

**LEEDS CITY REGION
LOCAL INDUSTRIAL STRATEGY
EVIDENCE BASE DEVELOPMENT**

Key elements of the evidence base for the Local Industrial Strategy are:

- **Call for Evidence:** ensuring that we have a wide range of material and access to key research and intelligence
- **Economic Assessment:** updating and refreshing core economic indicators aligned to the Industrial Strategy’s Foundations of Productivity
- **External research commissions:** enhancing our understanding where there is currently a gap in the knowledge base with a focus on boosting productivity
- **BEIS analytical support:** enhancing our understanding of inclusive growth
- **Expert Panel:** to provide challenge and scrutiny of the evidence base as it develops.

Emerging findings from the development of the evidence base are set out below.

ECONOMIC ASSESSMENT

A refresh of the Leeds City Region Economic Assessment has been undertaken aligned to the Foundations of Productivity in the Industrial Strategy. Key headlines from the Economic Assessment are as follows:

Foundation	Key Findings
Place	<ul style="list-style-type: none"> • 69.6 billion economy – the biggest contributor to the Northern Powerhouse • 3.1 million people • 1.4 million workforce • 126,000 businesses - 99.6% of which are SMEs • 9 universities, 130,000 students and 40,000 graduates • UK’s largest regional finance centre • More manufacturing jobs than anywhere in the country • At the centre of the UK, within one hour’s drive of 7 million people • 4.4% of the UK’s land area, and 300,000 hectares of national parks.
Ideas	<ul style="list-style-type: none"> • The City Region has an internationally significant concentration of higher education institutions (HEIs). These HEIs help the area perform well on higher education innovation and R&D spend. • However, this does not seem to translate into similar R&D performance among the area’s business base. • Whilst surveys suggest the area’s businesses are engaged in innovation activity, data on investment suggests that this is not at levels seen in other regions.

	<ul style="list-style-type: none"> • This suggests there is potential to increase both the number of businesses innovating, and the level/intensity of innovation within businesses who are innovation active. • Similarly on exports, HMRC data suggests the number of exporting businesses in our area is not particularly low, but the value and volume of exports from our area is below that seen in other areas. • Our relatively low trade with key non-EU markets such as the US and China suggests there may be an opportunity to encourage new and existing exporters into markets further afield, which evidence suggests delivers a greater productivity gain.
Business Environment	<ul style="list-style-type: none"> • On most key indicators around employment, businesses, GVA and productivity, performance in Leeds City Region is below national levels. Whilst the area outperforms some core city LEPs on these measures, it lags behind others. • Both nationally and internationally, regions with similar industrial structures to Leeds City Region tend to have higher levels of productivity. • Whilst there is variation in productivity across the area, productivity is below the national average in all areas of our geography and the gap is not closing. • A range of factors contribute to the challenge on productivity – the area has lower levels of skills, innovation and infrastructure investment than more productive regions. The area also has a higher proportion of businesses who are less productive than similar companies elsewhere. • The area’s scale means that it has critical economic mass, and a highly diverse economy. This can however mask local specialisms. Subsectors of manufacturing, particularly textiles and food and drink, offers local specialism. Areas of professional services have seen strong employment growth in recent years, as have digital and creative sectors.
People	<ul style="list-style-type: none"> • The area faces a deficit of skills – particularly at a higher level, and this is closely associated with its performance on productivity and pay. This deficit is a function of low skills equilibrium – the deficit of skills supply is linked to a deficit of demand. • Nonetheless, higher level occupations are the main source of job growth – raising aspiration and connecting local people to high skilled openings represents a major opportunity. • The area has seen a strong recent improvement in its labour market performance but still has a significant number of people who are excluded from the labour market, with disadvantaged groups most at risk. • Apprenticeships represent a key opportunity to address employers’ specific skills needs but recent reforms have disrupted the supply of opportunities. • The area has a large HE sector but the extent to which it addresses local skills needs is limited, with graduate retention rates low relative to some comparable areas. • Employers continue to under-invest in workforce development and there is a need to improve skills utilisation. Many people are stuck in low-paid work and need support to enable them to progress their career.

