

Director: Rob Norreys, Director of Policy, Strategy and Communications
Author: Marc Eatough



Report to: LEP Board

Date: 29 November 2017

Subject: Industrial Strategy: follow up to LEP Board Away Day

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 CA with inclusive growth at its core; and
- seek LEP Board approval to formally commit to beginning the development of Local, Inclusive Industrial Strategy (LIIS) as a replacement for the Strategic Economic Plan (SEP)

1.2 The LIIS will build on the SEP and will be an agile, long-term framework aimed at driving growth, boosting productivity and earning power for a post 2030 economy. To realise this, the report seeks the views and direction of LEP Board on:

- key themes emerging from the evidence base and the Board Away Day held on 19 September;
- how we build on the city region's submission to the Autumn Budget to inform the development of a local inclusive and place based industrial strategy;
- emerging government guidance on the likely objectives and scope of the national Industrial Strategy.

2 Background Information

2.1 Earlier this year the government launched its 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 A White Paper following consultation is expected before Christmas 2017. It is likely that this will set out how LEPs and Combined Authorities might contribute to national Industrial Strategy, perhaps by co-ordinating their own local industrial strategy bringing together local businesses, political and public sector leaders to drive growth and economic regeneration.

The City Region Operating Licence

- 2.3 The LEP Board (May) agreed proposals to review and refresh the SEP/Industrial Strategy and the WYCA subsequently resolved (August 2017) that the result of any refresh should be a single, bold top-level city region strategy owned by both the LEP and Combined Authority, with inclusive growth at its core. The new document 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 (e.g. digital);
 - have an expanded policy remit, covering the direct and indirect determinants of inclusive growth, such as how culture and sport contribute to the status and identity of thriving places;
 - guide decision-making over a refocused programme of activity to more clearly drive inclusive growth outcomes; and,
 - put the city region on the front-foot with an ambitious policy platform that improves competitiveness and ensures the benefits are shared fairly.

LEP Board Away Day, 19 September 2017

- 2.4 Before Government policy is finally determined, the LEP Board Away Day provided the opportunity for Board members to identify new proposals, determine what difference we want to make and for whom and discuss how success will be measured. The Away Day also provided the opportunity for the Board to agree how we use the development of an inclusive, place based industrial strategy as a key delivery vehicle to:
- drive improvements in the city region, building on the progress we have already made;
 - embed inclusive growth through a mix of social and economic policy against four key challenges:
 - The productivity gap is increasing;
 - Innovation and R&D is very low;
 - Living standards have stalled; and
 - Stubborn deprivation persists.
- 2.5 The session was supported with a slide pack of the evidence base, information on emerging proposals and the LCR Industrial Strategy Green Paper consultation response. A number of messages emerging from the Away Day included:
- **Sectors:** Backing particular sectors may go against the strength of the LCR economy – with a key strength being its diversity of businesses. However, it was felt that the City Region did have unique strengths in: health care (and associated technologies), Turbos, and digital/technology sector. It was noted that a focus on health care strength could fit well with the work undertaken for the Northern Powerhouse Independent Economic review.

- **Private sector-led collaboration:** Effective business networks and collaboration are important. The question was asked about whether more could be done to boost the role of Chambers and strengthen the role of existing networks – e.g. greater private sector-led collaboration to help raise the productivity of firms below the industry average?
- **Tackling the challenges facing the care sector:** The discussions highlighted that there is an opportunity to tackle the challenges facing the care sector in the LCR, particularly how technology could be used to improve productivity in the sector;
- **In-work poverty:** It was noted that in-work poverty was now higher than out-of-work poverty, but that those out of work were often the furthest from the labour market. There have been lots of programmes since the economic crisis that have focused on getting people into work who were closest to the labour market, leaving those on ESA (for example) relatively untouched.
- **Raising ambition and aspiration:** It was felt that more needs to be done to raise ambition and aspirations. This could be achieved through the provision of education and training, better information on career opportunities, and the development of career pathways that actively tackle the barriers to progression.
- **Greater adaptability in the design and delivery of support products:** Adaptability, including in the design of support products and in responding to the consequences of technological change on the labour market is critical;
- **Importance of digital skills and infrastructure:** The discussions highlighted the importance of continued investment in digital skills and infrastructure, which will be key to adapting to, and exploiting the opportunities associated with the ‘future economy’. Companies that take advantage of digital technologies tend to be the most competitive/productive;
- **Adopting a flexible and experimental approach to policy design and delivery:** there is a need to be more flexible in our approach and be prepared to be experimental. For example, the City Region could be promoted as a place to trial new ideas and delivery approaches.

