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Report to: LEP Board
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Subject: Industrial Strategy update

1 Purpose

1.1 The purpose of this paper is to:

- update the LEP Board on the development of a single, bold city region strategy, owned by both the LEP and WYCA that provides a compelling proposition using the city region's tech assets and opportunities to deliver inclusive growth outcomes.

1.2 To realise this, the report seeks the views and direction of the LEP Board on:

- an updated Leeds City Region strategic framework;
- expressing the draft vision in ways that speak to different audiences in a meaningful way;
- an overview of the different funding streams identified in government's Industrial Strategy White Paper, and how a compelling proposition might secure investment;
- initial priorities and proposals that could form the core building blocks of our local, inclusive industrial strategy; and,
- an 'open policy' approach that harnesses the views and influence of partners in co-producing a compelling, bold city region proposition.

2 Background Information

Agreement to develop a single, bold city region strategy

- 2.1 At the last LEP Board on 29th November, it was agreed to begin the development of a local, inclusive Industrial Strategy (LIIS) as a replacement for the Strategic Economic Plan (SEP). Building on the SEP, this will form a key component of an agile, long-term strategic framework aimed at driving growth, boosting productivity and earning power for a post 2030 economy.
- 2.2 There is an ambition to deliver at pace with the intention to present a compelling plan that further transforms the City Region. The aim is to position the City Region so

that it forms part of the first wave of Local Industrial Strategies agreed by government by March 2019.

2.3 An indicative timeframe for development of our strategy is provided below:

- Short-term (January/February 2018): high level messages, including an emerging vision and statement of intent for the City Region that will be used as a mechanism for engagement with government and local stakeholders; and
- Long-term (pre-March 2019): publication/submission of the LIIS, subject to further guidance from government.

2.4 It is important to note that the Leeds City Region currently does not have access to further government support for a local industrial strategy, unlike Mayoral Combined Authorities who have access to £12m over two years to increase capacity and resources, in addition to committing civil servant support to co-produce local industrial strategies.

An agile long-term strategic framework

2.5 Crucially, our policy framework needs to provide room for bold, long-term planning. Recommended core principles for our new strategic framework include:

- a different ‘look and feel’, providing an agile and ‘live’ strategic framework, with sections that might form mini strategies in their own right;
- a focus on tackling the key challenges the City Region faces:
 - Productivity Gap is increasing;
 - Innovation and R&D are very low;
 - Living standards have stalled; and
 - Stubborn deprivation persists
- to reflect the City Region’s expanded policy remit, covering the direct and indirect determinants of citizen experience and inclusive growth¹, such as how culture and sport contribute to the status and identity of thriving places and prompt diversity of thought, stimulating innovation across communities;
- to build on our core strengths e.g. our concentration of science, research and innovation assets; our globally-competitive manufacturing sector and vibrant digital-tech sectors, such as medical technologies, Fin-tech and Agri-tech;
- to guide decision-making over a refocused programme of activity to more clearly drive inclusive growth outcomes; and,

¹ **Inclusive Growth** is broad based growth that enables the widest range of people and places to both contribute to and benefit from economic success. Its purpose is to achieve prosperity alongside greater equity in opportunities and outcomes.

In Leeds City Region, we believe that only by integrating economic and social policy will we achieve *Inclusive Growth*. Our aim is to address social exclusion, inequality and put forward economic interventions that jointly achieve the best outcomes and opportunities for our citizens.

- to place the City Region on the front-foot with an ambitious policy platform that improves competitiveness and ensures the benefits are shared fairly.

2.6 The diagram in Annex 1 presents the proposed strategic framework for the City Region, followed by a summary of the key messages emerging from an exercise to map the headline priorities of the SEP and associated delivery plans / strategies, against the overarching objectives of the Industrial Strategy’s ‘five foundations of productivity’.

Developing a compelling and transformative narrative for the City Region

2.7 One of the actions agreed at the LEP Board was to commence work on the development of a compelling and transformative vision narrative for the City Region. The starting point is the sentiments of the existing SEP vision:

“THE LEEDS CITY REGION WILL BE A GLOBALLY RECOGNISED ECONOMY WHERE GOOD GROWTH DELIVERS HIGH LEVELS OF PROSPERITY, JOBS AND QUALITY OF LIFE FOR EVERYONE”

2.8 The narrative below is an indicative illustration to express for a particular audience what life in 2035 might be like if we deliver economic and social transformation. Other ‘expressions’ can be developed for different audiences and communicated in appropriate language and formats.

