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**Report to:** Business Innovation and Growth Panel

**Date:** 7 December 2017

**Subject:** Local Inclusive Industrial Strategy

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## 1 Purpose

- 1.1 To inform BIG Panel of the move towards a local industrial strategy, putting the region's tech strengths to the fore of creating a growing and more inclusive economy.
- 1.2 Based on that tech focus, the report also outline findings and opportunities from recent national policy recommendations on:
- Industrial digitalisation and the future of manufacturing in the digital age;
  - An emerging textiles cluster;
  - A local digital framework.

## 2 Information

### Modern Industrial Strategy

- 2.1 Earlier this year the government consulted on an Industrial Strategy green paper with the aim of *"improving living standards and economic growth by increasing productivity and driving growth across the whole country"*.
- 2.2 The LEP and West Yorkshire Combined Authority welcomed its direction, but called for a much clearer role for 'place' to join-up the interventions that together help local economies make the most of their specific opportunities and challenges. This decentralised approach is key to overcoming the UK's competitiveness challenges and regional imbalance.
- 2.3 The Industrial Strategy White Paper was published on 27 November. Its aim is to drive growth, boost productivity and earning power for a post 2030 economy. This will be achieved by making the most of technological advances. The 10 pillars had been reorganised into 5 drivers that will form a long-term framework that will not be subject to change:
1. Business – backing businesses;
  2. People – making sure people have skills to access jobs and deliver growth;
  3. Ideas – not just focusing on innovation;
  4. Infrastructure – physical, digital and market regulation; and
  5. Place – how do we make the most of places?

- 2.4 Following this, the LEP Board (29 November) resolved to initiate a local inclusive industrial strategy which will replace the existing SEP. This will be a single, bold top-level city region strategy owned by both the LEP and Combined Authority, with inclusive growth at its core.
- It will have a different ‘look and feel’, providing an agile and live strategic framework, with sections that might form mini strategies in their own right;
  - The Leeds City Region approach will be **focused on tech** to differentiate it with other local industrial strategies, and build upon a sector and enabler where the region has a genuine comparative advantage and growth potential;
  - It will have an expanded policy remit compared to the current Strategic Economic Plan, covering the direct and indirect determinants of inclusive growth, such as how culture and sport contribute to the status and identity of thriving places;
  - It will be ambitious, seeking to achieve the four key challenges identified by the LEP Board of (i) addressing growing productivity gap, (ii) increasing business investment in R&D, (iii) boosting stalled living standards and (iv) tackling stubborn deprivation in disadvantaged neighbourhoods;
  - It will highlight how the city region plans to make the most of potential devolved powers and resources.
- 2.5 Some elements of this approach can be put into practice quickly. For example, item 7 describes how established programmes and policies can be refined to use the leverage of public grants to drive better inclusive growth outcomes.

### Industrial Digitisation

- 2.6 In October 2017 Government published the **Made Smarter Review**<sup>1</sup>, an industry led review exploring how UK manufacturing can maximise benefits from increasing adoption of digital technology (sector deal).
- 2.7 The independent review, led by Juergen Maier, CEO Siemens UK, sets out how UK manufacturing can be transformed through the adoption of industrial digital technology. The report suggests that over 10 years industrial digitalisation could boost UK manufacturing by £455bn, increasing sector growth up to 3% per year and creating a net gain of 175,000 jobs whilst reducing CO2 emissions by 4.5%.
- 2.8 The review focuses on three priority areas informed by understanding of the three main challenges business face. They are:
- **Leadership:** more ambitious, informed and focused leadership;
  - **Adoption:** more widespread adoption of industrial digitisation technologies across supply chains, especially within SMEs;
  - **Innovation:** faster innovation and creation of new IDT companies/value streams and new capabilities to sustain UK competitive advantage.

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<sup>1</sup>[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/655570/20171027\\_MadeSmarter\\_FINAL\\_DIGITAL.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/655570/20171027_MadeSmarter_FINAL_DIGITAL.pdf)

- 2.9 To inform this national review, the Digital Catapult commissioned a report into **The Future of Manufacturing in the Digital Age**. This focused on the Leeds City Region and was led by Huddersfield University on behalf of Digital Catapult.
- 2.10 The aim of the study was to gain insight into the current state of digital manufacturing in the region and the appetite and barriers to digitalisation. The emerging recommendations include:
- An acknowledgement that the Digital Catapult has a pivotal role to play in driving forward the Digital Manufacturing agenda in the UK and in particular in supporting adoption of new and innovative digital technologies and the transfer into manufacturing of technologies developed in other sectors.
  - There is a need for manufacturers in the region to have access to a technology and knowledge brokerage service through trusted bodies and initiatives designed to broker and facilitate partnerships between manufacturers, universities and innovative digital technology companies.
  - The need to generate a range of persuasive use cases and case studies, together with a cohort of business champions willing to demonstrate and promote the uptake of Digital Manufacturing in the region.
  - The creation of a grant funding opportunity specifically designed to support manufacturers to help de-risk digital investments in their workplace.
  - The Region's LEPs, working with partners in the development of a network of regional (connected) Digital Manufacturing Demonstrators.
  - The Digital Catapult and other national bodies need to invest resources and priority in understanding the human factors (including user acceptance/ change adoption) relating to the digital transformation of manufacturing.
  - There should be a national drive to help stimulate data analytical talent in UK industry.
- 2.11 Ian Sharp from the Digital Catapult Centre Yorkshire will talk the Panel through the report, emerging recommendations and opportunities to take forward this agenda.
- 2.12 The Made Smarter Review identifies textiles as one the key sectors which could benefit significantly from improved digitalisation. To progress this idea of developing **a textiles cluster**, a meeting was held in late November with key stakeholders in this space, including University of Huddersfield, Leeds University, Textiles Centre of Excellence, Digital Catapult, Innovate UK and a number of businesses. Liz Towns Andrews will talk the Panel through the discussion of the meeting and outcomes.

#### Local approach to tech and digital

- 2.13 The tech focus of the local industrial strategy will include four related dimensions:

- ***the digital tech sector*** – led by champions from the region’s digital tech firms, this will articulate and champion the city region’s ambitions across smart cities and the Internet of Things agendas. It will draw on local strengths with a Tech City and specialisms like data analytics, cyber security and applying digital to rapidly growing sectors like fin tech, med tech and creative industries.
- ***every business a tech business*** – this covers the potential of technology across all industries – with this report giving examples across manufacturing and textiles. It will particularly focus on how private sector leadership can accelerate the adoption of technology across businesses to drive productivity as a way of improving living standards. It is important to align with activity by the Employment and Skills Panel to examining the implications of automation on work.
- ***digital skills and inclusion*** – covering ‘digital literacy’ across society as well improving the supply of high-level digital skills for the growing industries. For example, this will ensure that devolved powers and resources via new Skills Advisory Panels according to the economy’s primary needs.
- ***digital infrastructure*** – where public and private partners combine to provide the infrastructure (broadband, 5G) so business and all residents have the connectivity they need to grow and participate in society.

### **3 Recommendations**

- 3.1 That the panel note the emerging work on local industrial strategy, putting tech at the fore to drive inclusive growth outcomes;
- 3.2 That the panel note national and local activity on the recommendations of both the reviews and suggest ways to take forward this agenda in Leeds City Region.
- 3.3 That the panel Provide views on the direction of the city region approach described.