Leeds City Region Submission to the Autumn Budget

- 2.6 Our submission ahead of the Budget on 22 November 2017 is firmly anchored in government’s approach to a modern industrial strategy. It begins to bring to life the core theme of our response to the spring green paper; understanding the challenges and opportunities in functional economies and joining-up solutions to improve productivity, with the benefits shared fairly.
- 2.7 A summary of our proposals is provided in the table below:

IMMEDIATE PROPOSALS FOR ACTION	MEDIUM TO LONGER TERM AMBITIONS
<ul style="list-style-type: none"> • Commit £2 million to Leeds City Region Growth Hubs Plus Core Offer. • £50 million for five years to secure the Leeds City Region’s world-leading med-tech position with new scale-up support, linked to the Leeds Innovation District. • Support Innovation North £1 million - £3 million proposal being developed by Northern LEPs. • Commit £2.5 million to successful local apprenticeship hubs and £1.3 million over three years to enterprise in education offer • Support the LCR HS2 Growth strategy • £100 million to support Leeds City Region Housing Deal. • Invest up to £40 million Local Energy Fund. 	<ul style="list-style-type: none"> • UK Shared Prosperity Fund forms part of wider Single Pot and is implemented in collaboration with Government and Partners. • Private-sector led cooperation through supply chains to raise productivity in less-productive firms. • Childcare offer to unlock a more inclusive labour market. • Northern Powerhouse Rail, including stops in Bradford and York. • Influence corporate and personal tax systems to eradicate some of the perverse incentives • Pilot a care sector deal to improve quality and increase value

EMERGING GOVERNMENT GUIDANCE ON INDUSTRIAL STRATEGIES

2.8 Alex Jones, Director of Industrial Strategy (BEIS) attended the LEP Network Workshop in London on 18th October and provided an update on the national Industrial Strategy, including the department’s review of over 2,000 submissions to the Green Paper consultation. Alex re-iterated the government’s intention to publish the Industrial Strategy White Paper before Christmas, 2017.

2.9 The consultation had expressed support for local delivery and joined up government funding, with investment in skills and infrastructure, addressing the current 2017 challenges of Brexit whilst planning for an ‘economy of the future/post-Brexit’ identified as important priorities.

2.10 The Industrial Strategy is aimed at driving growth, boosting 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?

2.11 Further messages included:

- Local Industrial Strategies will build on SEPs and not necessarily replace;
 - LEPs are at the heart of the government thinking on local industrial strategies but new partnerships and new ways of decision making might be needed; and
 - Government is interested in a co-production model as there are likely to be policy areas where activity needs to relate to national and city regional agendas.
- 2.12 The adoption of a co-production model could provide the following opportunities for the Leeds City Region:
- The development of sector deals where the LCR has a strong interest, and/or use of supply chains to get businesses collaborating to improve business processes and management and improve productivity;
 - Opportunities to re-engineer the incentives and disincentives in tax (individual and corporate) and welfare systems, bearing in mind the strong spatial distributional implications;
 - Exploring options to pilot potential national activity in the LCR; and
 - There is also likely to be an element of co-production required with local authorities – particularly to shape very intensive, hyper-local services that might be particularly important for transforming the lives of people very furthest from the labour market.
- 2.13 In terms of next steps, the LEP Board will be provided with a further update following the publication of the government’s Industrial Strategy White Paper.

3. Recommendations

- 3.1 LEP Board approval is sought to formally commit to beginning the development of a single, bold LIIS as a replacement for the SEP, which will be owned by both the LEP and CA with inclusive growth at its core.
- 3.2 For LEP Board to provide direction on:
- how we build on the key themes and messages emerging from the Board Away Day, city region’s submission to the Autumn Budget and emerging government guidance to inform the development of a local inclusive and place based industrial strategy; and
 - the intention to hold a workshop with (new) private sector members to inform the development of the LIIS.