

# Local Industrial Strategy

## LEP Board Paper 5.2

*January 2019*

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**Report theme:** Local Industrial Strategy

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### **Purpose of report**

To brief the Board on development of the Local Industrial Strategy (LIS) and the evidence base review.

### **Recommendation**

**That the Board notes points in the paper and agrees the LIS can progress to the next stage, based on the analysis of the evidence base.**

### **1. Background**

Heart of the SW was selected as one of six LEP areas in Wave 2 of Local Industrial Strategy development and is jointly developed with Government. The work will be done in three broad stages, each of which involves significant engagement with a range of Government departments, in addition to engagement with local partners. The three broad stages are

- Evidence review - now
- Drafting – to end April
- Engagement and sign-off – wide engagement post local elections and sign-off by end June

Government have stated that the LIS is not a bidding document, rather it will be used by a range of Government departments when developing policy relevant to the HotSW area. Secondary to that, it will link into the anticipated UK Shared Prosperity Fund (UKSPF) which is planned to replace EU structural funds post-exiting the EU. Few details are known of UKSPF at this stage, or how the LIS will feed into this, and a Government consultation is expected in the near future.

Government have signalled that a LIS should focus on a few of an area's key strengths and opportunities. As such the HotSW LIS will draw from the wider Productivity Strategy which sets out the comprehensive range of priorities that need to be addressed to enable productivity growth and a doubling of the LEP area's economy by 2038.

Crucially, given Government guidance, this means it will be only one channel through which the LEP and other partners will pursue the actions necessary to raise productivity. This multi-channel approach is already evident, for example in the local authority-led work on housing across the area, the establishment of a sub-national transport body to address connectivity work, the LEP-led Great South West work which has a significant rural focus, Connecting Devon and Somerset's broadband programme and so on. Over time, other channels will open up some of which the LEP will lead on and some other partners will do so.

The LEP aims to complete the LIS by summer to ensure HotSW retains its lead position in this work and so move into implementation in the second half of 2019. With all other LEP areas now also working on their LIS there is a real risk of a logjam accessing Government departments as time progresses.

## 2. Evidence Review

Government have reviewed the evidence base<sup>1</sup> for the Productivity Strategy, concluding that it is already significant and there is no need to revisit this, except on occasion where gaps are identified. This evidence base, and the work on the Productivity Strategy are one reason why the LIS' timetable is relatively short.

Government have instead asked for a strategic narrative that draws from the evidence base and leads to the specific focal points that will form the key elements of a HotSW LIS, demonstrating how the HotSW strengths and opportunities will deliver to the national Industrial Strategy. Government expect these to be a combination of those that genuinely operate at a national/ international scale and others that may be more locally significant rather than nationally but are still of critical importance in a LIS. Government have also asked for a clear spatial element to the narrative.

In line with practice in the lead wave of LIS areas, HotSW has sought independent advice for the review and Nigel Jump of Strategic Economics conducting this; his paper is attached. Nigel's experience covers previous similar pieces of work, for example in as Chief Economist of the SW RDA, and he is currently Professor of Regional Economic Development at Bournemouth University.

Some key points to consider when reviewing the paper are

- This is not the LIS and it is not a public-facing document. It is an economic analysis of the existing evidence base to help the Board and Government assess where the strengths and opportunities are within HotSW which most closely align to Government's Industrial Strategy. As such, the paper has not been "word-smithed" and is not setting out HotSW policy. The final LIS will need to consider how to best do this, working with Government as needed, as well as its approach to key issues such as covering the rural/coastal economies, inclusive growth and natural capital. The key question is whether the analysis correctly identifies HotSW strengths which align to the Industrial Strategy
- There is clearly significant uncertainty around the future UK/EU relationship. With firm details scarce, the underlying assumption is that mutual interest means that in the longer term, the UK/EU relationship will be similar to today's. Whatever the exact relationship, the assets and opportunities in HotSW remain the same, and global trends towards Artificial Intelligence etc continue.
- As stated above, the LIS is one of several channels that will need to be pursued to realise the full ambition of the Productivity Strategy

### Recommendation

The Board are requested to review the narrative and it is recommended that this provides a foundation from which to move into the next stage. By the time of the Board meeting the Joint Committee will have also considered the narrative and a verbal update will be provided in the meeting.

## 3. Next Steps

Subject to Board approval, the next step would move into drafting, starting with a series of discussions in February/ March with Government on key policy 'levers' the LIS needs to reference. These include

- BEIS – Grand Challenge teams
- DCMS – broadband
- Defra – rural priorities
- DfE – skills priorities
- MOD – defence opportunity

The LEP has also secured some capacity funding through the LEP review to consider inclusive growth and natural capital and an initial draft LIS would be expected by end April for Board consideration in May. In addition the LEP will be appointing a dedicated LIS project manager to oversee this next stage.

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<sup>1</sup> Published on the LEP website at <https://heartofswlep.co.uk/evidence-base-local-industrial-strategy/>