Infrastructure	<ul style="list-style-type: none"> • Investment in transport infrastructure and public transport is critical to driving economic growth as transport networks allow people to access jobs, services and opportunities. The region, along with the rest of the north, has experienced historical under investment in the rail network, with particular need to improve east-west connections on the Calder Valley line / Leeds-Bradford-Halifax route, and unsustainable pressure on Leeds Station and the Transpennine line. • Housing is equally important to driving economic growth, and research reveals strong, positive productivity effects from investing in better housing outcomes, e.g. saved travel times and locating workers closer to a range of jobs that better match their skills. • In terms of modal share, the car continues to dominate, bus patronage is declining, rail use is growing (but accounts for 2% modal share of commuters) and rates of active travel are below national average (with the exception of York). • On average 69% of commuters within the districts of Leeds City Region live and work in their home district (including the 3% of commuters who work mainly work from home). However there is considerable spatial variation, ranging from 41% in Selby to 78% in Leeds. • 57% of commuters travel less than 10km to their place of work. • North Yorkshire districts also have higher rates of home working; in 2011, with Craven, Harrogate and Selby each having above average work from home rates.
-----------------------	---

RESEARCH COMMISSIONS

The following research commissions have been completed or are in the process of being completed to support development of the Local Industrial Strategy. The research commissions have been undertaken on the basis of the North and West Yorkshire geography.

Productivity Audit	
Aims	<p>To gain a deeper understanding of:</p> <ul style="list-style-type: none"> • Existing key sector strengths and challenges • Emerging sector strengths • Potential opportunities for growth in productivity and good jobs in both emerging and established sectors of the region • Potential opportunities and challenges in both emerging and established sectors.
Key Findings	<ul style="list-style-type: none"> • At the broad industrial grouping, the economy is specialised in warehousing and logistics, transport, wholesale, manufacturing in both the number of businesses and employees. • The economy is in transition as it moves from an economy that relied on large-scale heavy industry, manufacturing, textiles and agriculture to a more diverse market. Despite this, manufacturing remains important for the area, more so than in other UK regions.

	<ul style="list-style-type: none"> • The most significant export location is the US - despite this, the level of trade with the US is lower than some comparator areas. The Netherlands is the most significant import location. The value of imports coming into the region is more than twice the value of exports and for both imports and exports the share of trade with the EU is above the English average. Given this, encouraging new and existing exporters into markets outside the EU, which evidence suggests delivers a greater productivity gain, is an opportunity for Leeds City Region post-Brexit. • As well as lower levels of productivity than average, business start-ups and growth are also lower than in comparator areas. • There is interdependence between sectors which broadly matches the comparator economies of Greater Manchester and England. This belies the notion that the North and West Yorkshire are laggards in recognising the potential of transformative techniques and cross-sector opportunities. • Several categories hint at greater degrees of digital integration and business connectivity in the West and North Yorkshire than in either Manchester or England. • There is compelling evidence to indicate that there is a greater disparity in productivity performance both within and between sectors. • There is compelling evidence to indicate that businesses in the region are older (based on year of incorporation), and that there are more family-run undertakings. There was no evidence to suggest that family owned firms are less productive, and in-fact find evidence to suggest that family run firms display greater signs of high productivity related behaviour than companies under other types of ownership.
<p>Policy Implications</p>	<ul style="list-style-type: none"> • Policies should be designed to reward current success and augment existing productivity building behaviour. This means designing interventions that target well performing companies in strategically important knowledge intensive activities. In such circumstances it is more important to focus on the technologies and types of intervention rather than pure sector definitions. • Because the area lacks the presence of leading Tier 1 manufacturers, the normal role and of larger groups in spreading innovation and good practise through their supply chain needs to be replicated. In this area the role of HEIs and other institutions could be crucial. • The diversity of facilities and education assets in the region presents an opportunity for cross-sector manufacturers to operate in niche areas at Tiers 2 & 3 in the supply chain. A number of regional facilities further bolster this cross-sector focus such as the Centre for Precision Engineering and the 3M Buckley Innovation Centre which can contribute to innovation and collaboration in energy transport, health, medicine manufacturing etc. BioVale in York has begun to accelerate the growth of a bio-based cluster which will also serve multiple industries. • Interventions should be designed to appeal to smaller family-based undertakings. This means making it as easy as possible for smaller

	<p>companies to benefit from support and upskilling Interventions should not dilute share capital, control or autonomy. This is because smaller, family controlled firms are often resistant to any interventions that threaten to erode financial independence.</p> <ul style="list-style-type: none"> • The top down analysis also suggest that the areas is unusually exposed to potential dis-location caused by a Hard Brexit. Of particular note is the fact that local manufacturers source large amount of imports and intermediate product from the EU (especially Holland and Belgium). Awareness raising is needed amongst smaller businesses to better inform them about the challenges that may lie ahead and the mitigations that may be needed. • Finally, understanding of trading addresses suggests a degree of specialisation that may favour locations where certain activities are focused. To ensure social inclusivity, the design of interventions should recognise the spatial filters through which a sector based policy may operate.
--	--

