery of strategic employment sites in the A180 Corridor between the Ports of Immingham and Grimsby.

In recent years the supply of high quality industrial land in North East Lincolnshire has declined significantly as the last remaining sites at Europarc, the strategic site to the west of Grimsby, have been built out. Although enquiries from both indigenous businesses and inward investors have remained strong, speculative development by the private sector is not viable as a result of abnormal development costs including ecological mitigation requirements; flood mitigation; and the costs of providing site utilities.

Capitalising on the Enterprise Zone (EZ) status and incentives secured for a number of sites on the South Humber Bank, the Council is investing £15m in infrastructure and enabling works to bring forward key sites on a joint venture basis with partner landowners. The Council's decision to utilise its prudential borrowing powers was de-risked by the ability to retain business rates on those EZ sites included in SHIIP.



Local Growth Fund investment – including £2.6m via the Humber LEP – has also played a significant role in de-risking and accelerating delivery of the programme, which includes:

- provision of site access and infrastructure to accelerate development of the 65 hectare Stallingborough Enterprise Zone site, with the potential to accommodate over 190,000 sq.m of primarily B2/B8 development and over 3,000 jobs
 - creation of over 100 hectares of new wetland habitat for overwintering birds on the South Humber Bank, to meet the ecological mitigation requirements associated with the programme arising from the Humber's designation as a Special Protection Area and RAMSAR site
 - construction of the Humber Link Road, a new highway providing a new connection between the Ports of Immingham and Grimsby and improving access to the Humber Gate and Abengoa Enterprise Zone sites.
- The Humber's sectoral specialisms mean it has a strategic opportunity to contribute to innovative solutions to housing delivery, such as **modular building** and energy efficiency. We have already delivered innovative ways of improving the energy efficiency and desirability of existing homes – reducing energy bills and supporting regeneration (see box) – and are keen to go further.

Delivering energy efficient housing

Hull's innovative approach to upgrading housing is reducing residents' energy bills and supporting regeneration.

The project which is currently in the delivery phase is scheduled for completion June 2017. 136 properties located in the Newington and St Andrew's area of the city will benefit from External Solid Wall Insulation by system designer, Insuletics. The ESWI system will dramatically improve the thermal performance of these properties, reduce energy bills and help to tackle fuel poverty in the area. In addition, ancillary works such as fascias, rainwater goods and boundary walls and railings will be installed which will all contribute to the overall regenerative improvement of the area.

The scheme cost of £2.2m is being funded by a mix of Local Growth Fund, Hull City Council Capital Funding and ECO Funding from Npower. The scheme is being delivered by Fortem (formally Willmott Dixon Energy Services), the Council's ECO Partner, whom are delivering energy improvements to upto 3,000 Council properties elsewhere in the city. Fortem are subject to stringent KPIs to deliver 80% local labour and apprentices. The scheme is also being supported by NPS Humber Ltd, who are providing technical support for the scheme and Hull Warm Zone who are undertaking all Energy Performance Certificates, managing the ECO Claims with Npower and providing fuel poverty advice and support.

In total the council have delivered External Solid Wall Insulation to circa 1,500 private and council properties over the past 5 years.



- The **Humber Enterprise Zone** is the largest in the country, with 49 sites totalling 1,238ha. This is a long term pipeline of development opportunities, but already 11 sites are occupied and 10 more are under offer or have an identified use. Simplified planning is in place, and over 900 jobs have been created by 29 companies.

- **Growing Places Fund** investment has helped to open up and accelerate key developments, including at Europarc near Grimsby and the Fruit Market regeneration area in Hull.
- The Humber remains vulnerable to river, tidal and surface water flooding. Major **flood defence** schemes including Hull & Holderness, Port of Immingham and Killingholme Marshes are improving the resilience of our key economic infrastructure, but further work is required to manage the region's high level of flood risk. Approximately 115,000 hectares of land and 400,000 people in the Humber are at risk from tidal flooding, as are 32,500 businesses including major industrial and commercial properties; the country's largest port complex; and extensive areas of highly productive farmland. The Humber has used LGF and ERDF as partnership funding alongside the Environment Agency to enable growth-supporting schemes to go ahead, but this will be harder to find in the future. The Environment Agency, LEP, and local authorities are currently working together to review the Humber Flood Risk Management Strategy, which will redefine the strategic approach to managing tidal flood risk on the Humber Estuary over the next 100 years. It will also identify capital schemes for delivery in the next 6 year flood & coastal risk management investment programme.

Albert Dock flood defences, Hull

The aim of the project was to enhance the flood protection measures to the residents and businesses of West Hull by increasing the height of the flood defences from approximately 5m Above Ordnance Datum (AOD) to 6m Above Ordnance Datum (AOD). This follows the events of the 5th December 2013 when as a result of a tidal surge the height of the waves in the Humber reached 5.88 at the River Hull flood barrier.

The tidal surge caused widespread flooding, damage to 115 business properties and 149 residential properties. It is estimated that 90% of businesses and property owners affected by the floods in December have experienced difficulties in obtaining insurance against flood damage.



The scheme was delivered by the Environment Agency, supported with Growth Deal funding.

Digital connectivity

- The Humber continues to progress with the roll-out of **superfast broadband**, led by the private sector in Hull and through the delivery of £25m BDUK investment in East Yorkshire and Northern Lincolnshire; over 97% of Northern Lincolnshire now has broadband speeds of at least 24 mbps.
- Hull is progressing proposals to be at the forefront of 5G trials and subsequent operator roll-out plans, as it can facilitate fast, low-cost deployment on Council street furniture. TechNation 2016 identifies Hull as a 'digitally intensive city' which underpins the city's ambition, working with DCMS, to be a 5G pilot city.
- Hull's City Plan ambitions include developing the smart city concept which includes utilising the city's digital infrastructure to support issues around congestion.



The Humber Estuary

- The Humber is also developing ambitious proposals to derive more longer term benefits from the Humber Estuary, an under-utilised economic asset.
- Hull City Council is developing proposals for a regional cruise terminal, which would boost the visitor economy of the city and wider region.
- Private sector backers are developing a proposal for a vast tidal lagoon in the Humber, which would enable new commercial, leisure and transportation options.

Our response to the Green Paper

Key points

- We welcome the recognition that infrastructure spending needs to be rebalanced, and the raising of ambition about the North's transport infrastructure that Transport for the North has helped to bring about. This needs to be carried through to delivery.
- The work on national (e.g. hub airport) and sub-national (e.g. Northern Powerhouse Rail) transport infrastructure should be matched by work on local transport infrastructure – “the last mile” that provides access to housing and employment sites. Local areas are best placed to lead on this, but we need the resources and long-term certainty to do this.
- Whilst overall the Humber is relatively uncongested, some significant pinch-points need to be addressed. Without this, future growth will be constrained and some businesses have said the loss of productivity may make them reconsider their locations.
- The Humber remains at a high risk from multiple types of flooding. The economic sustainability of the region depends on the plans developed by the Environment Agency and local authorities being delivered. However, the region's lower property values mean that it is at a disadvantage in cost-benefit calculations compared to more prosperous regions. Ensuring whole place resilience, maximising opportunities as well as managing risks, will support successful delivery of industrial strategy.
- The UK's potential for increased coastal shipping and use of inland waterways should be encouraged. One of our new Growth Deal projects, the Goole Intermodal Terminal, will help to facilitate this.
- Instruments such as the Housing Infrastructure Fund should be flexible enough to deal with variations between areas, such as low market values and abnormal costs (such as those arising from drainage issues and flood risk).
- The existing Enterprise Zones provide a platform for further private sector investment in infrastructure and should be supported for the long-term, but the impact of current incentives should be reviewed to ensure they are attractive for international investors after the UK leaves the EU.
- Further action to ensure the use of UK steel in major infrastructure projects would help to deliver greater benefit by securing jobs and quality.

Responses to consultation questions

15. Are there further actions we could take to support private investment in infrastructure?

Public infrastructure

a) Energy

Areas of the North Sea close to the Humber are seeing substantial private investment in offshore wind energy infrastructure, with associated on-shore developments in our region. There is potential for securing more of this investment – see response to the energy/clean growth pillar – and we are working with the industry to increase local supply chain content, reduce deployment costs and support long-term operations and maintenance activity.

b) Transport

Except through developer contributions, we currently see limited potential for private investment in transport infrastructure in our region. Whilst we have had some interest (see box on Hull-ECML electrification), the main barrier is the method of payback and there are few options open to us. For example, with most of our strategic employment land covered by Enterprise Zones with their own infrastructure needs, business rates uplift is already spoken for. The Humber's experience of tolls (see earlier box on the Humber Bridge) has also not historically been a positive one.

Hull-East Coast Mail Line electrification

After the decision was made to stop trans-Pennine electrification some 30 miles short of Hull, the region came forward with its own predominantly privately-financed proposal to fill the gap. The private finance would have been repaid by Network Rail after construction, with the private sector taking the risk on cost. DfT initially supported this approach and contributed funding for scheme development. However the scheme was ultimately cancelled with DfT stating that it had to be privately funded as well as financed. The only way of achieving this would be to recoup the investment through track access charges – a model DfT dismissed in the early stages, but which could be revisited.

There may be more potential for direct private investment in trans-Northern transport infrastructure, such as Northern Powerhouse Rail. However, we are cautious about this because of the risk that areas with the highest perceived commercial returns and lowest risk (i.e. those that already have frequent, congested rail services) would be prioritised at the expense of areas where the business case may be more reliant on modal shift and inducing new demand. This would further exacerbate the “east/west” divide in the North. Should this option be pursued, there should be appropriate safeguards for areas such as ours – for example, through packaging up schemes for tendering or by prioritising areas where the commercial return is perceived to be lower/riskier for public investment (i.e. addressing market failure).

c) Port infrastructure

The port infrastructure on the Humber is a national infrastructure asset which has been entirely privately owned and operated since privatisation. The main port operator, ABP, has carried out a number of major investments including with Siemens at Green Port Hull, the development of dedicated biomass facilities in Immingham and Hull, and a new car import terminal at the Port of Grimsby, whilst investments have also been made by other operators such as Able UK and GFDE. However other parts of the port estate have fallen into disuse and disrepair, some will be available for new uses as coal imports decline, and large areas of employment land are in port ownership but are undeveloped or under-utilised. We want to work with the port operators to ensure that the ports achieve their potential, but local authority partners have



limited powers in operational port areas and State Aid regulations make intervention difficult – in contrast with publicly-owned ports on the continent.

It is imperative for the UK that its port infrastructure is fit for the future outside the EU, so we would like to see the Government explore with port operators, industry and local areas how ports policy could be improved to help the UK become more competitive post-Brexit and how we can work together to ensure that the UK maintains and strengthens its position as a maritime trading nation. Particular attention should be given to whether the statutory master-planning approach is delivering what is required and to how the regulatory environment could be reformed. This should be reviewed alongside trade considerations such as departure from the customs union, and whether special designations such as free trade zones – with advantages for businesses on import and export duty – could help to develop value-added activity.

Allied to this, public investment in transport infrastructure continues to be essential for ensuring that goods and services can reach the UK's international gateways. Without this, investment in the ports themselves will be constrained. Further rail gauge clearance to major population and logistics centres in the North, such as that being funded through the Humber LEP Growth Deal between Immingham and Doncaster, will support business growth in sectors such as food processing and will also help to relieve road congestion and pollution. Investment in intermodal facilities such as the Goole Intermodal Terminal (another Growth Deal scheme) and inland waterways have similar potential. The Government and Transport for the North could be more ambitious in both areas. However, road access remains key and it is essential that trunk road improvements such as on the A63 through Hull and the maintenance of the A180 are carried out.

d) Broadband

As noted above, rural parts of the Humber have had success in enabling the roll-out of broadband by the private sector through BDUK subsidy. There is the potential to do more of this in the remaining “white spots” on a similar model, which would be important for the growth of the rural economy.

e) Inland waterways and coastal shipping

The Government could do more to incentivise the use of inland waterways and coastal shipping for freight transportation. The Humber recognises the potential of this and supported the Goole Intermodal Terminal project in Growth Deal 3. However, the Government could explore how to accelerate this modal shift through incentivising users, which would in turn drive private investment in intermodal facilities.

