
Report to: Green Economy Panel

Date: 23 October 2018

Subject: **Local Inclusive Industrial Strategy**

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1 Purpose of this report

- 1.1 To update Panel Members on the development of a Local, Inclusive Industrial Strategy for Leeds City Region, informed by the outcome of the LEP Board away day held on 20 September 2018.

2 Information

Background

- 2.1 Government launched its Industrial Strategy in November 2017, with the aim of increasing growth and productivity across the UK.
- 2.2 The national Strategy is focused on five foundations of productivity (ideas, people, place, infrastructure, business environment) and four grand challenges (Clean Energy, Ageing Society, Artificial Intelligence, and the Future of Mobility). Local Enterprise Partnerships have been given the task of producing Local Industrial Strategies aligned to the national framework and building upon a robust evidence base.
- 2.3 In early 2018, the LEP Board and Combined Authority agreed that work would begin on the development of a Local, Inclusive Industrial Strategy (LIIS) for Leeds City Region. Sitting at the heart of our new, long-term strategic framework, our emerging LIIS will focus on bold steps aimed at driving inclusive growth, boosting productivity and earning power for a post-2030 economy.
- 2.4 The LIIS provides a unique opportunity for the City Region to:

- Build and deliver an ambitious programme for long-term growth that will respond to global challenges, to unlock our immense potential and become the growth engine for the North and the UK economy; and
- Improve the productivity of the economy and deliver economic inclusion so benefits are felt by all, and firms become more competitive for a new international trading environment.

2.5 Building on the evidence presented at the 2017 LEP Board away day and our engagement to date a draft 'LIIS prospectus' was produced which aims to:

- Summarise the City Region's key strengths and assets and planned approach to developing an ambitious LIIS, building on what our region has achieved together over recent years;
- Describe our focus on tackling four inconvenient truths, identified by the LEP Board in 2017, as the key challenges facing City Region that must be addressed to ensure the City Region can maximise its potential;
- Set out initial thinking on potential priorities and proposals that could form the focus of the LIIS and deliver inclusive growth ambitions;
- Identify priority areas in which existing knowledge and intelligence could be improved; and
- Form the basis for future engagement with partners, including with government, to help shape the development of the LIIS.

2.6 A copy of the latest version of the draft prospectus is provided in **Appendix 1**.

LEP Board Away Day

2.7 The LEP Board away day was held on 20 September 2018, with the aim of shaping thinking on development of a Local, Inclusive Industrial Strategy and priorities for Leeds City Region.

2.8 It also provided the opportunity for Board Members to hear from Government on latest developments for Local Industrial Strategies and engage Government representatives on the Leeds City Region proposed approach. The discussion was structured around three key themes:

1. What is distinctive about Leeds City Region vs what is a national challenge and priority?
2. What should our priorities be?
3. What further evidence do we need to develop our understanding?

2.9 A summary of the key messages emerging from the away day are provided below:

1. Distinctiveness

- Diversity of the City Region is a key strength and should be celebrated this includes diversity of geography, community, heritage and the business

base. It was suggested that we need to think of a strong hook for the City Region's many strengths and assets;

- Diverse SME base with niche sector strengths including Medtech and Advanced Manufacturing;
- University expertise is a real strength for Leeds City Region, providing niche opportunities for engagement. Need to exploit this more effectively including a move towards higher level skills.

2. Priorities

- Ensure that the Local, Inclusive Industrial Strategy provides a compelling narrative for the City Region which gets buy-in from a range of partners including the voluntary and community sector.
- Harnessing the power of the business:
 - Proposals for a private sector advisory group providing peer-to-peer support for businesses, enabling people to spend more time on rather than in the business;
 - Promoting a joined-up approach to business support ensuring messages reach as many business as possible. Harnessing the power of business and other leaders to tackle low productivity;
 - Effective delivery of core business support services, ensuring that the fundamentals of business support programmes are sound. This includes robust evaluation of existing activities and private sector engagement on service design.
- Continued investment in digital tech, skills and infrastructure, will be key to adapting to, and exploiting the opportunities associated with the 'future economy'. We need to ensure that new digital technologies are used as enabling tools, bringing business, the public sector and people together with a shared vision.
- Engaging with the voluntary and community sector to build on strong foundations for inclusive growth. Supporting inclusive growth is vital in order to improve living standards and tackle stubborn deprivation in the City Region. The voluntary and community sector plays a key role working with communities to tackle complex issues and remove barriers to participation. These interventions provide the foundations to build on as development of the Local, Inclusive Industrial Strategy takes place.
- Aligning the strengths of our universities with the needs of businesses and promoting the diffusion of innovation through strengthened networks. Diffusion of innovation to improve productivity is as important as the process itself.
- Support and encourage peer-to-peer sharing of good practice and understanding.

- Engage with stakeholders at a pan-northern level where collaboration at a bigger geography can enhance activity. This will build on ongoing work with the Northern Powerhouse (NP) 11¹ to drive economic growth in the prime capabilities of the North².

3. Further evidence

- Further evidence needed on supply chains, innovation networks and tech based sector strengths and cluster opportunities:
 - **Supply chains:** identifying areas where there are opportunities to improve processes and develop new opportunities for businesses
 - **Innovation:** exploration of innovation networks and how information is shared. Alignment and connectivity of assets is important to support this activity
 - **Tech strengths/cluster opportunities** (clean tech, med-tech, textiles, etc. deep dive)
- **Productivity:** including:
 - better understanding of the difference between growth and productivity and clear on which is the priority; and
 - greater analysis of productivity performance across the City Region, including analysis of sectors that have significant levels of low productivity firms.
- **Understanding impact of existing support products:** understanding of what works, key lessons and better use of evaluation to understand impact.

