

**Open Report on behalf of Richard Wills,
Executive Director for Environment & Economy**

Report to:	Environment and Economy Scrutiny Committee
Date:	16 January 2018
Subject:	Greater Lincolnshire Local Industrial Strategy

Summary:

This paper provides members with a detailed briefing about the government's industrial strategy (members received a short verbal briefing on this at the previous meeting of the Environment and Economy scrutiny committee). It explains that the government have asked all Local Enterprise Partnerships to produce a local industrial strategy, and it sets out the steps that the Greater Lincolnshire LEP will take in producing that strategy. As a founding partner of the LEP it is recommended that LCC plays a strong role in supporting the LEP's production of the Local Industrial Strategy.

Actions Required:

Members of the Environment and Economy Scrutiny Committee are invited to:

- 1) Consider and comments on the content of the Industrial Strategy and LCC's commitment to supporting the Greater Lincolnshire Local Enterprise Partnership;
- 2) Endorse the work of Greater Lincolnshire Local Enterprise Partnership in producing a local industrial strategy, with a particular emphasis on the LEP's engagement process and on raising the profile of Lincolnshire's priorities at a regional and national level;
- 3) Receive regular reports on the progress of the local industrial strategy and use those reports to offer advice/support to the LEP during the preparation of the local industrial strategy.

1. Background

The Government's Industrial Strategy White Paper, published on 27th November, identifies five foundations to drive productivity. This is the central issue that the Industrial Strategy is concerned with.

The five foundations are:

- Place
- Innovation
- People (skills)
- Business Environment

- Infrastructure

This Paper provides an overview of the key White Paper announcements and an early opportunity to influence the process to develop a LIS for Greater Lincolnshire.

What is the Industrial Strategy and what is it trying to resolve?

Fundamentally, the White Paper sets out a strategy that is aiming to address issues affecting low productivity and regional disparities to create growth and improve living standards across the country. Rebalancing the economy is a central theme, as Theresa May highlights in the introduction: “For me it is not enough to see growth in the national economy if your local economy is shrinking.”

The UK’s productivity problem, that we produce less per hour than our competitors, has been well documented and is already a focus within the GLLEP Strategic Economic Plan. The White Paper highlights the fact that the UK is currently experiencing record employment levels and yet within this there are issues about productivity levels and a need for more good quality jobs with higher wages. The White Paper states that:

“Our relatively weak productivity performance is, to a significant degree, a problem of composition: we have some of the most productive businesses, people and places in the world but also a ‘long tail’ of underperformance. Britain’s top businesses are among the most admired in the world, but if the long tail of lower productivity persists, it will hold back UK growth, wages and living standards”

As the Industrial Strategy Green Paper previously highlighted, the differences hidden beneath the UK’s headline rate of productivity are also of great significance. “Our country has significant disparities in economic performance. The productivity gap between different parts of the country has been widening for decades, and it is these differences that ultimately impact on how much people earn.”

Regional disparities are now wider in the UK than in other western European nations. In the UK, 61% of people live in areas with incomes 10% below the national average. This compares to only 50 % in Germany, and just 40 % in Italy. Even France, with a similarly dominant capital city, is more balanced – 53 % of people live in areas 10 % below the average. Furthermore, the productivity gap within regions is greater than between them. This will be a real challenge for Greater Lincolnshire to consider as part of our LIS. The LEP’s evidence gathering stage is focussing on developing a more detailed understanding of the pockets of growth and decline across our area.

How is the Industrial Strategy seeking to address the UK’s productivity gap?

The White Paper identifies five foundations of productivity as the “essential attributes of every successful economy.”

- **Places:** focusses on reducing UK economic disparity and supporting all places to realise their potential. The role of Local Enterprise Partnerships, drawing together Local Authorities, Business and other local leaders, is a

significant focus. The development of Local Industrial Strategies is the central policy within this section. It is fair to say, however, that the East Midlands, rural economies, and Lincolnshire in particular are not referenced as strongly in the government's industrial strategy as we would hope.

- **Ideas (innovation):** focusses on increasing investment in R&D, boosting the 'D' research translation and improving linkages into local economies, strengths & clusters.
- **People (skills):** focusses on improving the quality of technical education, the shortage of STEM skills, entrenched regional disparities in education and skill levels and ensuring that people (throughout their working lives) are not left behind by technological change. The announcement of Skills Advisory Panels and Career Learning Pilots, in both of which Greater Lincolnshire has been chosen to participate, fall within this strand. These pilots are a positive move and it is hoped that they will help Lincolnshire to have a strong relationship with government on skills, a matter which is of particular interest to members.
- **Infrastructure:** focusses on making investments more geographically balanced and becoming more forward looking in terms of significant global economic trends.
- **Business Environment:** focusses on spreading best practice of the most productive businesses, access to finance, increasing exports, management and leadership skills, making better connections between high-performing businesses and their supply chains, building skills and ensuring that everyone has the opportunity of good work and high-paying jobs.