LEEDS CITY REGION 2036: TRANSFORMED BY TECH

It is 2035. Sarah and Kareem plan their day over breakfast. Sarah’s smartphone confirms the autonomous vehicle booking to get Muhammed to his free child care. He waves as he gets on board, chatting excitedly with his friend Ruth about the coding club they will be attending at the primary school where the children’s centre is located. Kareem cycles to Bradford’s new Rail Hub for his 9.00am train to London, where he is meeting clients at an investment bank, who are interested in his company’s digital trading platform with enhanced security features, developed on the back of the city region’s world famous strengths in data security. He will be back in time to meet Muhammed when his autonomous vehicle returns him home.

Sarah walks to her urban transit stop and meets her friend Sam. They met working in retail, but having retrained in the mid-2020s, both now work at an engineering company in Dewsbury which produces digitally enabled artificial hips, this family owned business, part of the city region’s med-tech cluster, has seen its workforce double in size over the last 10 years and its output quadruple, with export markets in North America and East Asia performing particularly strongly since the full implementation of the UK’s free trade agreements with these areas in 2031.

On the tram, Sam checks his smartphone to confirm when his mum’s virtual consultation on the management of her diabetes is due. Since her husband died, Thelma has moved to a new flat with integrated health and care provision that has enabled her to stay out of hospital, despite last winter’s national flu pandemic. The flat was one of the first in the neighbourhood to be converted to hydrogen in 2030 and the reduction in heating costs that this clean technology provides means that Thelma was able to stay warm throughout the winter.

Thelma’s primary designated carer, Lauren, started her career as a care assistant 15 years ago. She is studying on-line to develop her IT skills to level 5, to enable her to move to a more senior role at her provider, leading on the remote, digital delivery of integrated care packages, bringing together NHS and local authority provision.

On her way to the Stormzy 20th anniversary retrospective concert at the Leeds Arena, Lauren spots the BBC News alert which highlights the latest ONS economic reporting. Leeds City Region has for the second year running achieved more than £100bn in economic output with productivity per head now exceeding the national average and second only to London.

This is our future; let’s all work together to create it.

Industrial Strategy: Opportunities for investment

- 2.9 The national Industrial Strategy White Paper and Autumn Budget Statement included over 40 different funding pledges (many of which had been announced previously by the Government). Opportunities for LCR to engage with the funding opportunities have been mapped against existing priorities of the SEP, and alignment with current funding streams.
- 2.10 While further details are awaited, initial analysis of the national Industrial Strategy mapped against the SEP priorities has highlighted a number of promising areas including:
- The £1.7bn Transforming Cities Fund for projects that improve intra-city connectivity, reduce congestion and utilise new mobility services and technology (it is worth noting that this will be a competitive fund with half of the money already allocated to areas with a Mayoral Authority);
 - A £115m 'Strength in Places' to build on Science Innovation Audits (SIAs) - this will be a competitive fund and evaluated in 2020/21, and will provide the opportunity to build upon regional SIAs in Med-Tech and the Bio-economy;
 - Increases in Higher Education Innovation Funding (HEIF) to be used to meet the innovation needs of local businesses, contributing to regional development
 - An increase in the National Productivity Investment Fund of £8bn targeted at areas that will have the biggest impact on productivity;
 - An Industrial Strategy Challenge Fund pot of £725m including funding for areas such as healthy ageing and clean growth which align with LCR strengths. The Ageing Society grand challenge in particular could provide a platform for LCR to review productivity in the care sector to develop innovative new business models;
 - In parallel with the Industrial Strategy, the Government's Clean Growth Strategy includes a number of funding streams of relevance to LCR, including around £3.6 billion of investment to upgrade around a million homes through the Energy Company Obligation (ECO), and extend support for home energy efficiency improvements until 2028 at the current level of ECO funding;
 - The Shared Prosperity Fund consultation expected in the New Year will provide an opportunity for LCR to make the case for investment that supports inclusive growth, in particular in support of skills and employability activities which have less clear funding opportunities outlined in the Industrial Strategy.

Emerging priorities for our Local Industrial Strategy

- 2.11 Further guidance is awaited from government on the approach and process that will be adopted to develop Local Industrial Strategies during 2018. Work has commenced to identify a number of priorities and 'big ideas' that could form the core building blocks and focus of our Local Industrial Strategy.

A summary of these emerging proposals and ideas is provided below:

1. Transformative private sector leadership in the Leeds City Region to tackle the growing productivity gap.

We need a productivity revolution; one that is led by the private sector by harnessing the collective power of business groups, business intermediaries like banks and accountants, and public business support, where businesses are clear of the challenge and there is 'no wrong door' to high quality advice to improve productivity. Real term living standards can only be increased sustainably by increasing productivity.

