
Title:	March Budget Review and Implications for LEP Programme.
Purpose:	To update board members on the main items included within the recent Budget announcements and in particular the “Build Back Better: our plan for growth” document which was launched alongside the Budget and its implications on the LEP programme. To support this assessment we have also asked Naomi Green the transport Strategy Manager for England’s Economic Heartland to comment on the implications for infrastructure planning and delivery in Buckinghamshire.
Recommendation(s):	That members note the content of this report and comment on the proposed actions being undertaken to align our work programme and strategy with the latest government policy to secure resources for the Buckinghamshire economy.
Impact on Risk Register:	It is important that we ensure that our strategy and work programme align with current government thinking, especially with the levelling up focus meaning that the majority of national investment may be targeted at other parts of the country. Our future policies and funding bids will need to chime strongly with the government’s strategy three core pillars of growth (infrastructure, skills and innovation) to secure future investment.

- 1 The Chancellor of the Exchequer presented his latest budget to Parliament on March 2nd. The backdrop to this budget was the coronavirus pandemic and the need to provide emergency support for the national economy. As a result there were fewer major new budget announcements than normally would be expected, but the budget did look beyond the current emergency measures and set out a plan for growth in “Build Back Better: our plan for growth”. A copy of this document is attached as **Appendix 1** to this report.
- 2 Build Back Better: our plan for growth was published alongside the Budget, and the document is essentially a manifesto for what the Government is doing to stimulate growth over the remainder of the current Parliament. It provides a helpful summary of the economic and social policies being pursued to deliver the familiar themes of:

- **Levelling up,**
- **Net Zero,**
- **Global Britain.**

The document suggests this will be achieved by investment in the ‘three core pillars of growth’:

- **Infrastructure,**
- **Skills,**
- **Innovation.**

The document seeks to explain how the Government will rebuild and strengthen the UK economy in the wake of the coronavirus pandemic. Using the success of the UK's vaccination programme as an example, the document outlines how collaboration between industry, science and the Government can address the skills shortage and lack of opportunity outside London and the South East. There is also an emphasis on innovation and the funding of high-quality research and development, as well as ensuring that British invention and intellectual property is translated into commercial opportunities and successes for British companies.

The final key area of focus from the Government is addressing the historic underinvestment in the nation's infrastructure – levelling up the nation by ensuring greater physical and digital connectivity, as well as driving the Government's Green Industrial Revolution.

3 **Economic Context:**

The document sets out the economic context for the plan centred largely on the repercussions of the coronavirus pandemic, and the wide-reaching measures implemented to curb its transmission as well as protect jobs and livelihoods. This has caused:

- The largest annual fall in GDP in 300 years with December 2020's GDP at 6.3% below its February 2020 level.
- A large drop in business investment - the final quarter of 2020 was also 19.2% lower than the year before.
- Number of employees reduced by 882,000 (Nov 2020).

The report also highlights that the UK has traditionally fallen short on investment in infrastructure, skills and innovation, the Government's three pillars of growth:

- In the last 20 years, average investment as a percentage of GDP has been the lowest in the G7.
- 18% of adults have a vocational qualification, compared to the OECD average of 27%.
- A productivity gap - London and the South East are the only two regions where productivity and prosperity is above the UK average, and elsewhere in the country.

The Government states that the country is well placed to meet the challenges of Covid 19 and grasp the opportunities of leaving the EU through; an open and dynamic economy, world class knowledge and research, a stable framework for growth and strong institutions, leading innovative and high growth sectors and maintaining its place as a great place to start and grow a business.

4 **What's new?**

For the most part, *Build Back Better* ties together key themes and policies for this Government - many of which are already known. There are, however, some new details and policies announced of note:

- UK infrastructure bank - based in Leeds, helping to drive local authority and private sector investment through £12bn of capital funding and a further £10bn of loan guarantees.
- Future Fund: Breakthrough – a new £375m fund to address the scale up gap for the most innovative UK businesses.

5 **Infrastructure:**

The document highlights high quality infrastructure as a 'critical component of the Government's plan to build back better after the pandemic,' with significant implications for economic growth, boosting productivity and competitiveness. Building on the recommendations from the National Infrastructure Strategy, the Plan for Growth sets out that GDP could be increased by 1-2%, partly

through productivity improvements, through a 10% increase in the public capital stock, or value of the UK infrastructure network.