Infrastructure to unlock housing and commercial developments

a) Enterprise Zones

As noted above, the Humber Enterprise Zone continues to play an important role in supporting growth in the region. The Enterprise Zones programme is a long-term one and should be supported for the long-term to ensure it can be fully delivered. The certainty of 25-year business rates retention has enabled borrowing to fund some infrastructure requirements – for example through North East Lincolnshire Council's £15m investment in the South Humber Industrial Investment Programme, but this is not sufficient on its own.

The first sites in the Humber Enterprise Zone were allocated in the second wave of the programme, but these have been joined by others through successive expansions. This means that the incentives on the Enterprise Zone end at different times, with the incentives on the earliest sites (which largely had the most substantial delivery barriers) ending to new occupiers in March 2018 and the later sites in 2021. Given the time it takes for major investments to come to fruition, this disparity is beginning to cause an issue. The Government should extend the incentives on the original sites to the same 2021 end date, making the

Enterprise Zone offer clearer to potential investors and increasing the chances of securing development on the sites.

Whilst Enterprise Zones provide an identity and focus, the incentives on their own are not always sufficiently attractive. There has been little, if any, take up of Enhanced Capital Allowances, and the business rates incentives are small on major investments. We would welcome working with Government to explore alternative options and how the Enterprise Zone offer could be made more flexible to potential investors, particularly during the period following the UK's departure from the European Union. For example, the previous generation of Enterprise Zones benefitted from a broader range of incentives, including 100% allowances for capital expenditure on industrial and commercial buildings; if carefully targeted, these could help to unlock developments in some areas.

b) Flexibility to respond to market conditions

The Humber has lower property costs and some areas of weaker property markets than most parts of the country, but abnormal costs – such as from addressing flood risk, putting in first-mover infrastructure or environmental mitigation (see below) – are high and returns are low. With potential occupiers wanting to be able to move in quickly, a shortage of available units and little speculative building, there is clear market failure which is compromising the growth of the local economy.⁵ As such, grant funding – which is in short supply – is routinely required to enable developments to proceed. Breaking out of this cycle requires there to be sufficient critical mass for the market to gather momentum. Some progress has been made towards this on the Humber Enterprise Zone and through the Hull housing programme. The housing market remains challenging in our urban areas.

The Humber's experience illustrates that approaches need to vary according to local circumstances. The Housing Infrastructure Fund, for instance, should cater for grant or patient equity funding where required as well as loan funding, and any post-Brexit review of Enterprise Zone incentives should also consider the scope for developer/investor incentives to support rebalancing of the property market.

This flexibility should also extend to using different development models. Whilst gap funding can play a role, the public sector can help to stimulate private development in other ways as well. Site acquisition/assembly, head leases and “put options” have all been used to varying degrees but require institutions with the resources to be able to do this.

c) Environmental regulation

Many of the Humber's strategic employment sites are affected by the Estuary's environmental designations, meaning that development can be complex and costly. The LEP has made progress in addressing barriers to development through its “Single Conversation” pilot with statutory agencies and local planning authorities. A balance must always be found between development and protecting the natural environment, but at present too much weight is given to mitigating loss of habitat. This leads to significant areas of major development sites having to be set aside, which can be to the detriment of the development's viability. Coupled with abnormal costs (see above), in some cases this means that developments that could have been wholly privately funded require public intervention to be able to proceed. For example, over 100 hectares of land is being set aside for ecological mitigation to facilitate development of the same amount of industrial land in North East Lincolnshire, led by the Council to overcome market failure. Leaving the EU means that there is an opportunity to reform the regulatory

⁵ Humber Business Premises Study



environment to ensure that the balance between environmental interests and economic ones is more appropriate, enabling greater private investment in infrastructure which supports employment.

16. How can local infrastructure needs be incorporated within national UK infrastructure policy most effectively?

Local infrastructure needs are best addressed locally, so in the long term we want to be able to do more to address these ourselves. However historic underinvestment and a lack of local funding options mean that national sources are currently essential for addressing our local infrastructure needs. The new commitment to “using infrastructure to support rebalancing” is therefore welcome. However we believe the Government should take account of the following:

- a) The devolution of funding through the Local Growth Fund has enabled us to take forward schemes which address local priorities and would not otherwise have happened. Flexible, multi-year capital funding is essential for enabling areas to develop and deliver a pipeline of projects, along with genuinely devolved decision making on local investment priorities, in accordance with the LEP Assurance Framework.
- b) Whilst the devolution of capital for specific schemes has been welcome, capacity and resources for scheme development are increasingly limited and compliance with some processes – e.g. the DfT Webtag framework for larger transport schemes – is especially costly. This means that the disparity with larger, better resourced areas is also growing and will make it harder to achieve the proposed rebalancing.
- c) Continual bidding rounds are resource-intensive and do not necessarily lead to the right outcomes. The methodology used to prioritise projects has failed to adequately take account of new demand that may be stimulated by projects. Green Book methodology favours places like London where the benefits of relatively small interventions provide the greatest value for money. The Government should consider how a greater regional dimension could be incorporated to provide fairer assessments.

Progress has been made on planning for nationally and sub-nationally significant projects, but further work is needed to plan for and fund locally significant projects. Our preference would be for the evolution of the Growth Deals approach to provide multi-year funding for priority infrastructure projects, but with additional resources for development where these are required. For example, LEPs/combined authorities and local authorities could be invited to carry out local infrastructure assessments leading to evidence-based prioritised infrastructure plans, building on Infrastructure Studies undertaken to support Local Plan allocations. These would extend existing arrangements (for example the Humber Transport Plan or the emerging Humber Flood Risk Management Strategy) and form the basis of funding settlements from 2021 – guaranteed for five years and indicative thereafter, providing longer term planning certainty. The work on this could start soon with a view to indicative allocations being provided before the end of the Parliament.

17. 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?

Infrastructure performance

Making strategic transport infrastructure more resilient would be a cost-effective way of improving its performance. For example, the A63 trunk road in to Hull has no hard shoulder and is congested at peak

times. When incidents occur there is no room for dealing with these off the main carriageway, so long delays are caused which have a consequential impact on the local road network. Whilst whole-scale widening would not be feasible, some targeted interventions coupled with improved signage, monitoring and incident response times may have the potential to improve resilience. We expect Highways England to consider potential interventions through the Route Strategy work, but at present we understand these are small-scale when a more fundamental approach may be required.

Efficiency

Work on logistics and supply chain efficiency can help to use existing infrastructure most efficiently. The north's only Logistics Institute is based at the University of Hull and is actively involved in tackling these types of issues. Pursuing such activity is a core component of the University's five-year HEIF institutional strategy.

Construction industry skills and supply chain

Long term planning and funding is key for working with industry on these areas. This would enable:

a) A forward plan of committed projects that enable industry to "scale up"

Whilst the benefits of this have been recognised at the national level, we would also want to do this at the local level with a forward plan of major infrastructure projects that are certain to proceed. With funding for these primarily coming through national competitive bidding, it is difficult to forecast our needs and communicate them to the sector. At present we are limited to publicising our pipeline, which is speculative so of limited use. There is also scope for further joint working with the National Infrastructure Commission to ensure that major projects with the potential to unlock large scale economic growth are built in to the National Infrastructure Plan.

b) Closer alignment of skills provision to the anticipated needs of the construction sector

There are significant plans for housing growth across the Humber – the four local authorities have set out proposals for the development of many thousands of new homes in their Local Plans over the next 15 years. However, there is a real risk that these ambitious proposals could be constrained by a lack of skilled construction workers across the sector – over 150,000 new entrants are required to meet UK demand over the next three years.

A degree of uncertainty remains across the construction sector as a result of the introduction of the Apprenticeships Levy alongside the established Construction Industry Training Board Levy with some businesses required to contribute funding to both schemes in 2017/18. There is a risk that this could disincentivise employers from investing in Apprenticeships during a period when a step change in investment and take-up is required.

We have excellent examples of training for the construction sector in the Humber. However, with more long term certainty we could better advise of the opportunities ahead through Careers Education, Information, Advice and Guidance, and work with providers to ensure they have the necessary capacity.



6. Supporting businesses to start and grow

Business growth in the Humber

- Business start-up rates in the Humber increased by almost 35% between 2010 and 2015 but remain below the England average on a per capita basis and business survival rates in part of the area are very low. The North has fewer scale-ups per capita than the South, and within the North the Humber lags behind.
- The LEP and local authorities are working together to create the conditions for success, by addressing issues with the availability of premises, incentivising and enabling capital investment, and ensuring there is comprehensive access to business support.
- The region is already seeing improved productivity as a result of public and private sector capital investment. A recent CBI report highlighted Hull's GVA growth as being the highest in Yorkshire & Humber – delivering benefits to the wider region. This momentum can be continued.
- The Humber's Growth Hub has supported the creation of 472 direct jobs. Progress has been made in building up the partnership under a steering group and testing different models of support under programme funding. However at present it would not be possible to sustain the core partnership function without the BEIS funding.
- The LEP's Growing the Humber business investment scheme has supported the creation of 1,626 jobs to date – with 2,365 due to be created by 2021. The recent Growth Deal 3 expansion will enable a further 596 jobs to be created. As a flexible scheme, with decisions made by a panel of businesspeople, it has been well received by businesses in the region.

Growing the Humber

Fast-Form Systems Ltd manufactures and supplies award-winning patented formwork available for hire and sale to the construction sector worldwide. The versatile, lightweight and adjustable formwork and shuttering system offers an alternative to timber shutters and large panel systems, lowering delivery costs and carbon emissions.

The company was awarded funding from Growing the Humber to support a move to new premises with extended manufacturing and production space and new specialist equipment. This is enabling it to create 12 new jobs and deliver a new contract for London Underground. A number of the new staff recruited had been long-term unemployed.



- The LEP's Business Loan Fund, funded by the Growing Places Fund, has enabled stalled developments and company expansions to move forward.

- Hull City Council's Youth Enterprise Service is active in supporting the next generation of entrepreneurs. Support on offer includes a Youth Enterprise Bank offering grants of up to £1,000; Global Entrepreneurship Week which in over 13 years has seen thousands of young people learn about business; and a teachers and tutors network to promote enterprise.
- Humber partners, including local authorities, the LEP, training providers and Government departments, work closely together to respond to major redundancy situations which can help to alleviate the impact on the local economy. One recent example is the Tata Steel Taskforce (see box).

Tata Steel Support Fund

The Tata Steel Taskforce provided a co-ordinated response to Tata Steel's decision, announced in October 2015, to close 900 roles at its Scunthorpe plant. The business was later sold and has now returned to profitability under the name British Steel. Part of the Taskforce's response was to support the plant's supply chain, with £3m funding from BIS for a Tata Steel Support Fund (later renamed the British Steel Support Fund), managed by North Lincolnshire Council.

One such success was through the rescue of the Bradken Scunthorpe plant, which had primarily been used for the manufacture of iron wear-castings. Due to the severe decline in the base commodities industries particularly in Australia, Bradken had announced the divestment of its UK interests, which in the case of Bradken Scunthorpe would be as an alternative to closure. The plant had 65 people who would lose their jobs. Bonds, a group of steel foundries, rescued the plant and were supported with a £496,200 grant to convert it to access new markets. This involved significant re-training of existing Scunthorpe employees, research and development of new products and re-organisation of group facilities to maximise utilisation at Scunthorpe. This has safeguarded the existing jobs and will result in the creation of at least 44 new jobs.