Within the section on Business Environment, the White Paper provides further guidance on Sector Deals and announces the conclusion of four agreed Deals in Life Sciences, Construction, Artificial Intelligence and Automotive. Details are also provided of deals in advanced discussions including in Creative Industries, Nuclear and Industrial Digitalisation. The work on Industrial Digitalisation and the Made Smarter Review has been led by Juergen Maier of Siemens and includes a significant strand on Food Manufacturing following the involvement of the University of Lincoln. The development of a sector deal in Food and Drink manufacturing is referred to elsewhere in the White Paper. LCC has been involved in discussions about this deal through the GLLEP. Again, this is a positive development.

A full summary of the funding and policy announcements from the White Paper in each of these areas is attached in Annex A.

Alongside the five productivity foundations, the White Paper proposes four Grand Challenges. These are developments in technology that are set to transform industries and societies around the world, and in which the UK has the opportunity to play a leading global role. These Grand Challenges, to be supported by investment from the Industrial Strategy Challenge Fund, are:

- a. **Artificial intelligence and big data:** e.g. establishing an AI Council to support rapid adoption of AI technologies at scale, working initially in 6 sectors: cybersecurity, life sciences, construction, manufacturing, energy, agricultural technology, £84m in teaching of computing and computer science, new adult digital skills entitlement.
- b. **Clean growth:** low carbon technologies, transform construction techniques to improve efficiency, improve efficiency of energy intensive industries including agriculture and food production).
- c. **The future of mobility (public and private transport systems):** new modes of transport and business models, zero emission vehicles, self-driving technology.
- d. **Meeting the needs of an ageing society:** support care providers to adapt business models to changing demands and develop new models of care, will support new products and services for the growing global population of older people & support sectors to adapt to changing and ageing workforce

What are Government expectations of Local Industrial Strategies?

The White Paper provides further information on the development of Local Industrial Strategies stating: “we will work in partnership with places to develop Local Industrial Strategies, which will be developed locally and agreed with the government. These strategies will help identify priorities to improve skills, increase innovation and enhance infrastructure and business growth. This will guide the use of local funding streams and any spending from national schemes.”

Discussions with Government about the implementation of this are ongoing but the White Paper provides the following steers. LIS's should:

- be long-term (there is a question about what this means in practice given that Greater Lincolnshire's Strategic Economic Plan (SEP) takes us to 2030)
- be based on clear evidence
- align with the national Industrial Strategy
- identify local strengths and challenges, future opportunities and the action needed to boost productivity, earning power and competitiveness
- establish new ways of working between national and local leaders in both the public and private sectors. Universities, colleges and other local institutions will be key.

The White Paper sketches out a phased approach to Local Industrial Strategies with the first set to be agreed by March 2019. Areas with a Mayoral Combined Authority are likely to be in the first wave but we are not constrained from developing our strategy alongside this activity. Indeed, it will be helpful to establish our priorities and focus as soon as we are able.

Developing the Greater Lincolnshire LIS

Local Enterprise Partnerships will lead development of the LIS in areas without a Combined Authority such as ours. The GLLEP Board has agreed that the following

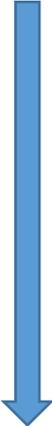
three areas should be the focus for some baseline research:

- a. A review of Greater Lincolnshire's Productivity, drivers and risks in a deep dive analysis.
- b. A thorough low level analysis of Brexit, particularly risks posed to Greater Lincolnshire's priority sectors and labour market.
- c. A report focusing on Inclusive Growth, what indicators we want to measure, what outcomes we can achieve and to give some shape to Greater Lincolnshire's current standing in the Inclusive Growth agenda.

The LEP Board is committed to wide engagement across Greater Lincolnshire stakeholders, including local authorities and sub-committees of the GLLEP Board. A Stakeholder Development Plan is being prepared to ensure that engagement will be ongoing throughout the research, development and testing phase. It will include MP-led roundtables to talk to businesses in each constituency. A scenario-based session is being planned with the Innovation Council in March. The LEP will be working with Councillor Craig Leyland to coordinate input from local authorities, including consideration by Leaders and Chief Executives along with appropriate officer input. Councillor Leyland represents district councils on the LEP.

- **Members are invited to endorse Greater Lincolnshire's established track-record of constructive partnership working. This is an opportunity to understand and engage with feel part of development process which will ensure the strategy responds effectively to local priorities. Because LCC is the accountable body for the LEP, and is heavily involved in leading/delivering initiatives which are in the Strategic Economic Plan it is important that LCC takes a strong role in helping the LEP to produce the local industrial strategy. Cllr Colin Davie is a member of the LEP board, as is Richard Wills who leads on transport matters and represents the accountable body at board level. As chairman of the Environment and Economy scrutiny committee Councillor Bridges is a LEP company director.**
- **It would be beneficial for the Environment and Economy Scrutiny Committee to discuss the emerging sections of the local industrial strategy and to provide advice to Councillors Davie, Bridges and to Richard Wills.**
- **Members are invited to endorse Greater Lincolnshire's established track-record of constructive partnership working. This is an opportunity to understand and engage with feel part of development process which will ensure the strategy responds effectively to local priorities.**

