
Report to: Overview and Scrutiny Committee

Date: 13 July 2018

Subject: **Policy Framework and Local Inclusive Industrial Strategy**

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1 Purpose of this report

1.1 To update the Overview & Scrutiny Committee on:

- progress to replace the Strategic Economic Plan and broaden the city region's policy range by working towards the development of a new, agile, long-term strategic framework; and
- the development of the Local Inclusive Industrial Strategy (LIIS) which will sit at the heart of this new framework aimed at driving growth, boosting productivity and earning power for a post 2030 economy.

2 Information

Strategic Economic Plan

- 2.1 The Strategic Economic Plan (SEP) for the Leeds City Region, for the period 2016 – 2036, was adopted in 2016 by the Leeds City Region Enterprise Partnership (LEP) and West Yorkshire Combined Authority.
- 2.2 The SEP, which was produced through engagement with key partners, including businesses, local authorities, universities and colleges and community organisations, provides the high level economic policy and headline strategy for the LEP and Combined Authority.
- 2.3 It sets out a transformative vision for the City Region *“to be a globally recognised economy where good growth delivers high levels of prosperity, jobs and quality of life for everyone”*.
- 2.4 In achieving this vision, the ambition is for the City Region to deliver an extra 36,000 jobs and £3.7 billion of economic output by 2036 that will help the region become a positive, above average contributor to the nation's purse,

and, make significant progress against headline indicators of growth and productivity, earnings, skills and environmental sustainability.

An expanded policy range and the LEPs focus

- 2.5 In August 2017, the LEP Board and West Yorkshire Combined Authority agreed, in principle, to **expand the City Region's policy range**. This recognised that, while the existing SEP drives vital activity to deliver new jobs and homes, there are broader opportunities (e.g. the role of culture and citizen experience) and issues that would benefit from a more comprehensive and agile approach.
- 2.6 Therefore, the LEP Board in January 2018 supported collaborative work on an emerging policy framework (see **Appendix 1**) that represents where partners agree to work together on a broader range of topics (e.g. culture, potentially new aspects of tackling disadvantage in health, early years and education) to tackle the City Region's shared priorities.
- 2.7 Those shared priorities – in the shape of four key challenges - were identified at the LEP Board's September 2017 Away Day:
1. The City Region's productivity gap with national and international peers is too large and growing;
 2. Investment is too low – particularly in research and development investment by the private sector;
 3. Half a century of improving living standards in the City Region have stalled; and
 4. Stubborn deprivation persists, with the poorest communities staying the same over decades.
- 2.8 Core principles for the new framework include:
- a different 'look and feel', providing an agile and 'live' framework, with sections that might form mini strategies in their own right providing Members with innovative policy options;
 - to enable bold and innovative thinking alongside long-term planning to meet the entrenched challenges identified above;
 - to reflect the City Region's expanded policy remit, e.g. culture, and potentially new aspects of tackling disadvantage in health, early years and education;
 - to ensure all Combined Authority and LEP strategies are aligned with a clear focus on tackling the above challenges and delivering inclusive growth outcomes;
 - 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, including medical technologies;
 - to provide a compelling basis of bids to Government for funding; and,
 - to place the City Region on the front-foot with an ambitious policy platform that improves competitiveness and ensures the benefits are shared fairly.

National Industrial strategy

- 2.9 The Government launched an Industrial Strategy White Paper on 27 November 2017 with the aim of “**creating an economy that boosts productivity and earning power throughout the UK**”.
- 2.10 The national strategy is structured around five foundations of productivity (ideas, people, infrastructure, business environment, and place) and four ‘grand challenges’ (listed below) developed in response to global forces that the UK must embrace.
- **Artificial intelligence and big data:** putting the UK at the forefront of AI and the data revolution;
 - Maximising the advantages from a shift towards **clean growth**;
 - Becoming a world leader in the **future of mobility**; and
 - Harnessing the power of innovation to meet the needs of an **ageing society**.
- 2.11 The White Paper sets out how Combined Authorities and LEPs will contribute to the national Industrial Strategy by co-ordinating the development of their own local industrial strategy bringing together local businesses, political and public sector leaders to drive growth and economic regeneration.
- 2.12 Places in England with a Mayoral Combined Authority will have a single strategy led by the mayor and supported by Local Enterprise Partnerships. For parts of the country without a mayor, the development of the strategy will be led by the LEP. The government will agree the first wave Local Industrial Strategies by March 2019, prioritising the following areas, Greater Manchester, West Midlands and the Oxford-Cambridge Corridor.