However, the limitations on the fund arising from GBER meant that large businesses were unable to get the support they were seeking. Tata Steel accounted for 30%+ of turnover for foundry Russel Ductile Castings Ltd, but because RDC had 285 employees and was not seeking to diversify its core business, the support fund was unable to help a non-SME. Sadly, the business had to rationalise its workforce, losing circa 20 jobs (albeit the majority via retirement/voluntary redundancies) and it has taken a lot longer to refocus the business away from one major core customer. RDC argue that when the Government opens schemes such as the Tata Steel Support Fund, they should be open to all sizes of business if it can be evidenced they will create jobs.

Our response to the Green Paper

Key points

- Businesses continue to find the business support landscape confusing and the lack of longevity of initiatives frustrating. The Growth Hub model (as a central point of access and co-ordination) is the right one, but it requires properly resourcing and committing to for the long term to gain more traction within the business community and to become a universal gateway for all businesses seeking support. It would also benefit from a higher national profile to raise awareness; the GREAT campaign is an example of what could be achieved.
- LEPs should be able to influence all publicly-funded business support provision to ensure it meets local need and avoids duplication. Whilst there is a place for national expertise, the design of support programmes should be tailored to local circumstances and delivered under local leadership to avoid reinforcing existing disparities. There have been mixed results under European Structural & Investment Funds (ESIF), but there is an opportunity to get this right in the ESIF replacement. LEPs also have an important role to play in stimulating and influencing private sector provision.



- The focus on growing businesses (as opposed to start-ups) is right in principle, but should take more account of context and remain flexible. In an area like the Humber with a much higher proportion of manufacturing businesses, rapid growth at the rate defined by the Scale-up Report is much harder to come by – but more moderate rates of growth in the context of our region and sectors should still be strongly encouraged, more than in the past (our experience of Growth Accelerator was that it struggled to find businesses in our region that met its criteria, so we did not support it through ESIF). The need here is for asset capital, more than the working capital that scale-ups require, which is why our schemes have been tailored to support this.
- A major issue for larger businesses in the Humber is resource-efficient manufacturing, so we welcome the Maier Review. The Humber has an opportunity to capitalise on more efficient energy production and storage opportunities to provide benefits to other sectors.
- Businesses report that the availability of finance is less of an issue than it was, but there is a tendency to take a punitive approach to risk and primarily support businesses that are already successful. There is less institutional capacity for business finance in our region (for example, networks of investors are less prevalent than in larger financial centres, and our CDFIs – see box below – have insufficient funds to lend) and a gap is evident in microfinance despite the introduction of the Northern Powerhouse Investment Fund. Projects such as the North East Lincolnshire Investment Hub are playing an important role in awareness raising/signposting businesses towards sources of mainstream and non-conventional lending but businesses still need access to specialist investment readiness support to ensure they are able to make the best possible case to secure investment; we are utilising ESIF to secure this in the short-term and this will form part of our long-term plans for the development of the Growth Hub.

Community Development Finance Institutions in the Humber

The three CDFIs in our region have a track record of providing finance to businesses and social enterprises which are unable to access mainstream finance. However, demand outstrips their supply of funds. The LEP is working with them to identify alternative sources of funding so they can continue lending. We believe the British Business Bank could have a role to play in this, such as by extending the current Start Up Loans programme to cover microfinance for businesses seeking to grow. The Northern Powerhouse Investment Fund (NPIF) covers some of this market, with the parent company of one of our CDFIs appointed fund manager, but its funding is insufficient for demand and it does not operate below £25,000.

- Our Growing the Humber business investment scheme has been extended through Growth Deal 3 and is being tailored to support businesses to continue investing through the pre-Brexit period of uncertainty. There will be a need to provide support to sustain grant programmes like this, where the need is justified, post-2021.
- The rules on supporting businesses, whether poorly thought out scheme requirements or State Aid restrictions, can sometimes get in the way of doing the right thing (see Tata Steel Support Fund example above). There is an opportunity to look at these again post-Brexit, and to involve businesses more closely in the design of schemes.

Responses to consultation questions

18. 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?

Capital investment restricts financial liquidity and there is still a legacy of mistrust in the banking sector in business which prevents longer term investment for fear of having to manage another crisis. A culture of short-termism persists in Government, the banks and the stock market.

The degree of certainty and confidence in the economy affects a company's attitude to risk, and clearly this varies by region. Whilst the South East may have adopted a more liberal approach to speculation, the North appears not to have the same financial cushion or speculative will to invest – evident, for example, in the minimal amount of speculative building taking place in our area. There must, therefore, be a regional dimension to addressing this. Our capital-focussed programmes, such as the Growing the Humber scheme, have made a difference in stimulating investment in plant and machinery, and we want to work with British Business Bank and their fund managers to ensure Humber businesses are competitive in accessing NPIF and other funding.

New funding models such as crowdfunding carry additional risk and uncertainty that are perhaps unlikely to prove as popular across all regions where profits are deemed to be 'hard-earned' and less exposed to uncertainty.

19. 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?

Quoted companies have to deliver shareholder returns; and quickly. Major capital investment of ten years or more payback restricts this type of investment. We are in a rapidly changing business landscape and being prepared to change rapidly is incongruous with long term investment, which ties up capital. A financial product with similarity to government bond funding for major capital assets may be preferable to investor funding.

It is interesting to note that many of the companies spearheading the developments in offshore wind, with huge capital investments, have been wholly or partially (foreign) state-owned, and not solely accountable to the stock exchange.

20. 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?

Public sector investment has a role to play in equity, particularly in catalysing private investment and being a provider of last resort. We supported the Northern Powerhouse Investment Fund in recognition of this, and it is essential that it is proactively marketed to a far greater degree than its predecessors in areas such as ours which are more distant from financial services clusters.

However, from our experience the gap is not just in the availability and awareness of equity funding (which NPIF partially addresses) but in the willingness and preparedness of businesses to access it. This can be addressed through business-to-business networks and impartial advice. We are therefore seeking to commission through ESIF an investment readiness programme to support businesses to access the most appropriate sources of finance available to them. This will be time-limited, though, so it is important that this type of activity can be resourced after the end of the ESIF programme.

More could also be done to stimulate the private investment market at the local level. Whilst some areas have active networks of equity investors and financial institutions, this is not always the case in smaller



cities and towns. This is an area we are interested in exploring further, but we expect there will be lessons that could be learned from elsewhere, including from the devolved administrations. Government may be able to facilitate this.

21. How can we drive the adoption of new funding opportunities like crowdfunding across the country?

Again, access to appropriate impartial advice is crucial for ensuring that businesses are aware of the options and choose the right ones for them. The Growth Hub is a route to this, working with a wider network of specialists.

22. 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?

We have identified the following specific barriers from discussions with businesses in our area:

a) Leadership/management skills

Businesses have highlighted leadership/management skills shortages from senior level to mid-level project management. The Federation of Small Businesses has highlighted to us its research that shows over a quarter of small business owners have not undertaken formal management training.

The LEP has facilitated the re-introduction of a local leadership programme (delivered by Common Purpose) to encourage cross-sector understanding of senior leadership challenges, as well as supported leadership/management skills through ESIF. More needs to be done in this area, so the Government should ensure that resources remain available through the successor to ESIF.

b) Recruitment difficulties

Recruitment difficulties are increasing in some sectors, and businesses which have depended on migrant labour (such as in agriculture and food processing) are concerned about being able to fill positions post-Brexit. Some hope to address this in part through productivity improvements, but require support (capital and advice) to achieve these. Employers in the public and private sectors have reported instances of migrant workers, including in specialist roles and at senior levels, turning down job offers or leaving their roles since the EU referendum result. Alignment of the skills system is covered later in this response.

c) Lack of suitable premises

As noted in the infrastructure response, growing businesses often wish to move in to new premises quickly. The shortage of oven-ready sites, larger high-quality industrial units and higher quality office accommodation in our area caused by market failure is a constraint on growth. The LEP has provided financial support for premises expansion and site infrastructure through its grant and loan funds in order to facilitate expansions and new investments, but shortages remain.

d) Finance

As noted above, whilst on the whole the situation has improved we continue to see businesses report difficulties in accessing debt finance to facilitate growth.

e) Enabling and supporting women in business

Local intelligence suggests the area would benefit from targeted attention to support women to increase their involvement across a range of business and enterprise areas, whether that may be

encouraging self-employment, entrepreneurial activity or increasing the levels of females accessing STEM subjects.

One example of an outstanding business network for fast-growing firms is For Entrepreneurs Only (see below).

For Entrepreneurs Only

For Entrepreneurs Only (FEO) is a CIC made up of local entrepreneurs who collectively turn over £3bn each year. It is based at the University of Hull's Enterprise Centre. It aims to inform, motivate, educate, inspire and support others. Its members give their time, energy, passion and resources to help entrepreneurs of all ages. FEO's programmes include:

- FEOignition, a series of evening workshops presented by FEO members offering free, practical help and guidance to new start-ups and any budding entrepreneurs.
- FEO Step Change for Growth, which gives local business owners a unique opportunity to go for growth through peer learning.
- The FEO Entrepreneurship Masterclass, an interactive one-day workshop run in schools and colleges led by real-life entrepreneurial role models.
- FEO Aspiring entrepreneurs placements, which offer an exciting opportunity for young people who are seriously considering entrepreneurship as a career option.



7. Improving procurement

Procurement in the Humber

- Humber local authorities recognise the strategic importance of procurement and the contribution it can make to delivering savings, driving economic growth and supporting local economies. For example:
 - East Riding of Yorkshire Council has recently revised its Contract Procedure Rules to include changes to competition requirements for procurement below the EU threshold values that are designed to specifically support participation by local SMEs through increased opportunities to bid for work without compromising value for money.
 - The YorBuild and YorConsult frameworks help to simplify procurement and increase local benefits.
 - North Lincolnshire and North East Lincolnshire have a joint procurement team that increases efficiency and makes it easier for SMEs to work for either authority.

Our response to the Green Paper

Key points

- The Government should look again at public procurement rules, with the aim of making the procurement process simpler, shorter and less costly after Britain has left the EU. This would allow public bodies to be more effective whilst making tendering for public sector work more attractive for SMEs. The Humber would welcome the opportunity to pilot a new approach.
- We welcome the progress that has been made for SME bidders in recent years, such as the removal of PQQs for lower value contracts and a standard questionnaire, but more needs to be done to reduce the administrative burden on SMEs.
- The transparency of contract opportunities has improved through the use of digital procurement tools like Contracts Finder, although this could be easier to use, but awareness of opportunities for SMEs needs to be improved further. More could also be done to proactively provide constructive feedback and signposting to support to unsuccessful SME bidders. We are using our Growth Hub to promote opportunities to SMEs.
- There is evidence that the use of long-term arrangements can lead to greater benefits, including reduced cost and increased local value.
- Longer term planning and certainty around construction projects can also support sector development; for example, the construction sector has taken a long time to recover from the financial crash and is now experiencing skills shortages.
- The Government has an opportunity through its procurement policy to support British businesses. One such example is to utilise British steel within its infrastructure projects.

Responses to consultation questions

23. Are there further steps that the Government can take to support innovation through public procurement?

Further guidance on what innovation looks like and how this fits with procurement legislation would help to address the practical issues faced with using this approach.