The document also underlines again that new infrastructure investment is critical to the Government's net zero commitments. The pandemic has also exacerbated the countries reliance on digital connectivity, and long promised investment in connectivity and 5G will help facilitate public services.

A new UK Infrastructure Bank will be created to support investment through 'crowd-in' private investment to invest in local authority and private sector infrastructure projects, as well as provide an advisory function to help with the development and delivery of projects. It will be able to deploy £12 billion of equity and debt capital and be able to issue up to £10 billion of guarantees. The document restates existing Government plans including:

- £100bn infrastructure investment in 21-22 (increase of £30bn to 19/20),
- £600bn gross public sector investment over the next five years,
- £22bn for HS2,
- £1.3bn accelerating EV charging points; £5bn for buses and cycling infrastructure,
- £4.2bn for intra-city transport deals,
- £5bn to accelerate UK wide gigabit rollout and ensure resilient 5G networks,
- £4.8bn UK wide levelling up fund.

6 Skills:

The Plan for Growth highlights 'creating opportunities to improve skills of people in all regions' as 'critical to the success of the country and ensuring a strong recovery' from the impact of Covid 19. The document outlines relative strengths of the UK – including that Universities in the UK are among the best in the world. This benefits the economy directly, with UK universities and their international students and visitors supporting over 940,000 jobs in 2014-15 alone. Despite this, the UK skills system is less competitive in areas such as technical and basic adult skills. Without intervention, the Industrial Strategy Council has forecasted that five million workers could become acutely under-skilled in basic digital skills by 2030. Government proposals include:

- Investing £2.5 billion as part of the National Skills Fund to improve the technical skills of adults in England including £270 m to establish 20 Institutes of Technology.
- The Lifetime Skills Guarantee to enable access to lifelong learning through free fully funded Level 3 courses in business, engineering, health and social care, and digital.
- Employer-led skills bootcamps rolled out from April 2021; 12-16 week training courses linked to guaranteed job interviews that support adults in retraining, topping up skills or gaining new specialist skills.
- The Government will focus on the quality of apprenticeships and take steps to improve the apprenticeship system for employers, through enabling the transfer of unspent levy funds and allowing employers to front load apprenticeship training.

7 Innovation:

Innovation is underlined as a 'key driver of economic growth,' in the document, with the UK ranking 4th out of 131 economies in the Global Innovation Index. It also highlights that currently, only 29% of businesses agree that the existing regulatory framework supports them in introducing new services and products to the market. As such, the Government is committing to regulatory reform to support businesses. Government commitments include:

- Next year, £14.6 billion will be invested in research, innovation grants and facilities, and aims for both public and private investment in R&D to reach 2.4% of GDP by 2027.
- A new £375 million Future Fund: Breakthrough product to address the scale up gap for the most innovative and R&D intensive businesses. The British Business Bank will take equity

in larger funding rounds led by private investors to ensure these companies can access the capital they need to grow and deliver prosperity to communities across the UK.

- Help to Grow: Management scheme aims to upskill 30,000 SMEs in the UK over three years, delivering a curriculum developed in partnership with industry.
- Help to Grow: Digital scheme will help 100,000 SMEs save time and money by adopting productivity-enhancing software.
- These measures supplement the recently announced £800m investment into the Advance Research and Invention Agency.

The Government is also committed to introducing an elite point-based route to attract the best and brightest to the UK via a fast-track visa system.

8 Levelling Up:

The Government has referred to its levelling up agenda as its 'most important mission', as they seek to address geographic disparities in key services and outcomes, like health, education, and jobs. Current plans outline the aim for every region and nation of the UK to have at least one globally competitive city. This will be achieved through:

- City and Growth Deals,
- 44 new Town Deals through the Towns Fund and a £4.8bn Levelling up fund,
- £4.2 billion in intra-city transport settlements from 2022-23, and
- Transforming Cities Fund investment to 2022-23.

We will need to demonstrate how future investment in Buckinghamshire can support the wider levelling up agenda by demonstrating how investment, particularly in R&D in Buckinghamshire would translate to production capacity elsewhere in the UK.