2. The Leeds City Region Transformed by Tech

Technology changes the world – and the LCR has significant private and public tech assets to extend its reputation for tech. Businesses invest relatively little in R&D and there are opportunities to test how to best prompt and channel investment in technology, innovation and R&D to transform our economic base. We need to deliver the LCR Med-Tech SIA as a 'proof of concept' to learn how orchestrated academic, public and private action can unlock R&D and innovation, driving investment, productivity and growth.

3. Maximising the impact of HS2 and Northern Powerhouse Rail through the development of inclusive growth corridors in the Leeds City Region

Deprivation is stubborn, while new infrastructure and the power of agglomeration brings new good jobs, we have to do more to ensure that all communities are able to take these opportunities. We therefore need to deliver inclusive growth corridors alongside local communities so everyone – and particularly those in the most disadvantaged areas – are connected to opportunities. A series of corridors will connect major communities, including some of the most deprived, to HS2. The plans will cover housing and employment, flooding and social policy as well as the transformational connectivity and the opportunities around new technologies required to support each of these.

2.12 These ideas and proposals build on the 10 Headline Initiatives presented in the SEP (e.g. the headline initiatives) and the long-term priorities set out in our Autumn Budget submission, such as:

- An ambition to become a global digital centre, with specialisms in data storage, analytics, digital health and tech;
- To implement co-ordinated and wide ranging action to radically increase innovation;
- To deliver a more jobs, better jobs programme and the need to close the gap in relation to high level skills and to tackle employability issues;
- Our intention to drive forward the development of our Spatial Priority Areas through integrated investment and move beyond the improved connectivity that will result from the Transport Fund towards a single integrated public transport network.

Our Approach to Policy Development

2.13 It is our intention to adopt an open and inclusive approach to the development of the LIIS, working with the CA/LEP's Advisory Committees, and with strong engagement in particular with:

- Districts, building on the excellent work done and ongoing to develop their local inclusive growth/economic/industrial strategies
- Universities, making the most of their research assets and role as local anchor institutions
- Business representative groups, as key actors representing the views of the private sector in the city region and deep knowledge of the barriers to improving productivity and boosting earning power.

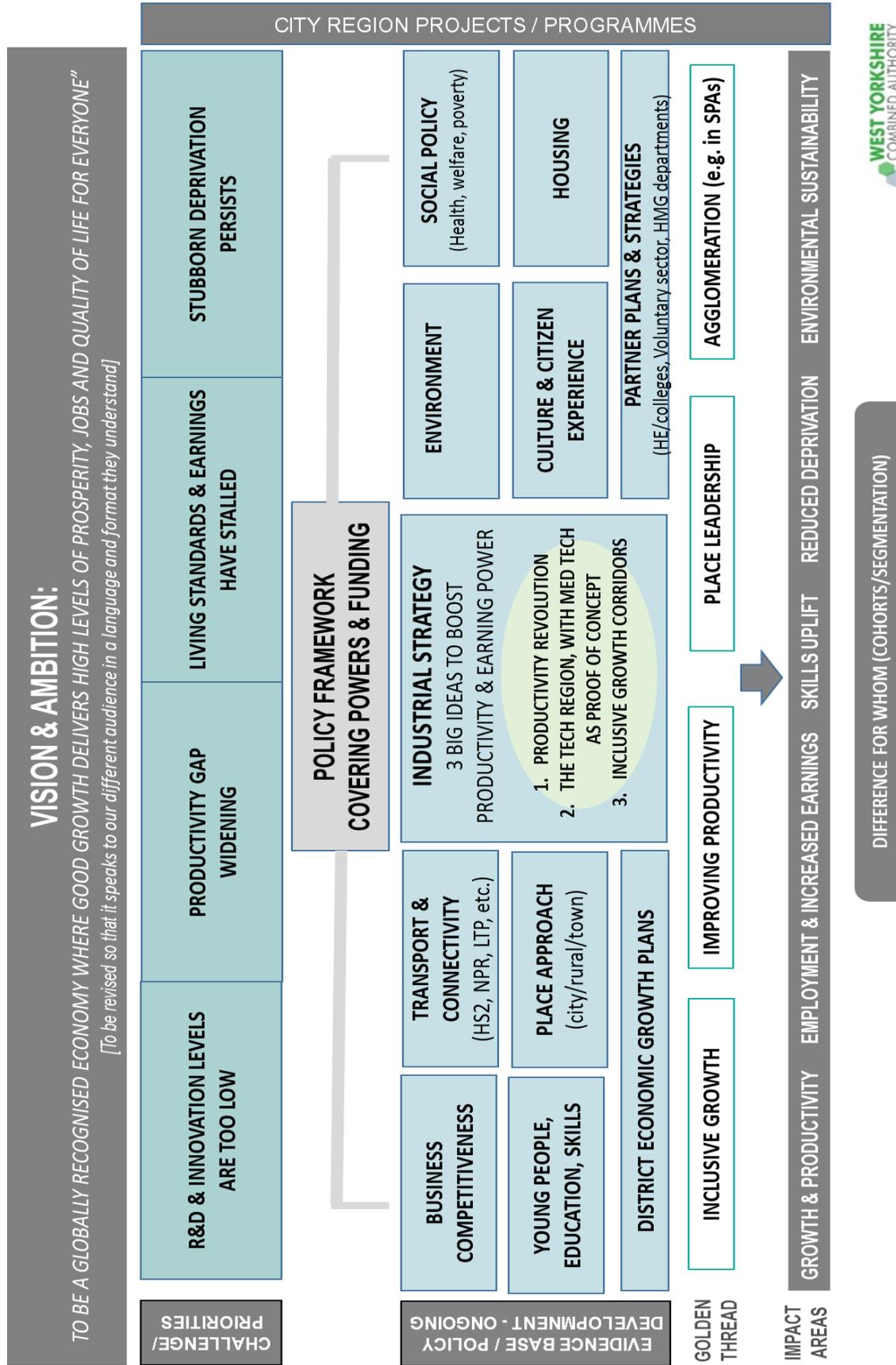
2.14 A key part of securing widespread buy-in and support will be to ensure we have a shared vision for our future economy (and society – see 1.7 above). Subject to the views of the LEP Board, Communications & Marketing will develop a range of ways to engage with stakeholders on our vision, developing alternative and additional perspectives that demonstrate how, with the right interventions, all parts of the city region and all its residents can be transformed.