24. 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?

a) Greater use of long term procurement arrangements

More emphasis could be given to deriving benefits from long-term arrangements, rather than one-off projects. The balanced scorecard approach for social value covers projects exceeding £10m, whereas we have found the largest benefits in this area (including the use of the supply chain, creation of apprenticeships and engagement with SMEs) are implemented through long term arrangements such as frameworks and not one-off projects. These allow both client and suppliers to invest time and resources, so the outputs are far higher than can be obtained from one-off projects. Previous reviews⁶ have criticised UK procurement for construction as being inefficient and wasteful, with longer term arrangements, non-adversarial relationships, fewer suppliers, common incentives, integrated teams and the objective assessment of performance generally viewed as key to improving performance.

Continued pressures on public sector finances means that achieving such benefits and efficiencies will be vital. They also offer distinct benefits over traditional procurement for projects by facilitating a more integrated solution based on continuing and closer relationships with a limited number of suppliers that allows for social value inclusion, integration of the supply chain and development of SMEs.

b) Use of British steel and construction products

The advantages of ensuring that British steel is used in UK construction projects, as opposed to imported steel from China and India, are well known and we hope further progress will be made on this post-Brexit. The discussion has tended to be around large infrastructure projects like rail, road and flood defences, but there is also potential for ensuring British steel is sourced for other public building activity, such as schools, hospitals and prisons. A lot of the UK tier 2 steel sector providers are finding it difficult to compete with international business due to them being able to quote a cheaper price. It is, however, often perceived that the quality of the products does not match up to UK goods which are also ethically-produced: although they may be 'cheaper' and meet the minimum standard, if the UK government was to improve the standard requirements the UK businesses will be able to be more competitive. This has a twofold advantage, firstly UK businesses will have confidence in investing both in people and R&D but also the UK Government will have a higher standard of product that will last longer and mean fewer replacements are needed.

The Government could require its departments to report on the proportion of UK produced steel used in their construction projects, and commit to a minimum percentage of construction products being sourced in the UK.

The steel sector also needs to look at its own supply chain and offer support to large tier one and two providers within the sector to utilise UK supply chains. There is often a reliance on international businesses offering supporting products when there is potential for UK based alternatives. North Lincolnshire Council is supporting British Steel by advising them on their procurement policy and supporting them to join public procurement systems like YorTender. It would be beneficial if the UK Government as a wider organisation

⁶ From "Constructing the Team" by Sir Michael Latham in 1994, "Efficiency Scrutiny into Construction Procurement" by Sir Peter Levene in 1995 and "Rethinking Construction" by Sir John Egan in 1998, through to more recent reports such as the "Final Report by the Procurement / Lean Client Task Group" of July 2012.



can help support those larger businesses within the UK Economy to support, via adapting their procurement strategy, to support the wider community.

c) Maximising the value of energy subsidies

Separately, and as noted elsewhere in this response, the UK has a substantial opportunity to develop manufacturing and servicing capacity to support the offshore wind farms being constructed in its waters. Deprived coastal areas like the Humber could benefit the most from this due to proximity and port infrastructure, supporting the aim of spreading growth to all parts of the country. Through the Contracts for Difference process the Government is, in a sense, the customer so should be ensuring the UK receives maximum economic and social value from its investments.

d) A model that supports medium-sized businesses to scale-up

Medium-sized businesses have described to us how on a national basis public sector procurement often favours the largest enterprises: typically the biggest infrastructure investment projects are procured in large lots (often in the hundreds of millions) which is beyond the reach of the mid-market firms (those turning over £50- 250m) who lack the financial facilities to bond and insure against LTDs of projects of this size. However, medium-sized businesses offer great potential for growth and are often regionally-based – giving the opportunity for much higher local multipliers.

8. Encouraging trade and inward investment

Trade and inward investment in the Humber

- A substantial amount of foreign direct investment has been attracted to the Humber in recent years. Local authorities and the LEP present a co-ordinated offer to potential inward investors, and have worked closely with DIT and BEIS to deliver major investments. Inward investment enquiries for industrial and manufacturing facilities have picked up again since the EU referendum and this has been sustained.
- The LEP has supported SMEs to participate in major exhibitions for the energy sector on joint public/private Humber Renewables stands, enabling them to gain access to companies and information that they would not otherwise have had. Some of the exhibitors have won significant contracts as a result.
- The Humber's ports play a crucial role in enabling trade and inward investment across the country, and are forecasting continued growth. ABP has recently announced a £50m investment in infrastructure to enable port activity to continue to rise after Brexit.
- The Humber's low cost base is a competitive advantage, but barriers to development (particularly infrastructure costs) remain.
- We are exploring new opportunities for exports, such as a 'co-operative' style export conduit using Humberside Airport that would benefit the food sector, 'back-filling' aircraft to make the flights more commercially viable.

Our response to the Green Paper

Key points

- The industrial strategy has the potential to deliver a more concerted whole-of-Government approach to seizing opportunities for inward investment. For example in the past energy policy has not sufficiently recognised the opportunities for developing domestic manufacturing capacity to support emerging renewable energy sectors (such as wind), but bringing this together with industrial strategy in BEIS is a chance to address this.
- Export potential should also be considered under other pillars of the industrial strategy. For example, developing more certainty on long term infrastructure or energy projects can result in increased domestic manufacturing/servicing capacity – but this also has the potential to serve export markets.
- The uncertainty around Brexit may discourage some businesses from starting (or increasing) exporting. The Government should review the support and incentives on offer to businesses encourage them to export.
- As the Government looks to build trading relationships outside the EU, it should be remembered that some cities and towns already have established civic and trading relationships – in the Humber's case these include for example Iceland, Bremerhaven, Rotterdam and Freetown, Sierra Leone. There is an opportunity for Government to work with local partners to build on these existing relationships.



- DIT should be proactively looking at new markets post-Brexit, for trade and inward investment, and using this to prioritise resources. LEPs and their partners, with their local knowledge, would be able to contribute to this.
- English localities are at a comparative disadvantage in attracting FDI due to a lack of capacity and flexible support, despite some of their offers being world class. This is something Government should seek to address in partnership with local areas. It is important that Government, through DIT, retains the ability to provide grant and other forms of support for larger scale investments post-Brexit and continues to strengthen collaboration with LEPs/local authorities. DIT could also do more to build up relationships between overseas posts and relevant LEPs to expand their knowledge of the UK offer.
- The Government should work with LEPs to review the incentives available on Enterprise Zones to ensure they are competitive in a global marketplace. This could include considering whether adding “free trade zone” advantages on import/export duties to port-based Enterprise Zones, such as on the Humber, would attract more value-added manufacturing activity, or reviewing how capital allowances could be extended to stimulate industrial and commercial development.
- International growth is a key challenge for the steel sector in the UK as they compete with markets where costs are significantly lower due to wages, energy costs, reduced Health & Safety regulations and costs, subsidies from governments and commodity prices. Therefore for the Steel Sector we need to look to build relationships with international governments and open up new markets, but also educate those new relationships on the benefit of buying quality over cost.

Responses to consultation questions

25. 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?

A close working relationship between DIT, LEPs/Growth Hubs and other providers of export support (such as Chambers of Commerce) is essential for developing a more cohesive offer which meets the needs of businesses. Businesses have praised the quality of some of the export support available, but have been frustrated by the stop/start nature of some of the support, particularly financial support – as one business said, “being told to come back next financial year to see if DIT had anything to offer then was no good to us”. We are also concerned about the reduction in local DIT trade capacity, and fear that businesses in the devolved nations will continue to be at an advantage in the availability of support.

The uncertainty around Brexit may discourage some businesses from starting or increasing exporting. The Government should review the support and incentives on offer to businesses to encourage them to export. This could include expanding local support programmes or providing tax incentives.

Whilst recognising the potential of encouraging more new firms to export, we are concerned that too much emphasis is placed on this. There is also potential for “scaling up” existing exporters to export more and expand to new markets, which may deliver greater impact. LEPs/Growth Hubs, local authority key account managers and DIT could work together to identify potential export scale-ups, but it is important that there is flexible support available to offer the companies identified.

We support the allocation of specific resources to the Northern Powerhouse in DIT, and would like to see this continued. To add value this should have an emphasis on building capacity and funding activity which would not otherwise take place, such as the Northern Powerhouse trade missions focused on the North’s priority sectors.

26. 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?

FDI is a competitive business and decisions are made after weighing up a number of factors, with investors understandably reviewing what is on offer in many competing locations. The Humber has an excellent offer for inward investment in many sectors and we have seen some success, but we have also experienced first-hand England being at a disadvantage compared to the devolved administrations (particularly Scotland) and regions of other European countries. These have organisations which are well-resourced to go to market and, importantly, offer larger and more flexible packages of support. By comparison, English localities have much less capacity and limited scope for offering support, so have to revert to HM Treasury for any “special cases”. The Northern Powerhouse DIT approach, working with LEPs/local partners, could be used to make some progress in addressing capacity constraints.

In our view the current emphasis on measuring the impact of FDI is about right. We would not support putting more effort into “counting” investments that have taken place at the expense of encouraging investment in the first place. We would welcome better alignment of Key Account Management activity between local and national agencies.

However we do believe there is potential to do more to identify and follow opportunities for supply chain inward investment in support of OEM/Tier 1 investments, as part of a wider approach of industrialisation in sectors such as renewable energy.

We welcome the DIT’s commitment to explore how opportunities for UK presences at trade shows can be maximised for businesses throughout the country. The GREAT presence has been variable in quality. The Humber Renewables model, which we have used to deliver more compelling Humber presences in partnership with businesses, has been successful and could be expanded. We would also welcome opportunities for English localities to “team up” as part of a UK presence, with businesses, to avoid duplication and deliver a greater overall impact. We have seen a “pavilion” approach work well for other countries.

Embassies and overseas posts have an important role to play in attracting inward investment to the UK, but they are not always sufficiently well briefed on the English localities most relevant to their local markets (for example, those with common sector strengths). UKTI in the past discouraged direct contact, but DIT should encourage the development of relationships between LEP areas and relevant overseas posts as a way of strengthening mutual knowledge and understanding.



9. Delivering affordable energy and clean growth

Affordable energy and clean growth in the Humber: the Energy Estuary

- The Humber Energy Estuary has a unique opportunity to drive renewable energy production and decarbonisation with the assets we have available in the right place. Our ability to support a cluster of developments is contributing to cost reduction through economies of scale and the development of UK capacity and expertise.
- The Humber has well established energy credentials. It provides 25% of national oil refinery requirements, 25% of coal imports and, as the UK gateway to North Sea and Norwegian gas supplies, meets 21% of national demand for gas. It is home to a chemicals and process sector worth £6bn and is Europe's leading supplier of biofuels and biomass.
- The Humber sits centrally to nearly 50% of UK offshore wind projects and is now becoming known as the UK centre for offshore wind with some major investments:
 - ABP and Siemens invested £310m in an offshore wind turbine blade manufacturing, installation and service hub at Green Port Hull, creating 1,000 new jobs. The investment has further stimulated supply chain inward investment with companies such as 3Sun Group, TRG Wind, GEV Offshore, while major contracts have been awarded to local companies such as Clugston, Spencer Group, Turner Timber Frames Ltd and Neville Tucker Ltd.
 - Grimsby continues to develop as a centre for construction support and operations and maintenance for the offshore wind projects located in the Southern North Sea. In total around £40m investment from companies including DONG Energy, Eon, Siemens and MHI Vestas has created 400 jobs, potentially rising to 1,100 by 2023.
- The Humber has the potential to capture more benefit for the UK from the offshore wind sector in the years to come, including at Paull and the Able Marine Energy Park. The scale of the planned investments is huge: DONG Energy alone will have invested £6bn in its offshore wind operations off the Humber by 2019.
- The Humber also has the potential to play an important role in driving innovation in clean energy technology, including offshore wind (through Project Aura) as well as emerging technologies such as energy storage and hydrogen.
- The Humber is home to a substantial cluster of energy-intensive industries, including steel and chemicals, where high energy costs have a severe impact on their ability to be competitive while based in the UK. The LEP and Humber Chemical Focus, with support from BEIS, are commissioning a study to look at opportunities for these industries.
- The Humber's role in energy supports and enables growth across the wider North. There is potential for building stronger linkages with related industries through an energy corridor in other Northern LEP areas. LEPs are working together to encourage this.
- The momentum started by the new nationally important investments in the energy sector in the Humber is being used to stimulate local initiatives such as the development of heat networks, support for the move to a distributed network and opportunities for the co-location of generators and high energy users.