9 Net Zero:

Achieving the UK's target of net-zero by 2050 will require significant investment and is a 'major opportunity for economic growth and job creation across the country' as stated in the report. Delivering on the commitments outlined in the Prime Minister's Ten Point Plan for a Green Industrial Revolution will require 'significant private sector investment,' and will support up to 250,000 highly-skilled jobs. The report returns to earlier commitments in the 10-point plan including:

- Supporting up to 60,000 jobs in the offshore wind sector, 50,000 jobs in carbon capture, usage and storage (CCUS) and up to 8,000 in hydrogen in our industrial clusters forms a critical element of the Government's net zero strategy.
- This includes working with industry, aiming to generate 5GW of low carbon hydrogen production capacity and capture 10Mt CO₂/year using CCUS by 2030.
- Ending the sale of new petrol and diesel cars and vans in 2030.

The Government estimates that the UK infrastructure Bank will provide financing support to help 'crowd in' private capital to help develop and scale net zero infrastructure.

10 Global Britain:

The report restates the Government's belief that the UK's prosperity is 'built on global integration.' Following the UK's exit from the European Union, the UK can 'also take advantage of new opportunities in international trade.' Cooperation with international partners on global issues in the interest of domestic priorities and growth, and the UK's G7 Presidency and hosting of COP26 will 'ensure Britain leads progress on a shared agenda between likeminded countries.'

The Government plans for the UK to demonstrate openness to free and fair trade to strengthen the multilateral system through:

- The development of global principles, norms and standards on emerging areas not currently part of the existing international rulebook.
- Preferential agreements and bilateral trade relationships to directly expand trading opportunities for UK businesses.
- Join the Comprehensive Agreement for Trans-Pacific Partnership, which supports the goal of agree trade agreements covering 80% of UK trade by 2022.
- Continue to engage bilaterally to remove market access barriers overseas outside of trade agreements.

The development of a new export strategy will more ‘greatly align support for exporters with the Government’s existing sectoral priorities.’ The Government is planning to increase UK Export Finance lending capacity to £8 billion will provide additional support for exporters and is also proposing a £38m Internationalisation Fund to support up to 7,600 SMEs to grow their overseas trading and strengthen their business.

- 11 The proposed Buckinghamshire Growth Deal is now being reviewed to ensure that it aligns with the Plan for Growth and to support individual departmental discussions that aim to build upon the positive initial meeting with Rt Hon Robert Jenrick MP Secretary of State for Housing Communities and Local Growth. Andrew Smith has lined up a meeting for a Buckinghamshire delegation with the Rt Hon Kwasi Kwarteng MP Secretary of State for Business, Energy & Industrial Strategy on March 29th and separate discussions are being held with senior officials from DWP and DIT to help strengthen direct liaison with departments.
- 12 One of the first funding opportunities will relate to the new Levelling Up Fund, where there is the opportunity for a project to be submitted for each Parliamentary Constituency as well as an additional submission for Buckinghamshire as the local Transport Authority. Levelling Up Fund applications will need to be submitted by local authorities and the LEP Executive are closely involved in the programme development to ensure alignment with economic strategy and to signpost where appropriate more suitable funding routes. Submissions will need to be made by June 2020 and the proposed projects being developed for submission will be presented to the May meeting of this board for consideration.
- 13 We were also pleased to see that the Government Commitment to a National Space Strategy was also announced within the Budget. The new strategy, which is planned to be launched in June is to be developed jointly by BEIS in partnership with the UK Space Agency and will seek to address what the global space industry looks like now and in 10 years and what is the UK's space offer and how can it be delivered over the next decade. We are increasingly confident that with the recent investment by One Web at the Westcott Innovation Centre, providing added momentum to the Space Cluster that Westcott will feature prominently within this strategy. Our forthcoming dialogue with the BEIS SOS and the UK Space Agency will seek to reinforce the unique role that the Westcott Enterprise Zone should play.
- 14 At the last meeting of this board we were requested to invite a representative from the England’s Economic Heartland team to provide an update on the Regional Transport Strategy. Following the budget announcements and the recent conformation that the Oxford to Cambridge Expressway has been scrapped we have invited Naomi Green the Transport Strategy Manager at EEH to provide an update on the Net Zero proposals within the strategy that are being promoted as an alternative to the Expressway.

Board members are asked to:

- i. **Note the content of this report and comment on the proposed actions being undertaken to align our work programme and strategy with the latest government policy to secure resources for the Buckinghamshire economy.**