
Report to: LEP Board

Date: 22 November 2018

Subject: Local Inclusive Industrial Strategy

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1. Purpose of this report

- 1.1 To update LEP Board Members on the development of a Local, Inclusive Industrial Strategy (LIIS) for Leeds City Region, informed by the outcome of the LEP Board away day and ongoing discussions with Government. Board Members are asked to review progress to date and agree to the proposed next steps.

2 Information

Background

- 2.1 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 a new, long-term strategic framework, the emerging LIIS will focus on bold steps aimed at driving inclusive growth, boosting productivity and improving living standards for a post-2030 economy. The latest version of the Policy Framework is provided in Appendix 1 of this report.
- 2.2 Building on the evidence presented at the 2017 LEP Board away day and ongoing engagement with partners, a draft LIIS prospectus was produced to summarise the City Region's key strengths and assets and to highlight opportunities for development. The prospectus (which was circulated to Board members in advance of the away day) identified a number of areas in which existing knowledge and intelligence could be improved.

LEP Board Away Day and follow-up activity

- 2.3 The aim of the LEP Board away day was to shape thinking on development of the Leeds City Region's LIIS. Government representatives were invited to attend the event to update on the latest developments nationally and provide

input and steer on Leeds City Region's proposed approach. A summary of key messages discussed at the away day is provided in Appendix 2 to this report.

- 2.4 Further guidance in the form of a policy prospectus on Local Industrial Strategies was published by Government in early October¹. The guidance highlights that agreeing a Local Industrial Strategy will be a necessary condition for LEPs and Mayoral Combined Authorities to draw down any future local growth funding being deployed. The prospectus also states 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.

Autumn Budget and Comprehensive Spending Review

- 2.5 Ahead of the 2018 Autumn Budget, a Leeds City Region response was developed. The response was framed around the five foundations of the Industrial Strategy and built upon discussions at the away day. A draft was shared with LEP Board members in advance of submission to Treasury. In addition to immediate, short-term proposals, the Budget submission put forward a set of bold longer-term ideas. This provided an early opportunity to share thinking with Government on our emerging plans for the LIIS.
- 2.6 Key announcements made during the budget in relation to the Industrial Strategy included:
- An additional £1.6 billion to strengthen the UK's global leadership in science and innovation including £1.1 billion more for the Industrial Strategy Challenge Fund:
 - Up to £121 million for Made Smarter to support the transformation of manufacturing through digitally-enabled technologies
 - Up to £78 million for the Stephenson Challenge, supporting innovation in electric motor technology, making vehicles lighter and more efficient than ever before
 - An additional £120 million invested through the Strength in Places Fund extending the programme up to 2020/21
 - An Industrial Energy Transformation Fund with £315 million of investment, to support businesses with high energy use to transition to a low carbon future and cut their bills through increased energy efficiency.
- 2.7 Planning is underway to shape Leeds City Region's response to the 2019 Comprehensive Spending Review (CSR). This will build upon the approach to development of a LIIS and the budget submission. The submission will set out a clear set of funding asks as well as consideration of issues to support more

¹ <https://www.gov.uk/government/publications/local-industrial-strategies-policy-prospectus>

effective ways of working to enable the City Region to meet its bold ambition for a post-2030 economy.

Building the evidence base

- 2.8 Government guidance is clear on the need for Local Industrial Strategies to be underpinned by robust evidence drawing out relative strengths and weaknesses, with an emphasis on productivity. Leeds City Region is not starting from scratch and has a strong evidence base on which to build. Tools such as the annual Leeds City Region Business Survey and a new Leeds City Region Household Survey will play a key role providing primary data to support policy development. This will continue to develop as work is ongoing and will be informed by additional in-depth research into particular issues.
- 2.9 Additional work will be undertaken where there is a gap in the existing knowledge base and a more intensive examination of the issues is required. This approach will align activity against the five foundation and four Grand Challenges of the national strategy and will support the submission to the Comprehensive Spending Review. This will include:

