
Report to: Business Innovation and Growth Panel

Date: 7 March 2018

Subject: **Local Inclusive Industrial Strategy**

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1 Purpose of this report

- 1.1 The purpose of this report is to update the Business Innovation and Growth Panel on progress towards the development of a local inclusive industrial strategy which will sit at the centre of a new agile policy framework for the West Yorkshire Combined Authority.

2 Information

Local Inclusive Industrial Strategy

Overview of Local Inclusive Industrial Strategy Proposals

- 2.1 The Government's national Industrial Strategy White Paper published in November 2017 sets out five foundations of productivity which will deliver a transformed economy: ideas, people, infrastructure, business environment and place. As part of the place foundation, the government will agree local industrial strategies with Local Enterprise Partnerships (LEPs), approving the first wave in March 2019. Local industrial strategies will help identify priorities to improve skills, increase innovation and enhance infrastructure and business growth, including guiding the use of local funding streams and spending from national schemes.
- 2.2 At the Leeds City Region Enterprise Partnership (LEP) Board on 29 November 2017, plans to begin the development of a local inclusive industrial strategy were agreed. This decision was endorsed by West Yorkshire Combined Authority on 14 December 2017. Progress reports on the development of a local inclusive industrial strategy have been discussed at the most recent meetings of the LEP Board and West Yorkshire Combined Authority.
- 2.3 There is an ambition to deliver the local inclusive industrial strategy at pace with the intention to present a compelling plan that further transforms the City

Region and builds on current activities and best practice. The aim is for the City Region to form part of the first wave of local industrial strategies agreed by government in March 2019.

- 2.4 The diagram included as **Appendix 1** of this report presents the proposed 'new' strategic framework for the City Region which was considered and welcomed by the LEP Board on 16 January 2018, and by the West Yorkshire Combined Authority on 1 February 2018.
- 2.5 The new policy framework will be structured to support delivery aimed at tackling four challenges:
- the productivity gap is widening
 - research & development and innovation levels are too low
 - living standards and earnings have stalled
 - stubborn deprivation persists.
- 2.6 The intention is to adopt an open and inclusive approach to the development of the local inclusive industrial strategy, working closely with the LEP Board, West Yorkshire Combined Authority and relevant advisory committees (including the Business Innovation and Growth Panel). Engagement will be sought 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 and deep knowledge of the barriers to improving productivity and boosting earning power.
- 2.7 This engagement will support further development of the framework, including establishing a clear set of ambitions and associated outcome measures and targets. Informal contacts with Government suggest that there is an opportunity in the period before more guidance is provided to develop a local approach that is truly ambitious and addresses local challenges.

Emerging priorities for the Local Inclusive Industrial Strategy

- 2.8 Further guidance is awaited from government on the approach and process that will be adopted to develop local industrial strategies. Work has commenced to identify a number of priorities and 'big ideas' that could form the core building blocks and focus of the local industrial strategy.
- 2.9 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.**

The productivity gap is growing between the Leeds City Region, UK and other advanced economies which limits residents' living standards. This is most likely a result of a long tail of unproductive firms, below average private sector investment in innovation and lower levels of skills.

As the largest city region outside London, addressing the Leeds City Region's relatively poor productivity is a major part of the UK answering its productivity puzzle. Widespread progress for firms with less-than-average productivity could potentially unlock the majority of a £10 billion productivity dividend and see firms generating the returns that make paying a real living wage sustainable.

To address these challenges, a private sector led 'productivity revolution' is required so that businesses collaborate to compete better. This needs to be spearheaded by private sector champions, harness the collective power of business groups and intermediaries, including banks and accountants and be linked effectively with public business support provision.

Coordinated activity might cover:

- **Business Leadership:** supporting a more joined-up approach to business support which includes a 'No Wrong Door' agreement on business support across public and private intermediaries, better analysis of firms' productivity and widespread understanding of the importance of the role improved productivity on helping enhancing living standards.
- **Good work:** more inclusive labour markets with better progression and flexibility – linked to government's 'good work' response to the Taylor Review of modern employment practices, helping businesses access best welfare advice and other inclusive practice.
- **Innovation:** a Digital Framework for the city region and best practice in supply chains digitisation; and
- **Investment:** testing new ways for public funded support to help businesses increase their investment in technology, innovation and R&D to help improve productivity and attract and develop inward investment.

(2) **The Leeds City Region Transformed by Digital Technology**

Digital technology is transforming the world – and the City Region has significant private and public sector assets on which to transform the regional economy. Currently businesses invest relatively little in Research, Innovation and Development (RID) and there are opportunities to test how to stimulate investment in digital technology and RID to transform the economic base.

A strategic priority is to demonstrate how digital can transform the medical technology sector in the Leeds City Region and beyond. This requires the delivery of the Leeds City Region Med-Tech Science and Innovation Audit as a 'proof of concept' for other areas of tech (e.g. Fintech, Clean Tech,

Agri-tech, etc.) to learn how orchestrated academic, public and private action can unlock R&D, driving investment, productivity and growth.

A report on the Leeds City Region's digital framework is included as agenda item 7.

(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, more needs to be done to ensure that all communities are able to take these opportunities. A series of corridors will connect major communities, including some of the most deprived, to the opportunities that HS2 will bring to the City Region. Plans will be developed for these corridors covering 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.

- 2.10 These emerging ideas and proposals build on the priorities set out in Leeds City Region Autumn Budget (2017) submission to Government, recognising that the local industrial strategy needs to unlock productivity and tackle the challenges the City Region faces in terms of stubborn levels of deprivation and stalled living standards. If the City Region's productivity were to be raised just to the national average level, its economy would be more than £10 billion larger.
- 2.11 The approach adopted by the LEP and Combined Authority to develop the local industrial strategy will be informed by the significant evidence¹ that investing in a business' workforce and generally treating people well is important in supporting all other productivity interventions, and can give a significant boost to productivity on its own. The desired outcome would be to see a more virtuous cycle between labour investment, the quality of people and performance, operational performance and the effects upon sales and profits.

Supporting strategies and policies

- 2.12 Alongside the local industrial strategy, separate plans are being developed in order to support specific areas of policy. Where new plans are being developed, work is ongoing to ensure that they align with the local industrial strategy and broader policy framework priorities. This includes a Digital Strategy and a Clean Growth Strategy for the City Region is likely to be published in the spring. Where delivery plans are already in place, (for example employment and skills), these plans are being reviewed and where appropriate refreshed, to ensure they align with the local industrial strategy and to identify any gaps where further work may be required.

¹ Examples of research include:

- Zaynep Ton (2014) The Good Jobs Strategy
- BEIS (2012) Leadership & Management in the UK – the Key to Sustainable Growth; and
- PwC <https://www.pwc.co.uk/services/human-resource-services/work-well-programme.html>

3 Financial Implications

3.1 There are no financial implications directly arising from this report.

4 Legal Implications

4.1 There are no legal implications directly arising from this report.

5 Staffing Implications

5.1 There are no staffing implications directly arising from this report.

6 External Consultees

6.1 No external consultations have been undertaken.

7 Recommendations

7.1 That Business Innovation and Growth Panel members note the updates on development of a local inclusive industrial strategy and feedback any thoughts on the strategic framework and emerging proposals, including the ways in which Panel members would like to be involved in future development of the proposals.

8 Background Documents

None.

9 Appendices

Appendix 1 – Leeds City Region Strategic Framework