Our response to the Green Paper

Key points

- We warmly welcome the recognition in the Green Paper that the industrial opportunities for the UK economy of energy generation should have a higher priority in energy policy – a point which we have been making for some time. The Humber is an obvious example of the benefits of this – a region with established importance for energy generation from coal and gas, which is leading the way in offshore wind, biomass and biofuels, and is seeing the benefits with new employment opportunities in manufacturing, construction, operations and maintenance and their supply chains. The Humber now has the potential to drive further benefit for the UK from offshore wind, as well as emerging technologies in energy storage and hydrogen.
- The Government's approach to energy policy, through zone allocations and Contracts for Difference, has supported the offshore wind industry to reduce costs much more quickly than expected – with this year's allocations expected to be far below the £100/MWh target four years ahead of schedule. This is set to continue, so it is crucial that the Government continues to enable offshore wind to deploy at scale in the UK. Long-term visibility of the future market would not only drive further cost reduction, but also drive the expansion of UK supply chains and servicing with associated export opportunities – contributing to the delivery of the industrial strategy.
- Upgrading the UK's energy infrastructure does not mean a like-for-like replacement. As the UK moves towards a diverse supply of clean energy sources, generation will take place in different places and more places than before – with new technology enabling more localised generation and opening the way for energy storage and smart grids. This should be championed nationally but delivered in partnership with industry and local areas.
- The Industrial Strategy should ensure that the UK is at the forefront of energy innovation so that it is best placed to capture the economic benefits of being able to serve its own market and export its technology overseas. Project Aura, which is being developed by the University of Hull in partnership with industry, should be supported to make an important contribution to addressing the challenges ahead as part of the UK's innovation infrastructure.
- The bioethanol industry has welcomed the Government's proposal to increase the blending of ethanol in petrol to 9.75 per cent (E10), but has major concerns that a limit on the amount of crops used to produce the ethanol will be set too low. Given the impact this would have on agriculture (with the industry a steady customer for surplus crops and major producer of animal feed) as well jobs and the UK's ability to meet environmental targets, this is something that should be carefully considered.

Responses to consultation questions

27. What are the most important steps the Government should take to limit energy costs over the long-term?

a) Long term certainty

As noted above, the certainty given to the offshore wind industry through the Contracts for Difference process to 2020 has enabled cost reduction to exceed expectations. Longer term certainty will ensure this process can continue, resulting in cheaper energy for consumers and businesses and further industrialisation in the UK. Specifically the details of the next LCF funding settlement and the timing and size of the CfD auctions are vital to the sector's future plans and so greater visibility in these areas is a critical ask.



As offshore wind has demonstrated dramatic cost reduction and hit the Government/industry target of £100/MWH four years ahead of schedule, then there should be no reason not to press ahead with more deployment. Having asked bill payers to fund early projects with higher costs it makes absolute sense to now deliver capacity, as the costs of offshore wind have fallen to the point where it will be the lowest cost utility scale generation available.

b) Responding to intermittency

The most cost effective decarbonisation pathway for both businesses and consumers is one that contains sufficient flexibility to minimise the amount of actions required of National Grid to balance the system. In recent years, the growth of intermittent sources of renewable generation to deliver the UK's decarbonisation has meant that National Grid has been forced to take an increasing number of these 'balancing actions' to ensure supply meets demand. It also must ensure that the grid's frequency and voltage is balanced on a minute-by-minute basis. Historically these services have been procured by National Grid from large flexible thermal plant, which are well equipped to increase or decrease their output.

However, with a significant number of coal power stations expected to come off the system in the coming years, the number of operational plant technically capable of providing these services is dwindling significantly. As a result, between now and 2020 National Grid estimates that the costs associated with balancing the system will double to £2bn per year – costs that will ultimately be passed on to consumers. To minimise these costs, it is clear that additional flexibility should be added to the system. This flexibility could be supported through the deployment of controllable, low carbon sources of generation such as gas or biomass, or through 'smart power' solutions including energy storage and demand side response. These sources of flexibility would be complementary to further deployment of offshore wind.

The Government should continue to back energy storage technology through innovation, but also by supporting the deployment of the technology in the most appropriate locations. This is something the Humber has great potential for given the close proximity of generation assets, lower transmission costs and availability of suitable sites. Businesses in the region are already exploring several opportunities for this, including co-locating energy users who need a constant secure supply.

c) Innovation

The industry is continuing to innovate in order to drive down energy costs. As highlighted above, the Humber envisages making a greater contribution to this through Project Aura. Our participation in the offshore wind SIA, growing links with other northern LEPs and relationships with national assets like the ORE and Energy Systems Catapults are a basis for further collaboration on this agenda.

d) Enabling infrastructure investment

The high cost and long period of time it takes to put in power grid infrastructure is a barrier to business growth generally, but also has an impact on initiatives to reduce energy costs. The Government should explore what more it could do to ensure enabling infrastructure is in place for the market to deliver these clean energy solutions.

As a case in point, North Lincolnshire Council has been working with an international business seeking to build a 200 MW solar PV production site to support the local grid. Given the location, it would be of particular benefit to the energy-intensive steel industry. The company was told it would need to make a significant investment to upgrade the power grid to take the full 200 MW, so as a result the proposal has reduced to 100 MW – the maximum consent available. The Local Authority is currently working with the

business to explore 'private wire' relationships for local businesses but this will incur a cost and restrict the savings for the sector.

The impact can be particularly severe for smaller businesses, with the prohibitive costs making expansion impossible. For example, one SME manufacturer told us:

"Supply is a massive problem - to upgrade our site on the industrial estate to provide an additional 1000KvA we have been quoted c. £650k, this has to be paid all up front to the energy company even though works are expected to take a minimum of 18 months. For a growing SME trying to finance working capital this is a significant barrier to growth."

e) Supporting a place-based response

Government must support the development of competitive opportunities from innovation in energy. The Humber has significant existing strengths in the energy sector and wants to pursue a regional energy strategy for power generation, storage and supply, whereby locally generated low carbon energy is being used by the region's homes and businesses, or stored in the form of heat (e.g. local district heating, hot water tanks) or electricity (e.g. batteries, electric vehicles). Surplus is fed back into the national grid which acts as a smaller, back-up system that manages at the margins.

An example of the progress achieved to date in the Humber is in improving the energy efficiency of residential properties in Hull (see page 28), but we would like to go further and are already developing proposals. The Government could provide more support to local areas to develop energy strategies and the projects that would deliver them.

28. How can we move towards a position in which energy is supplied by competitive markets without the requirement for on-going subsidy?

The offshore wind industry's accelerated progress in cost reduction points the way to future competitiveness without ongoing subsidy. The Humber can help the industry to go further by facilitating clustering and supply chain development, innovation and the availability of skills. This could also be replicated with other technologies provided a stable policy environment exists in which to make long-term investment decisions for capital intensive project needs.

Investment in the grid infrastructure is required to reduce cost barriers to new generation sites and to increase the capacity and resilience of east-west connections. Historically the grid has been set up for north-south flows, but the generation picture is changing.

29. How can the Government, business and researchers work together to develop the competitive opportunities from innovation in energy and our existing industrial strengths?

The move to a low carbon economy needs to accept intermittency (in generation) as part of the energy mix. Rather than use this intermittency to penalise renewables there needs to be investment in R&D of energy storage to iron out the intermittency issue.

Renewable generation aligned to storage technologies will increase efficiency and as technology advances over time (supported by public and private sector investment in R&D) this greater efficiency will start to offset the need for subsidies.

Greater investment in R&D in energy storage capacity at sub-grid (regional) level will help to support both innovation and existing industrial strengths. It also has the potential to be a significant area for growth and



export. If the region is to maximise the potential of the renewables sector it should be looking to develop R, D&I in storage technologies with University and private sector.

The opportunity is two-fold:

- i) Inward investment benefits (jobs & growth etc) from energy generating plant.
- ii) Affordability and security benefits to existing sectors whether via smart grid (storage and distribution) or private wire.

A good example of the Humber's potential to develop such projects is Energy Works in Hull, a 25MW power station utilising Advanced Conversion Technology (ACT) to treat Refuse Derived Fuel (RDF). This provides both local generation, a route for waste disposal avoiding landfill and export of waste, and employment and redevelopment in a challenged area of the North of England.

30. How can the Government support businesses in realising cost savings through greater resource and energy efficiency?

a) Energy efficiency schemes

At present energy prices, and the cost of converting to low carbon technologies are such that many businesses are opting for the status quo of energy from traditional supply despite price increases.

Schemes that provide energy efficiency advice, access to affordable finance, support with business case development, and implementation will all help (for example, Carbon Trust's Start2Act scheme).

Energy Savings Opportunities Scheme (ESOS) is well intentioned but ultimately flawed in that businesses do not have sufficient incentives to implement recommendations from their ESOS audits. Government (whether directly or via LEPs) should consider an ESOS style scheme for SMEs which is more incentive based.

b) Expanded support for energy-intensive industries

Schemes to support businesses to have energy audits and implement energy-saving measures have been limited to SMEs. In a limited number of cases it would be in the national interest to make similar support available to larger businesses – such as those which are energy-intensive – in order to achieve a greater environmental and economic impact. For example, due to the nature of the steel sector not all larger businesses have available working capital to facilitate the recommended improvements.

c) Support for heat and cooling networks

Supporting investment in the infrastructure for district heat or cooling networks in towns, cities or industrial parks, integrated with waste treatment places, as in Denmark, would support costs savings and climate change goals.

10. Cultivating world-leading sectors

Sectors in the Humber

- The SEP drew on a report commissioned from the University of Hull⁷ to identify six sectors, in addition to energy, which will be integral to the future prosperity of the area. These are Ports and Logistics, Chemicals (including pharmaceuticals, Engineering and Manufacturing (including steel and the caravan industry), Creative and Digital, Food and the Visitor economy.
- The Humber ports are the UK's largest by tonnage with around 35,000 shipping movements per year. Significant recent investments include Green Port Hull and biomass facilities at Hull and Immingham, and there is the potential for more value-added manufacturing activity close to the ports. The Humber LEP and Hull City Council have been actively engaged in Transport for the North's freight work on behalf of the region.
- The Humber petrochemicals/chemicals sector is of European scale and the second largest in the UK, including 27% of the UK oil refinery capacity. Expertise includes petrochemical refining, personal care, pigments and colours, agrochemicals, fine chemicals, paint and coatings, surface treatments, speciality chemicals and inorganic and organic commodities. An active chemicals sector group, Humber Chemical Focus, represents the industry and manages a training facility, CATCH.
- The Humber hosts high-profile pharmaceutical/healthcare companies which are continuing to invest, with recent examples including RB's £105m Centre for Scientific Excellence in Hull – the largest single investment in the company's history.
- The Humber continues to be the UK's major centre for chilled/frozen seafood processing and has the highest number of cold storage facilities in the country.
- The Humber region has a rich visitor offer across city, market towns, countryside and coast, and is celebrating Hull: UK City of Culture 2017. The LEP is using Growth Deal investment to support the quality of place in Hull, Grimsby, Cleethorpes and Bridlington.