HMG Guidance on Local Industrial Strategies

- 2.10 A policy prospectus on Local Industrial Strategies was published by Government in early October³. As set out in the Industrial Strategy White Paper the prospectus highlights that agreeing a Local Industrial Strategy with government will be a necessary condition for LEPs and Mayoral Combined Authorities to draw down any future local growth funding being deployed through them.
- 2.11 The prospectus does however state that Local Industrial Strategies should remain strategic documents and not contain any proposals that require new funding or have spending implications outside of existing budgets available to local areas.
- 2.12 In addition to providing a steer on the role of government on the co-production process, the document also sets out a number of key requirements to inform the development of Local Industrial Strategies, including:

¹ NP11 is a collaboration of 11 Northern LEPs, and is chaired by Roger Marsh.

² The Northern Powerhouse Independent Economic Review identified Energy, Health Innovation, Advanced Manufacturing and Digital as the Prime Capabilities for the North

³ <https://www.gov.uk/government/publications/local-industrial-strategies-policy-prospectus>

- **Evidence:** setting out a robust and open evidence base, drawing out the relative strengths and weaknesses, with an emphasis on productivity
- **Focus:** map out the specific opportunities and challenges facing the local area:
 - building on specific distinctive local strengths and address any local weakness;
 - harnessing distinctive strengths to meet the Industrial Strategy’s Grand Challenges; and
 - identifying priorities across the foundations of productivity, including ideas, people, infrastructure, business environment and places
- **Collaboration:** make clear how the LEP will work in partnership with public and private stakeholders to achieve ambitions, including across broader geographies, such as the Northern Powerhouse;
- **Prioritisation:** prioritise specific, achievable and long-term ambitions, relating to evidence and specific challenges and future opportunities to enhance productivity; and
- **Evaluation:** set out clear plans to evaluate progress, drawing on lessons of policy evaluation such as the What Works Centre for Local Economic Growth.

Autumn Budget, 2018

- 2.13 The Government has stated that it will sign off all Local Industrial Strategies by early 2020, prioritising areas with the potential to drive wider regional growth and focusing on clusters of expertise and centres of economic activity.
- 2.14 Ahead of the 2018 Autumn Budget (**Appendix 2**) a City Region submission has been prepared which is firmly anchored in government’s approach to a modern industrial strategy. In addition to immediate, short-term proposals, the submission puts forward to government a bold set of longer-term ideas and proposals, aimed at driving inclusive growth, boosting productivity and earning power for a post-2030 economy.
- 2.15 A summary of our proposals is provided in the table below, including those with a specific focus on the Green Economy Panel agenda:

PROPOSALS FOR ACTION	GREEN ECONOMY FOCUS
<ul style="list-style-type: none"> • £250-300 million for our Transforming Cities Fund bid for Leeds City Region • Approximately £78 million investment in skills, including £60 million to continue our Skills Capital Investment Programme • £170 million Housing Infrastructure Fund investment • Maximise HS2 in the city region through a commitment to the original delivery timescales of HS2 	<ul style="list-style-type: none"> • £30 million Local Fund for low carbon energy projects • Support for university and business partners’ regional Strength in Places Fund bids including, Clean Growth Investment Accelerator • H-21: continue to support the Northern Gas Network’s ambitious conversion of the gas network to hydrogen • Tackle carbon and air quality through a nationwide scrappage scheme to

<p>(2033) and agreement to build from the North (e.g. NPR junctions)</p> <ul style="list-style-type: none"> • Deliver in full the Trans Pennine Route upgrade • Commitment to invest in local and regional transport • UK Shared Prosperity Fund forms part of wider Single Pot and is implemented in collaboration with Government and Partners. 	<p>expediently remove older polluting cars and vans from our roads</p> <ul style="list-style-type: none"> • Flood infrastructure/resilience fund: An additional £10.5m of capital funding could be used to support delivery of a new £33m capital flood programme, providing flood protection to over 500 businesses • Revise flood grant, including support for Natural Flood Management schemes.
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Green Economy Panel

- 2.16 A Green Economy Panel working group has been set up to support the development of the LIIS and wider policy framework. A series of meetings are planned over the next six months to explore local clean growth opportunities. The group will also review the results of the Leeds City Region-Styria knowledge exchange that took place in July 2018. A study into the potential for new clean technology clusters across the City Region is also being explored to support the LIIS.

3 Financial Implications

- 3.1 There are no immediate and direct financial implications arising as a result of this report. 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 funding to increase capacity and resources.

4 Legal Implications

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

5 Staffing Implications

- 5.1 LIIS forms a central component of the Combined Authority and LEP's programme of work to broaden its policy range. This will require capacity and expertise from the Combined Authority, local authorities and other partners. This can largely be provided within existing resources.

6 External Consultees

- 6.1 External engagement to inform the development of the Local, Inclusive Industrial Strategy is anticipated to commence in spring 2019.

7 Recommendations

- 7.1 That the Combined Authority notes the update on the Local Inclusive Industrial Strategy and the key actions agreed by the LEP Board.

8 Background Documents

8.1 There are no background documents.

9 Appendices

Appendix 1 – Draft Leeds City Region LIIS Prospectus

Appendix 2 – Leeds City Region Autumn Budget submission (2018)