Local Inclusive Industrial Strategy

- 2.13 Following publication of Government’s White paper, the LEP Board has previously determined (29 November 2017 and 16 January 2018) that **work would begin on the development of the Local Inclusive Industrial Strategy (LIIS)**. The LIIS will sit at the heart of the new framework aimed at driving growth, boosting productivity and earning power for a post 2030 economy.
- 2.14 While there is no official Government position on the approach to local industrial strategies, the understanding is that they should be focused, relate to genuine local economic strengths and unlock transformative economic and social outcomes.
- 2.15 Informal contacts with Government suggest that there is an opportunity for the LEP in the period before more guidance is provided to develop a local approach that is truly ambitious and addresses local challenges. Work has therefore commenced to identify a number of priorities and ‘big ideas’ that could form the core building blocks and focus of our local industrial strategy:

1. **Transformative private sector leadership to tackle the productivity gap:** The productivity gap is growing between the Leeds City Region, UK and other advanced economies which limits residents' living standards. A set of proposals, including those that build on existing programmes (e.g. strategic business growth programme, manufacturing growth programme, access innovation and resource efficiency fund) being developed in order to help boosting the region's productivity.
2. **The Leeds City Region Transformed by Digital Technology:** A Digital Framework is being progressed alongside development of the local inclusive industrial strategy. The Digital Framework - once established - will contribute significantly to the narrative and objectives of the digital and tech-focused local approach, including its key role in helping solve the City Region's four key challenges.
3. **Maximising the impact of HS2 and Northern Powerhouse Rail through the development of inclusive growth corridors in the Leeds City Region.** In order to help maximise the benefits of HS2 and Northern Powerhouse Rail, a series of inclusive growth corridor plans are being developed with district partners to help connect major communities, including some of the most deprived areas of City Region to HS2.

2.16 **Government is keen to adopt a co-production model to develop local industrial strategies** as there are likely to be policy areas where activity needs to relate to national and city regional agendas. The adoption of a co-production model could provide the following opportunities for the City Region:

- The development of sector deals where the Leeds City Region 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 distributional implications;
- Exploring options to pilot potential national activity in the Leeds City Region; and
- There is also likely to be 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.

Next steps and role of scrutiny

2.17 As part of the LEP's and Combined Authority's open and inclusive approach to inform the development of the local industrial strategy and wider policy framework, a programme of engagement will be delivered with a range of stakeholders over the coming months, including:

- Combined Authority and LEP advisory committees/panels (including scrutiny committee/working groups);
- Local authorities: 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; and
- Business representative groups: as key actors representing the views of the private sector to develop deep knowledge of the barriers to improving productivity and boosting earning power.

2.18 The Scrutiny Committee could continue to provide on-going scrutiny and challenge to: (1) annual review process of the Assurance Framework and, (2) the risk management procedures that will help oversee the delivery of the new strategic framework that will replace the SEP, including the Local Inclusive Industrial Strategy and its associated funding mechanisms.

3 Financial Implications

3.1 There are no direct financial implications directly arising from this report. Extending the range of activity described throughout Section 2 above could require further investment, while further work is needed to identify the extent of external challenge required to develop the policy agenda and how this might be funded across the partnership.

4 Legal Implications

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

5 Staffing Implications

5.1 Broadening the Combined Authority's policy range will require capacity and expertise from the Combined Authority, local authorities and other partners. This can largely be provided within existing resources, subject to (i) ongoing organisational redesign and (ii) cooperation and support from partners (including universities, local authorities, government departments, business groups, etc.).

6 External Consultees

6.1 No external consultations have been undertaken.

7 Recommendations

7.1 That the Overview and Scrutiny Committee notes the work that is progressing to replace the Strategic Economic Plan with a broader policy framework and Local Inclusive Industrial Strategy to provide a more flexible and agile approach to policy development.

8 Background Documents

[Strategic Economic Plan \(2016-2036\)](#)

LEP Board [reports](#):

- 29 November 2017 - [Inclusive Industrial Strategy - Follow Up to LEP Board Workshop](#) (Item 9)
- 16 January 2018 - [Local Inclusive Industrial Strategy](#) (Item 9)
- 27 March 2018 - [An Inclusive Growth Policy Framework and Local Inclusive Industrial Strategy](#) (Item 12)
- 13 June 2018 - [Policy Framework and Local Inclusive Industrial Strategy Update](#) (Item 22)

9 Appendices

Appendix 1 – Leeds City Region Policy Framework