Our response to the Green Paper

Key points

- A key challenge for many of our key sectors is securing their cost bases, particularly in light of Brexit. Energy costs (addressed in response to the previous pillar) and supply chains are two of the biggest factors. As part of its approach to sectors post-Brexit, the Government should consider with industry and local areas what opportunities there are for re-shoring and embedding supply chains in the UK, increasing certainty and reducing costs for business, and which OEMs/suppliers may be isolated and at risk. DIT, BEIS and local areas should then work together to act on these.

⁷ The Capability of the Humber Region - <http://www.humberlep.org/strategies/research-and-reports>



- Our consultations with businesses have shown that even in the same sector (such as caravan manufacturing), whilst some have been effective in driving productivity improvements, others remain reliant on traditional processes and will need to do more to remain competitive.
- We welcome the sector deal approach. Whilst deals will no doubt have a national focus, it is essential that the *place* dimension is considered at the same time – because many sectors are concentrated and/or have the potential to expand in specific areas. Consequently, the barriers to a sector’s growth may include things like transport infrastructure or skills which require local as well as national action to address. As such, the Government should involve the LEP(s) most relevant to the sectors during discussions on sector deals.
- LEPs may also have a role to play in bringing together sector deal proposals for sectors which are geographically concentrated but lack profile or well-developed leadership functions. For example, the Humber is the UK’s largest centre for caravan manufacturing; the sector is driving productivity improvements and has significant potential for diversification into modular building which could help address the housing shortage.
- The sector deal approach should encourage sectors in all places where they are present or emerging. For example, Hull’s digital sector is obviously small compared to London’s but it is the fastest growing outside the capital and has some world-class companies; and regional airports should be able to participate in any national sector deal for airports.
- The Government should also use the sector deal approach to champion traditional industries internationally – for example, the quality and safety record of British steel.
- The Humber’s ports can be a driving force for future growth. Recent investments such as at Green Port Hull show how they can diversify and host significant port-side manufacturing activity. This could be encouraged further by looking at incentives post-Brexit; for example, building on the current Enterprise Zone status to add “free trade zone” incentives on import/export duties.
- As noted in the Green Paper, in some instances specific institutions and programmes have been developed with industry to support sectors. In the Humber examples include the Centre for Digital Innovation (C4DI), the Humber Seafood Institute and the proposed Project Aura for the offshore wind sector. Regional funding plays an important part in such developments, so must continue to be in place to respond to local sector needs.
- Offers such as the patent box (as originally scoped) are attractive to sectors including pharmaceuticals, helping to secure high value R&D investment from multinational businesses in the UK. The Government should review this in light of Brexit to ensure it remains competitive.
- The importance of traditional industries to the UK economy should not be forgotten; for example, it is in the UK’s economic and security interests that it remains a place where the chemicals and petrochemicals sectors can thrive. There is an opportunity for the three chemical cluster regions in the North (North West, North East and Yorkshire & Humber), already linked by pipelines and engineering support, to work together on a sector deal that would encourage their recognition as a world leader in chemicals. The Humber LEP and Humber Chemical Focus work on a Humber cluster study would support this.

Responses to consultation questions

31. 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?

Sectors with established leadership and trade bodies will inevitably be amongst the first to put forward proposals for a “sector deal”. It is important, therefore, that less well organised sectors which could benefit

from a deal do not lose out. The Government could work with LEPs to identify these sectors and develop proposals for deals.

32. How can the Government ensure that ‘sector deals’ promote competition and incorporate the interests of new entrants?

We would expect all companies in a sector to be able to access the benefits of a deal. Where there is a place dimension to a deal, this will need to carefully balance the benefits of encouraging clustering with the risk of disadvantaging businesses which are geographically isolated from the rest of their sectors. For example, this means ensuring that any investment programmes are open to all and not unduly restricted by geography.

33. 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?

The Government should ensure there is a mechanism in place to listen to the sector’s concerns, such as on the appropriateness of regulation, skills provision or incentives which would influence the UK’s competitiveness as a location for the sector to develop. Where issues are identified, they should be properly considered and responded to. Some of the solutions may be local in nature, so the Government should work with partners such as LEPs and Growth Hubs to implement these.



11. Driving growth across the whole country

Driving growth in the Humber

- Humber partners have developed an ambitious vision for driving the growth of the Humber economy for the benefit of our communities. At the core of this is maximising the potential of the Humber Estuary – the Energy Estuary – a vast under-utilised economic asset. Our work is focussed on three ambitions: an infrastructure that supports growth, a skilled and productive workforce, and thriving successful businesses. This shared purpose and commitment is now showing results, but there is much more to do to close the gap with other regions.
- We have used the funding available to us through Growth Deals and ESIF to make strategic investments that will help to unlock the Humber's potential, including in bringing forward development sites, addressing flood risk and congestion, and putting in place training facilities that meet the needs of the local economy. Through this we are leveraging over £473m public and private investment, and will support the creation of over 12,000 jobs. Research last year forecast we would add £1.42bn to the economy by the end of this Parliament through existing LEP-supported investments alone.
- We have also used the LEP's convening power to address barriers to major developments (see, for example, box on the Single Conversation pilot) and to bring together public and private sector organisations to collaborate on opportunities.
- Through our innovative partnership approach to employment and skills we have piloted new approaches to getting people in to work (such as through the Springboard programme), realigned local curricula to the needs of the economy and delivered bespoke training that meets SMEs' needs (such as through Skills Support for the Workforce).
- Hull: UK City of Culture 2017 is providing a platform for transforming the image of the city and wider region, and is working to secure an economic legacy.
- We have used flexible funding holistically to make the most of major investments like Green Port Hull (see box below). This kind of response is only possible under local leadership.
- In response to the Green Paper and the progress we have made, we have committed to refreshing our economic strategy and developing a strategy on economic inclusion later this year. These will be adopted by the LEP and each local authority's Cabinet.

Green Port Growth programme

The £25.7m Green Port Growth programme was established to maximise the economic growth opportunities of the renewable energy sector, underpinning the strategically important Siemens/ABP investment in Green Port Hull. Funded by RGF and delivered by Hull City Council, East Riding of Yorkshire Council and the University of Hull, it shows how a holistic approach to responding to an opportunity under local leadership can drive greater benefits.

The programme contains six strands: Employment & Skills; Business Support; Research, Development & Innovation; Business Investment Grants; Inward Investment; and Site Assembly. These were brought together to meet the needs of investors in a newly establishing sector, enhance its impact on the existing business base and drive growth in an area lagging behind national and regional averages.

Achievements include:

- The Site Assembly strand has provided pump-priming for site investigation and feasibility works to open up sites for local businesses and major inward investors – sites that would have been unlikely to move forward without public sector intervention.
- The award-winning Pathway to Employment Programme which encourages those who have been unemployed for more than 6 months in to training and ultimately employment.
- Supporting over 300 businesses in areas such as diversifying and accessing new opportunities, achieving specific accreditations, and improvements to business efficiency.
- The supply chain coordinator has been directly involved in local businesses being awarded contracts exceeding £165m, showing the economic benefit and jobs that can be achieved through local sub-contractors.

The Programme model providing holistic support across the whole sector and its supply chain could be adapted and rolled out across other sectors too. However, a key finding is that activity in schools is also required to help children to understand the opportunities and educational routes to accessing them – something that was unfortunately not eligible for the RGF funding.

Our response to the Green Paper

Key points

- We welcome the recognition of regional imbalances and consequently the importance of “place” in the Green Paper. Public and private sector partners in the Humber are committed to working together to continue to improve the fortunes of our economy. Our work together, and with Government, over recent years has enabled substantial progress to be made, and we are enthusiastic about the opportunity to accelerate this under the Industrial Strategy.
- Our story shows what can be achieved under committed local public/private leadership with a clear vision, but we could not have got this far without having influence over resources like LGF and ESIF. These have enabled us to act on our priorities, making progress towards our strategy. It is essential that specific locally-allocated resources remain available to drive local growth according to local priorities.
- The Government must look beyond the core cities to drive growth across the whole country. In the case of the Humber, there is a clear economic benefit to be derived from supporting its Key City to deliver further economic growth through supporting improvements in infrastructure, knowledge and economic inclusion – benefit which will have a positive impact on the wider region.
- The Humber provides an opportunity for some early wins in delivering the industrial strategy by supporting us to address some relatively small pinch points on the transport network and ensuring we can continue to address barriers to development.
- Hull and the Humber also have a key role to play in delivering the Northern Powerhouse and we see both the Powerhouse and the Industrial Strategy as being economic frameworks that our city region can make a significant contribution to in terms of economic growth and inclusion. Greater emphasis should be placed upon developing institutional frameworks and capabilities within the Functional Economic Areas of the cities. However, as indicated in the Green Paper, these need to have a longer term focus and have the aim of enabling the economies of cities to develop their respective sectoral based strengths, with greater reference to local decision making bodies and therefore increased accountability.



- Investment in the quality of place – including city/town centres, key gateways and affordable quality housing – is a driver of growth that helps to attract private sector investment and jobs. We are making progress (see case studies below) but further emphasis on this would enable Humber local authorities to accelerate their plans.

Hull City Centre



Hull City Council has invested in a £100m 'destination Hull' programme that has transformed city centre streets, public spaces and cultural venues, in time for its year in the spotlight as the UK's city of Culture 2017. The works will ensure Hull secures a lasting legacy in the shape of increased participation in the arts, a strengthened cultural economy and a regenerated and vibrant city.

The City is recognised as the commercial centre of the Humber, supporting the highest levels of high value and high earning jobs in the sub region (Centre for Cities 2015) – the Council's investment and that from the private sector is key to the City's future economic resilience and growth. Investment includes:

- £26m in the city centre's public realm, transforming the city centre and acting as the catalyst for further investment;
- The Ferens Art Gallery has undergone a £5.2m major refurbishment, welcoming an exceptionally high volume of visitors and ready to host the Turner Prize later this year;
- The redevelopment of Hull New Theatre will be unveiled in summer 2017, part of the 2017 legacy ;
- The £40m development of The Hull Venue, which has received LEP support with a contribution of £3.5m to assist with preliminary works is currently ahead of schedule and will be opening in 2018

- The Old Town regeneration (£6.2m) has been supported by the LEP LGF to help towards refurbishing and upgrading the historic Trinity Market area as well as providing for improvement works to accommodate street markets. A capital works improvement grant has also been jointly funded with the Council for small and independent businesses to improve and enhance their premises, helping them to grow.
- In partnership with Historic England, The Old Town has recently been designated as a Heritage Action Zone (HAZ), building on the success of the Fruit Market area and the LEP's support for the Repurposing the Old Town project, bringing life to the Old Town and ensuring other parts of this historic city are not left behind.
- £80m is being invested in the historic Fruit Market area of the city by the Fruit Market Limited Liability Partnership, between the council and local developers Wykeland Beal Ltd, which promotes new business, entrepreneurship, enterprise and innovation in the area. Recently, the Fruit Market has benefited from £700k from the coastal Communities Fund, providing a grant to refurbish a warehouse and establish a creative arts hub. This area of the city is being developed as digital, independent and creative quarter.

In addition, work is expected to start in 2018 on the £250m improvement scheme for Castle Street; and £200m Flood infrastructure investment is underway as part of a six year rolling programme to protect the city.



Grimsby Town Centre



North East Lincolnshire Council (NELC) is working with a wide range of private and public sector partners to unlock the potential of Grimsby Town Centre to contribute to economic and housing growth.

Improving North East Lincolnshire's 'place offer' is highlighted as a critical priority in the Borough's Economic Strategy, prepared by the private-sector led Development and Growth Board. The Strategy acknowledges efforts to improve the quality of the area's cultural, educational, leisure and retail provision – and widen housing choice – are essential to enable the area to realise its growth potential. These 'soft' factors are increasingly pivotal to the location decisions of mobile businesses and people.