Innovation Study	
Aims	<ul style="list-style-type: none"> • In-depth analysis to understand the region’s innovation culture • Understanding of how the business culture contributes to innovation performance and the role it plays in the participation in and diffusion of innovation through the region
Key Findings	<ul style="list-style-type: none"> • Business research and development (R&D) is very low despite slightly higher than average HEI spending on R&D • Low take-up of innovate UK opportunities (and other innovation support) by businesses; and, • Low interaction between HE institutions and businesses. <p>Stakeholders highlighted the following inefficiencies in the ecosystem:</p> <ul style="list-style-type: none"> • Composition of the business base i.e. predominance of SMEs and few large, Tier One businesses • A mismatch between the region’s main areas of research expertise and the local business base • Low levels of exporting • Low levels of collaboration with academia and inefficiencies in the collaboration process • Insufficient support for business to business collaboration • A need to better integrate innovation into business support services; • Lack of a major physical hub for innovation activity • Lack of a clear innovation offer to businesses which presents innovation in a way which is understandable and accessible • Lack of talent to drive innovation; and • Inadequate transport and digital infrastructure.
Policy Implications	<ul style="list-style-type: none"> • Targeted business support to raise innovation capacity: particularly developing leadership and management skills <p>Financial supports:</p> <ul style="list-style-type: none"> • fast-track assistance for businesses requiring quick turnaround;

	<ul style="list-style-type: none"> • exploring innovation grants (project viability, strategic thinking around disruptive technologies, engagement with partners outside of their own organisations for inspiration and for guidance, prototype development etc.) • Innovation vouchers to enable quick responses to technical challenges • A clear HEI offer: a clear, branded and consistent offer to businesses to access industry-focused research support and near to market solutions e.g. Technology/Innovation Gateway model • Collaboration and Networking: The region needs a process to encourage a more dynamic exchange of ideas, broker business to business solutions, and forums to extend and deepen multi-partner relationships • Identifying key opportunities to engage businesses in innovation in a meaningful way: e.g. exporting, the circular economy, digital adoption, design • A place-based approach to innovation: focused around the region's research and knowledge assets, a clear brand and investment in physical infrastructure - Innovation Gateway centres.
--	---

Digital Health Sector Report	
Aims	<ul style="list-style-type: none"> • To understand health-tech, especially digital health in the region • Understand, beyond the top line facts and figures, genuine areas of distinctive strengths and opportunities • Focus on the unique strengths and assets of distinct places and connections between the eco-system.
Key Findings	<ul style="list-style-type: none"> • There are 590 health-tech businesses in the Yorkshire and Humber region, spanning biopharma, general health-tech, med-tech and digital health categories. Leeds City Region is a key location for health-tech eco-system businesses, and particularly for larger firms. • Med-tech firms in the region have enjoyed revenue growth of c.20% in the past three • In total, the region is home to more than 124 health sector assets, including: 27 NHS organisations; c.31 health-oriented research assets; 20 clinical commissioning groups; and 11 higher education institutions. • There is significant opportunity to leverage synergies between the health-tech eco-system and other high priority industrial sectors for further social and economic benefit.
Policy Implications	<ul style="list-style-type: none"> • To maximise the strength of the combined business and asset base for economic growth in the region, it is important that the region's health-tech eco-system benefits from strong leadership and a clear identity. • The region is particularly well placed to advocate for policy directives that will advance med-tech and digital health industries in the UK and internationally. • Consider opportunities to stimulate and / or encourage open and local procurement by taking a co-ordinated approach to market engagement events and prior information notices. • There may be scope to create a digital health innovation challenge fund, which could be targeted at development and / or expansion of less prominent solution categories e.g. system manager solutions (e.g.

	<p>Smartgate) and client / patient facing solutions (hampered by data access challenges).</p> <ul style="list-style-type: none"> Options for high quality CPD exist across the region, and findings from the business survey suggest scope to better promote the availability of med-tech and digital health oriented professional development.
--	--

Further work is being carried out with a report on Clean Growth due for completion in September.

Clean Growth Audit	<ul style="list-style-type: none"> To understand the barriers, key issues and opportunities for Clean Growth development in the region To locate, quantify and gather evidence on energy and carbon intensive industries To map businesses working in the low carbon and sustainability services To develop a delivery and action plan to advance the development of clean growth in the energy and carbon intensive industries.
---------------------------	--

BEIS ANALYTICAL SUPPORT – INCLUSIVE GROWTH

Key Aims	<ul style="list-style-type: none"> Consideration of the range of issues and priorities relating to inclusive growth Interviews / focus groups to understand the range of perspectives and formulate an appropriate indicator set to baseline and measure inclusive growth; Recommendations for a set of appropriate indicators to measure the current position on inclusive growth across the two LEP areas; Collect data and undertake an analysis to understand how different areas (counties/districts) within this geography currently perform against these indicators.
Policy Implications	<ul style="list-style-type: none"> A range of indicators have been developed which will be reviewed once emerging policy priorities for the Local Industrial Strategy have been agreed.