Productivity Audit	Focusing on understanding firms and sectors with lower levels of productivity and the relationship between infrastructure and productivity. The study will also consider wider drivers such as innovation, research and development, barriers to growth, exporting, and skills. This will take advantage of ongoing improved data from ONS and other providers. At the end of this will be a comprehensive assessment of productivity and competitiveness for Leeds City Region.
Supply Chains	The ambition for the supply chains project is for lower tier suppliers based in the North to successfully bid to supply northern Original Equipment Manufacturers (OEMs). This commission will feed into and support NP11 research (currently in development) to better understand and develop supply chains opportunities.
Innovation networks and diffusion	The City Region's relative underperformance on innovation is identified as a key challenge, this includes the ways in which diffusion of innovation takes place between businesses. Given the centrality of Medtech to the LIIS, and the sector's natural tendency towards innovation as a starting point for this work, firms within the Medtech sector in Leeds City Region will be identified. Once identified, these firms will be matched to other available data to develop a richer picture of their innovation and wider business activity. Further, more detailed conversations with those firms would

	then be conducted through surveys, focus groups or one-to-one interviews.
Sector deep-dives: Textiles, Medtech	<p>Building on Strength in Places bids in the City Region and including sectors of strategic importance, the aim of this research will be to contribute to a better understanding of the key issues surrounding the dynamics and development of these industries in Leeds City Region. Including:</p> <ul style="list-style-type: none"> • Examining the degree of connectedness and institutional thickness of organisations within the sectors, in particular, inter-personal and inter-business connections; • Exploring attitudes towards co-operation and innovation within the sectors; • Analysing whether linkages between businesses and support institutions are fully functioning (i.e. is a real cluster in existence and not just an industrial concentration?) • Identify a clear funding strategies, including a set of specific target activities.
Clean Tech Cluster Study	<p>Clean Growth is one of the National Industrial Strategy Grand Challenges, and presents a significant opportunity for Leeds City Region, at present there is a gap in understanding of the Clean Tech Sector and a mapping study is proposed to support opportunities for development of the sector. This commission will build upon a recent knowledge exchange visit to Graz, Austria undertaken in partnership with the University of Leeds, the Green Tech Cluster, and the Styrian Landesregierung.</p>

- 2.10 Plans are being considered to engage an independent expert panel. The role of the panel will be to support the commissioning of research studies and the implementation and promotion of the findings. Members of the panel will be drawn from academia, business, the public sector (including large employers such as the NHS), and the voluntary and community sector. The panel will complement existing LEP groups and panels by providing an independent view across all areas of the LIIS.
- 2.11 Working alongside the panel will be activity to engage with community and citizen groups to best understand their priorities and the role that the LEP can play in meeting these. Reflecting the scale and long-term ambition of the LIIS, we will seek to engage with young people on their views and input into shaping our proposals through a youth panel.

- 2.12 A progress statement will be prepared to share with stakeholders in March 2019, this will align with plans to shape a submission to the Comprehensive Spending Review.

3. Financial Implications

- 3.1 In addition to core staff resource to support research and intelligence activity, a budget of approximately £200,000 is available from Combined Authority / LEP internal budgets across the financial years 2018-19 and 2019-20 (subject to business planning and budget setting) to support development of the evidence base for the Local, Inclusive Industrial Strategy. In addition, there is potential to access up to £130,000 which forms part of funding identified in the 'Strengthened Local Enterprise Partnerships' guidance² for capacity building. The additional funding has not been confirmed and will be subject to Government approval.

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 LEP Board notes progress made and endorses the proposed way forward on development of the evidence base.

8. Background Documents

- 8.1 There are no background documents.

9. Appendices

Appendix 1 – Leeds City Region Policy Framework

Appendix 2 – LEP Board away day key messages

² <https://www.gov.uk/government/publications/strengthened-local-enterprise-partnerships> this funding has been identified to provide LEPs with 'additional capacity funding' for development.