3. Recommendations

3.1 For LEP Board to provide direction on:

- an updated Leeds City Region strategic framework;
- expressing the draft vision in ways that speak to different audiences in meaningful ways;
- an overview of the different funding streams identified in government's Industrial Strategy White Paper and how a compelling proposition might secure investment;
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Annex 1: Leeds City Region Strategic Framework



Mapping the Industrial Strategy to our current Strategic Framework

Following the publication of the national Industrial Strategy White Paper, a light touch review of the headline priorities of the SEP and associated delivery plans / strategies, mapped against the overarching priorities of the Industrial Strategy's 'five foundations of productivity' was undertaken. The review looked at LCR's existing funding streams and the potential for new funding opportunities as outlined within the Industrial Strategy.

Key messages emerging from the headline review include:

- At a strategic level, the SEP's headline priorities have a strong fit with the overarching objectives of the national Industrial Strategy, and broadly align to the policy areas depicted in the diagram above. These priorities are supported by funding objectives outlined in the LCR ESIF strategy and the priorities of the LCR Growth Deal submission.
- LCR currently has well developed plans in place in relation to employment and skills, transport, the environment (including green infrastructure and flooding), and aspects of business engagement activity (such as trade and investment). There are clear opportunities for further development of policy in these areas (focused on delivery), building on a strong track record and aligned with the Industrial Strategy.
- Building upon LCR's engagement with universities (including on ESIF projects such as Access Innovation), and involvement with Science and Innovation Audits (SIA) provides scope for further development in this area. Innovation policy development aligned to key sector strengths in LCR (particularly Med-tech and Agri-Tech) is a clear opportunity.
- Further development on delivery plans and priorities is also needed in relation to, housing, digital, connectivity, spatial priority areas/integrated infrastructure, and culture. Culture in particular has a role in the foundation of 'place' within the national Industrial Strategy, providing a clear basis for development of a LCR approach.
- The Government's recently published 'Social Mobility Strategy' makes the link between educational attainment and imbalances in regional inequality as one of the key drivers of productivity variation across the country. Educational attainment and school standards is not currently embedded within the SEP objectives or LCR delivery plans, with priorities currently focused on enterprise and business engagement in schools. Further work with partners will be required to develop this policy area linking to the inclusive growth agenda.
- Social policy (including health and welfare) is a new area of policy for LCR and not reflected in current plans and strategies. Building upon existing approaches to inclusive labour market activities such as those supported in the ESIF strategy, has strong potential to deliver against an inclusive growth agenda, in particular with a focus on early intervention and prevention.
- LCR's existing energy activities provide a platform for further policy development in clean energy, the Government's Clean Growth Strategy provides an excellent national framework to shape local delivery.