North East Lincolnshire's town centres are a key focus of this approach. The Council has adopted a Town Centre Investment Plan (TCIP) which sets out a strategic approach to the development of Grimsby and Cleethorpes Town Centres. The TCIP highlights the potential for transformation of three main areas within Grimsby Town Centre:

- Cartergate/St James, at the western end of the town centre; here, initial LGF-supported public realm investment in Osborne Street/Bethlehem Street, was the catalyst to bring forward a groundbreaking £6m investment by the Council to develop a new Grade A office building, now occupied by law firm Wilkin Chapman LLP; the Council is marketing an adjoining site for hotel development and further investment through Growth Deal 3 will support public realm and site demolition works at St James to unlock private investment in office, leisure and arts-related uses in the town's 'Minster Quarter'
- Riverhead Square; located at the eastern end of the town centre, the Council facilitated relocation of the former bus station with support from the Local Sustainable Transport Fund; with further investment in enabling works through Growth Deal 3, Riverhead Square is now poised for a £20m redevelopment programme involving provision of a new nine-screen cinema and seven new restaurants; this project has the potential to create up to 250 jobs and to transform the town's evening economy
- Waterside/Gateway; the potential for waterfront regeneration in Grimsby has long been recognised but the town and port have become disconnected. The Council is working with a range of public and

private sector partners to realise the development potential of key waterfront sites including Alexandra Dock and the iconic Victoria Mill building, now in Council ownership; proposals include the development of new waterfront housing and provision of new/enhanced leisure and cultural facilities.

Support through the Local Growth Fund, alongside a commitment to invest by North East Lincolnshire Council, has been essential to address market failure and to build investor/developer confidence in Grimsby Town Centre. Progress to date has been positive, but further, long-term partnership working is now required to realise the full potential of the town centre.

- Better mechanisms are needed to enable local authorities to work with land owners on “meanwhile” uses and de-risking developments. The Humber’s specific issues with abnormal costs are described earlier, but this is exacerbated by the “long tail” of the recession: land values have not recovered to pre-recession levels and some owners do not have the equity to achieve development. HCA models could help with this, but may need to be adapted or brokered through local authorities to reach owners who have become inactive.
- Despite the progress made in addressing the claimant count and educational attainment, a culture of worklessness, poor health and low ambition remains prevalent in many communities in the North and can only be addressed through a long-term approach. The cost and availability of childcare, especially out of school provision, remains an issue in some (particularly rural) areas which deters parents from re-entering the workforce.
- In recognition of regional imbalances, the Humber has been designated a Transition Region and significant parts of it have Assisted Area status. This has enabled us to respond more flexibly to growth opportunities and incentivise investment in an area that experiences market failure. It is important that this special status continues after Brexit for as long as it is warranted, but our aim is for the Humber to continue to progress towards the point where the designations are not required.

Responses to consultation questions

34. Do you agree the principles set out above are the right ones? If not what is missing?

We support the principles set out, and have given examples in our responses to the other pillars of what has worked in our area and what more needs to be done to address the gap in our economic performance. We would welcome the opportunity to work with Government to pilot more new approaches, such as on graduate retention, building on our track record.

Missing from the principles is an overarching approach to directing funding across different thematic areas, such as transport, skills, business support and innovation. With the Local Growth Fund allocated and European Structural & Investment Funds coming to an end, Government has rightly acknowledged that the future funding environment needs to be considered. To avoid a hiatus in project planning and delivery, this needs to happen quickly. To ensure it meets the needs of all parts of the country, it should also be co-designed as far as possible with local partners. We believe the new funding environment should be guided by the following principles:

- Specific multi-year programme-level allocations to localities (e.g. at the LEP/combined authority level) which take into account the commitment to rebalance infrastructure expenditure and need/opportunity.
- Local decision-making on projects. We recognise that this would need to be proportionate to the strength of local governance arrangements.
- Capital and revenue funding covering multiple thematic areas, with flexibility between them.



- Agreed set of outputs to be delivered, but flexibility about how these are achieved.

We would also welcome a greater emphasis on the quality of place that would enable us to accelerate our work on city/town centres and housing, which is essential for attracting private sector investment.

35. 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?

a) New approaches to raising skill levels

The Humber has piloted innovative approaches to raising skills levels, including in Justice, Fuller Working Lives, Health and NEETs provision (see page 16 onwards for more information).

We have also developed further proposals with industry, including for attracting and retaining graduates. We would welcome the opportunity, highlighted in the Northern Powerhouse Strategy, to pilot this approach.

However, whilst individual pilots are important in their own right, we have only carried them out where they support our wider strategy. The greatest impact can be achieved where there is concerted action on inter-related issues; all too often, funding or freedoms/flexibilities work in silos. The Green Port Growth case study on page 56 illustrates the benefits of a more holistic approach, but also shows that more could be achieved if it had been possible to engage to a greater extent with schools.

b) Investments in connectivity

As identified earlier in this response, action to address relatively small pinch-points on the Humber's roads and improving connectivity with larger cities would help us overcome barriers to growth.

The Humber has delivered well-performing programmes to support broadband roll-out in the past, but gaps remain in some rural areas which are holding back businesses (particularly small businesses). Businesses we have engaged with have highlighted the benefits of upgrading to superfast fibre broadband where it is available, but those who cannot access it are frustrated: there is a need to go further on this.

Support for Hull's plans to be a 5G pilot city would enable the region to capitalise on opportunities in its fast-growing digital sector.

c) Investments in innovation

As set out earlier in this response, the University of Hull is working with industry to develop Project Aura which would help to drive innovation in the offshore wind sector. The intention is that this will lead to the creation of a broader innovative economic eco-system on which the region can build a sustainable industrial future. We also highlight how more could be done to support SME innovation in the Humber.

d) More influence over funding at a local level

This cuts across all issues, but as we have demonstrated it ensures that investment of public money meets local economic needs and leverages other resources. This should include confirmation of the replacement of ESIF as this is a vital resource in areas of deprivation, such as the Humber with its social inclusion challenges and rural and coastal communities.

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

Institutions in the Humber

- Through the LEP, the Humber's anchor institutions – including local authorities, the University of Hull, colleges and businesses – have come together to deliver a common vision. Each has its own priorities and responsibilities, but recognises that collaborating is the best way to drive local growth.
- The LEP and local authorities have well-developed relationships with other key local institutions and national bodies which have strengthened over recent years. This has included the development of innovative joint working structures such as the Single Conversation pilot (see below), which could provide a model for rolling out elsewhere. We are already sharing our learning with LEP areas interested in following this good practice.
- The Humber has a strong track record of bringing business expertise into local governance – whether through the LEP, where it has assisted with prioritising resources and developing strategy, or more local partnerships like Hull's City Leadership Board and North East Lincolnshire's Development and Growth Board, both of which are also chaired by business leaders.
- As well as their work on economic development through the LEP, Humber local authorities also have a track record of formal collaboration on areas including waste, minerals and procurement.

Single Conversation pilot

Our Single Conversation pilot, which was established with the support of Lord Heseltine and enhanced through the Hull & Humber City Deal, brings together senior-level representatives of statutory agencies and local planning authorities to discuss barriers to major projects. Given the many environmental constraints around the Humber Estuary, this approach is designed to ensure that development proposals are dealt with in a consistent and timely way. The pilot has achieved some notable successes, including on Siemens' planning application in Hull and Phillips 66's replacement of the Tetney pipeline, a complex project which had to be delivered by a specific deadline to coincide with the refinery's shutdown.

Our response to the Green Paper

Key points

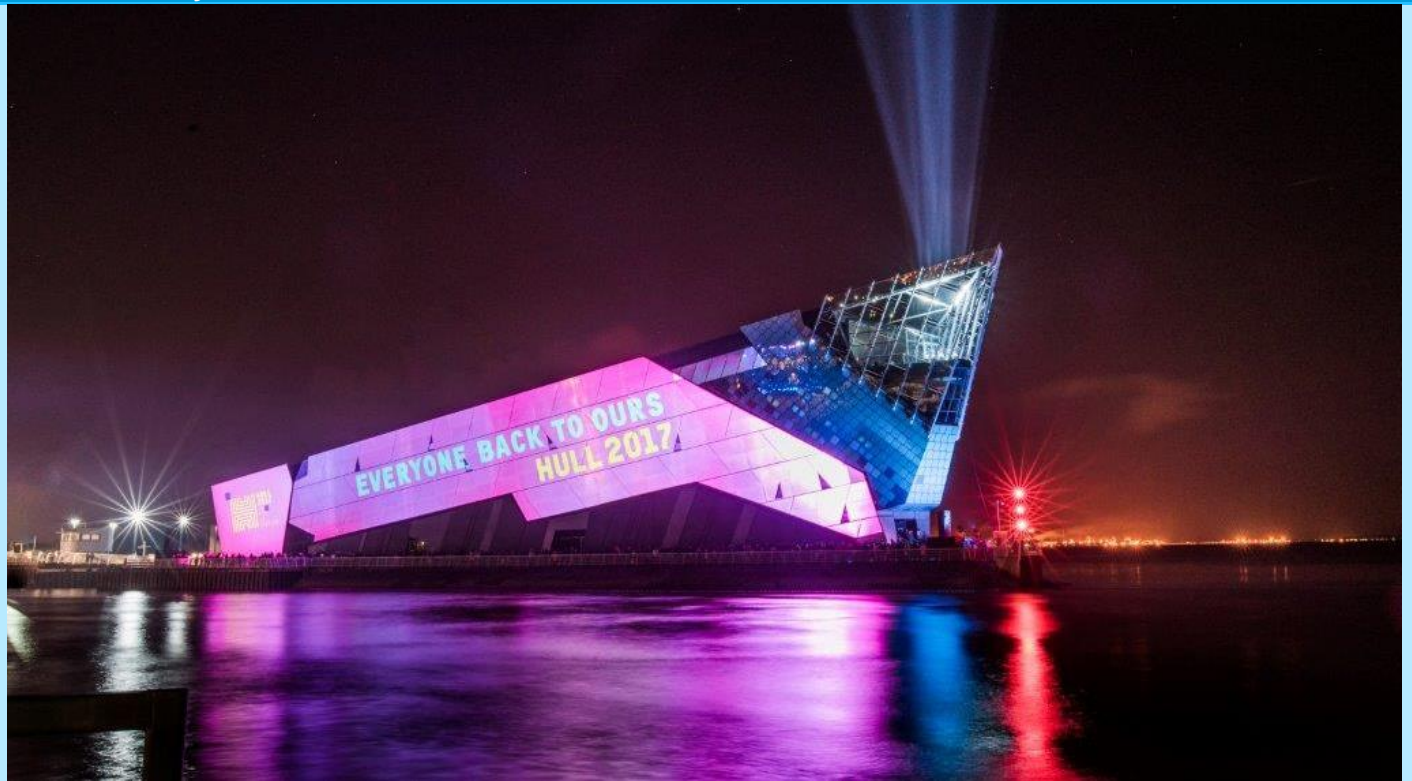
- The Humber has a powerful partnership of local institutions committed to working together to deliver a common vision. The most important thing Government could do is to continue to back what is working.
- LEPs' influence comes from four things: the credibility of the businesspeople involved and engaged; the democratic mandate of local council leaders; their relationship with Government; and their influence over resources like LGF and ESIF. More than five years on, our LEP is more strongly supported by businesses and councils than ever; indeed, we are at the beginning of a further three-year funding commitment from the Humber local authorities. This continuing local commitment must



be matched by a long-term Government commitment to LEPs which includes their continuing place at the heart of the local growth agenda and their influence over resources.

- LEPs have demonstrated their ability to work with a complex array of local and national actors, and across traditional regional boundaries with LEPs and other organisations with common interests. In the Humber's case this includes collaborating with overlapping LEPs on several joint ESIF calls, with Yorkshire LEPs on regional issues, Northern Powerhouse LEPs on transport and innovation, and LEPs across the country on offshore energy.
- The Humber is also an active participant in pan-Northern transport institutions, Transport for the North and Rail North, and supports their continued development.
- Progress on achieving devolution deals covering the Humber has been slow due to issues outside the region, but the Humber local authorities remain committed to working together on Humber economic development issues through the Humber LEP regardless of any future deals which may be agreed. The combination of the LEP and Humber Leadership Board as a Joint Committee has provided a vehicle for effective collaboration, decision-making over resources and implementation of freedoms and flexibilities. The Government should continue to show its support for this and ensure that, as far as possible, the Humber – with its track record of delivery and innovative thinking – is given every opportunity to access devolved resources and continue to pilot innovative new approaches, regardless of the issues with agreeing devolution structures outside the region.
- Time-limited national institutions with a local purpose and leadership, such as Hull: UK City of Culture 2017, can play an important role in driving benefits from an opportunity and developing a longer term economic legacy (see box below).
- The Government could strengthen local growth institutions, including LEPs, Growth Hubs and Enterprise Zones, to ensure they are fit for the future, and support new institutions where there is a specific need. We set out some suggestions below.

Hull 2017: City of Culture



'Photo copyright In With A Bang. Patrick Mateer/Hull 2017'

Hull was announced the winner of UK City of Culture 2017 in 2013. The award is given every four years to a city that demonstrates the belief in the transformational power of culture.

To deliver on this promise, Hull City Council set up Hull UK City of Culture 2017 as an independent company and charitable trust. The team are now working hard to deliver 365 days of transformative cultural activity in 2017. The company has attracted £32m funding from a wide range of public and private sector organisations to deliver a 365-day programme. An estimated 800,000 people attended events in the first three months.

The award has also been a catalyst for achieving Hull's City Plan aim of transforming the city centre public realm as part of Destination Hull – the ambition to become a world class visitor destination. This is already helping to bring people back in to the city centre and attract new investment. Hull has used UK City of Culture to accelerate capital programmes and it has been a catalyst for over £1.5bn investment in the city since 2013.

The City of Culture legacy will include Hull Venue, a new state-of-the-art music and events complex opening in 2018 with up to 3,500 seats, that will allow Hull to attract large corporate conferences, exhibitions and trade tours as well as major touring concerts, stand-up comedy, family shows and sporting events. The plans include the building of the new centre, alongside the rebuilding of Osborne Street carpark and additional public spaces in a currently derelict area on Myton Street behind Princes Quay. It is being funded by Hull City Council with support from LGF.

A longer-term legacy project will be a regional cruise terminal to further develop the visitor economy in Hull and the wider region. A Public Private Partnership will develop and operate the cruise ship service and facilities. Construction will be undertaken in stages by accommodating a port of call and a home port. The project will create a new piece of publicly accessible, city centre, waterfront and riverside berth. Following demand and feasibility studies, an option appraisal and Environmental Impact Assessment is being completed.



Responses to consultation questions

36. Recognising the need for local initiative and leadership, how should we best work with local areas to create and strengthen key local institutions?

a) Stability

The benefits of stability in local institutions cannot be underestimated, and this is more important than ever at a time of national change through Brexit. Businesses and other stakeholders have long complained about the confusion and disruption that arises when the institutional landscape changes, and are more likely to commit their energy and resources to working with organisations which they believe will be here for the long term.

In the Humber there is a well-developed partnership of institutions between the LEP, local authorities, Humber Leadership Board (a statutory joint committee), University and colleges/training providers. The long-term commitment of Humber local authorities and businesses to the Humber LEP should be matched by a continuing Government commitment to – and resourcing of – LEPs' roles at the centre of local economic growth. In this regard, we welcome the commitment in the Green Paper to review and strengthen the role of LEPs and want to contribute to this.

b) Partnership

We attach great value to the close working relationships we have with the Cities and Local Growth Unit (formerly BIS Local) and DWP representatives in our region, who provide advice and a central point of contact for their parent departments. Alongside the recent addition of Ministerial LEP champions, which we are also seeing the benefits of, and relationships with key Ministers, this exemplifies the kind of partnership approach we want to see with central Government departments. This should be extended to other relevant departments, particularly the Department for Education with which engagement has been lacking to date.

The partnership approach should be extended wherever possible to the co-design of strategies, policies and programmes which impact on local growth. Government has rightly placed its faith in local institutions to deliver; it should also be more open in seeking their practical, on the ground input on how they should be equipped for the task and how national initiatives can be tailored to work for all parts of the country.

c) Flexibility

Autonomy to develop and implement locally focussed approaches through the Green Port Growth Programme and the Single Conversation Pilot have delivered demonstrable benefit to the Humber economy. Ensuring that local institutions have maximum flexibility and appropriate resources to respond to opportunities and local circumstances is the best method of contributing to their resilience.

A sophisticated Industrial Strategy will recognise the sectoral strengths of the Humber and the area's willingness to collaborate with surrounding LEPs on key economic sectors such as energy production and food. It should therefore ensure the area has an equal opportunity to contribute to UK PLC rather than focusing freedom and resources on areas with specific political structures in place.

37. What are the most important institutions which we need to upgrade or support to back growth in particular areas?

a) LEPs

As noted above, the Government's continuing commitment to the role of LEPs at the centre of local growth policy is essential.

LEPs are distinctive because they bring together public and private sectors to drive a common agenda – local economic growth – and reach a shared set of priorities. They can speak the language of business and are a route to engaging the wider business community in civil society, but through their local authority partners and accountable bodies they can also act with the probity and transparency required to manage devolved resources. They can convene organisations to work together, influence others to meet local needs, champion ambitious ideas, take difficult decisions and work across boundaries – all on a tiny budget and without any statutory powers. This is only possible because of the credibility of the countless business volunteers involved and the commitment of partner, particularly local authority, resources. The clear support of Government has been the route to unlocking this invaluable local contribution.

The Government should continue its commitment to LEPs by:

- i) Restating in the Industrial Strategy that LEPs will continue to have a vital role at the centre of local growth policy and working closely with LEPs to develop and deliver the strategy.
- ii) Replacing ESIF and LGF, once they have ended, with an equivalent level of funding specifically allocated to local areas and prioritised through LEPs (and combined authorities where they exist). Locally-allocated funding is the most effective way to drive growth across the whole of the country, and LEP influence over the funding is the best way of ensuring it meets the priorities of the local economy.
- iii) Committing to long-term core funding of LEPs, in recognition of how their role has grown to include supporting the delivery of more and more aspects of Government policy. As a minimum the Government should commit to the current level of funding for each LEP for the rest of the Parliament. This would match the Humber local authorities' recent three-year commitment to the Humber LEP and provide a better foundation for planning.

The Government could also strengthen LEPs by:

- i) Building on their success in influencing further education, the Department for Education and Ofsted could open the door to greater LEP engagement in schools. This would enable LEPs to improve awareness of the local economy and business.
- ii) Ensuring LEPs have influence over all publicly-funded business support so that duplication is avoided and local needs are met.
- iii) Enabling LEPs to influence a proportion of research and innovation funding so that it meets the needs of local economies (see earlier Green Port Growth case study).
- iv) Building on the productive relationship the Humber LEP has with some statutory agencies, such as the Environment Agency, Natural England and Highways England, encourage other statutory bodies and publicly-owned companies such as Network Rail to work more closely with LEPs and give greater recognition to the local growth agenda.

b) Local Authorities

Humber local authorities have a good track record in service redesign and developing commercial approaches to delivering public services. This has included investment in training and adoption of business processes.

Despite this proactive work, local authorities have seen great strain placed upon non-statutory services such as planning and economic development. These functions require ongoing support to ensure the industrial strategy is effectively implemented at a local level.



c) Growth Hubs

Growth Hubs have made progress in answering a common criticism from SMEs; namely that the business support landscape is confusing and hard to access. They have been hampered by their minimal resources, but awareness is growing and – in the Humber’s case – progress has been made in bringing support organisations together to improve the offer and customer journey. The need for Growth Hub-type activity persists, and long-term stability is essential for building awareness and trust. Government should therefore continue to support the Growth Hub concept, including through a longer-term commitment to core funding.

Government could strengthen Growth Hubs by:

- i) Developing a role as a first independent point of access to innovation support and the national research base by providing specialist “back office” support to Growth Hub advisers and partners, such as through Innovate UK and the Intellectual Property Office. In this way Growth Hubs could blend knowledge of the local offer with access to national capabilities, providing more value to businesses.
- ii) Ensuring LEPs have influence over all publicly-funded business support so that duplication is avoided and local needs are met.
- iii) Helping to raise awareness, such as through a national campaign along similar lines to the GREAT campaign. Growth Hubs have minimal resources for local marketing, so a greater profile for a national Growth Hubs brand would help to overcome this.

d) Enterprise Zones

The existing Enterprise Zones provide a long-term pipeline of growth opportunities and should continue to be supported. They could be strengthened by:

- i) Reviewing the Enterprise Zone incentives to ensure they are competitive post-Brexit.
- ii) Exploring whether some Enterprise Zones could achieve greater impact with a “free trade zone” status, giving advantages on import/export duty to drive value-added activity at ports.
- iii) Ensuring Enterprise Zones are a prominent part of DIT’s offer to potential overseas investors.
- iv) Giving priority to Enterprise Zones for on- and off-site infrastructure, where prioritised by LEPs, through future regional funding programmes.

e) Financial and development institutions

With Enterprise Zones uplift already being used for infrastructure requirements and capital programmes diminishing, local authorities have limited ability to pursue alternative models for bringing forward development, such as land assembly and “put” options. In the past RDAs and the HCA were active in this arena. The Government should consider how the HCA and/or local authorities could be supported to undertake this kind of activity again where local market conditions mean that it is required.

The Humber LEP is a supporter of the Northern Powerhouse Investment Fund, but this only goes part way to addressing the access to finance issues in our area. There is a particular gap in micro-finance, which in the past CDFIs have been able to meet but in the Humber’s case the CDFIs have been so successful that they no longer have the resources to meet demand. The Government should consider how the British Business Bank could help to address this problem.

f) Transition Region and Assisted Area status

The Humber currently benefits from both designations in recognition of regional imbalances. It is important that these continue post-Brexit for as long as they are warranted, as they enable actions to take place to address historic underperformance.

38. Are there institutions missing in certain areas which we could help create or strengthen to support local growth?

a) Innovation

As noted earlier in this response, the Humber is home to some world class research and innovation activity but there is an opportunity to expand this with the proposal being developed by the University of Hull with the offshore wind industry for Project Aura. This would support the existing Offshore Renewable Energy Catapult by providing a focal point for industry where it is based, on the Humber, to underpin the sector's industrialisation.

Separately, SMEs have said to us that they would value being able to participate in a network of innovative businesses as a way of sharing expertise and providing mutual support. The Government could work with LEPs, Growth Hubs and universities to develop these networks.

b) Government agencies

We support the commitment to review the location of Government agencies and arms-length bodies, and would like to see this extended to more core departmental functions. As others have noted, it is perhaps little wonder that national policy and spending decisions have in the past not been tailored to the needs of the north when so few of the people working on them have any experience of living here. There will inevitably be pressure to look at the largest metropolitan areas for potential locations, but the impact of moving a significant institution to a smaller city or a town would be proportionately much greater on the place. The high quality of life and low cost of living in the Humber – whether in our City of Culture, bustling market towns, coastal resorts or attractive villages – would no doubt be of interest to anyone relocating from the South East.

c) Cultural institutions

The Humber has a rich cultural offer which is now receiving international acclaim through Hull: UK City of Culture 2017. The region is committed to driving benefit from the legacy of City of Culture, but this could be supported through committing more arts funding to the region for the longer term – whether through national or local institutions.