LIS development timeline:

Phase	Timing	Stakeholder engagement <i>(national government, local authorities, GLLEP Board and sub committees, broader local stakeholders, other relevant LEPs)</i>	
Phase 1: Research	Now - May		seeking input and testing assumptions identifying key areas of focus
Phase 2: Development / drafting	June – September		testing and developing solutions in key areas
Phase 3: Testing and adjusting near final draft	October - November		agree final draft
<i>Phase 4: Agreement with National Government</i>	<i>March 2019: First wave of Strategies to be agreed - we don't expect to be in this</i>		<i>(not much is known at this stage about how this will work)</i>

In order to complement the SEP, the LIS will aim to focus on a few (around 5) key missions/ objectives that potentially cut across sectors and issues. A GLLEP Strategy Day in early December provided a first opportunity to consider in depth the development of a Local Industrial Strategy (LIS) for Greater Lincolnshire but there will be on-going stakeholder engagement, as set out above.

Discussion at the Strategy Day was structured around the five foundations of productivity, and health:

- place
- people and skills
- innovation
- business environment
- infrastructure and
- health.

Feedback from the event is being reviewed to identify emerging priorities which can be incorporated in the LIS evidence gathering plans.

2. Conclusion

This is an opportunity to understand and engage with the process of developing the LIS, which will ensure the strategy responds effectively to local priorities. Members are invited to endorse Greater Lincolnshire's established track-record of constructive partnership working and to comment on the process.

3. Consultation

a) Have Risks and Impact Analysis been carried out?

N/A

b) Risks and Impact Analysis

N/A

4. Appendices

These are listed below and attached at the back of the report	
Appendix A	Industrial Strategy White Paper Summary

5. Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Justin Brown, who can be contacted on 01522 550630 or Justin.Brown@lincolnshire.gov.uk.

Industrial Strategy White Paper Summary

Five foundations of productivity: key policy and investment decisions

Ideas (innovation)

Focus on increasing investment in R&D, boosting the 'D' research translation, improving linkages into local economies, strengths & clusters:

- Raise total research and development (R&D) investment to 2.4 % of GDP by 2027 - this is an extra £7bn over five years, the biggest ever increase in public funding of R&D.
- Increase the rate of R&D tax credit to 12 % and improve the UK tax system to support innovation
- Invest £725m in new Industrial Strategy Challenge Fund programmes to capture the value of innovation. The next Industrial Strategy Challenge Fund programmes include:
 - o Clean Growth: including on transforming construction and transforming food production using precision technologies
 - o AI and data
 - o Ageing Society: including on data leading to early diagnosis and precision medicine, and healthy ageing
- Invest £300m over next three years in world-class talent. Investment will focus on collaboration and flow of people between industry and academia and interdisciplinary approaches. Support will range from Knowledge Transfer Partnerships and PhD programmes with strong and flexible links to industry to prestigious awards.
- Will work with leading universities and research institutes to increase global investment in UK R&D
- Development of new Knowledge Exchange Framework to benchmark how well universities do at knowledge sharing and research commercialisation.
- Increasing Higher Education Innovation Fund – an increase of £40m a year has already been announced, this will now reach £250m a year by 2020-21. We expect Universities to continue to use HEIF to help address the needs of local innovative business and contribute to regional development including collaboration with their Local Enterprise Partnerships.
- We are launching a new competitive £115m Strength in Places fund to support areas to build on their science and innovation strengths and develop stronger local networks. The fund will identify and support areas of emerging R&D strength that are driving business clusters. To be delivered through UK Research and Innovation as a competitive fund for collaborative bids.
- We will work with UKRI to develop a new competitive Strategic Priorities Fund, which builds on the vision of a 'common fund' set out in Sir Paul Nurse's review. This will support high quality R&D priorities which would otherwise be missed – e.g. multi-disciplinary and inter-disciplinary programmes identified by businesses and researchers at the cutting edge.

- We will increase the funding of the British Business Bank and create a new investment fund to ensure that high-growth businesses can access venture capital

People

Focus on improving the quality of technical education, shortage of STEM skills, entrenched regional disparities in education and skill levels, ensuring that people (throughout their working lives) are not left behind by technological change.

- Establish a technical education system that rivals the best in the world to stand alongside our world-class higher education system (T levels, new investment to support development of FEC staff skills, Institutes of Technology)
- Invest an additional £406m in maths, digital and technical education, helping to address the shortage of science, technology, engineering and maths (STEM) skills
- Create a new National Retraining Scheme that supports people to re-skill, beginning with a £64m investment for digital and construction training
- Supporting schools in challenging areas e.g. new national funding formula refocusing funding, £30m in tailored support to secure more great teachers and £42m to pilot a new Teacher Development Premium
- Skills Advisory Panels will be rolled out shortly and integrated into Mayoral Combined Authorities and Local Enterprise Partnerships to inform the analysis that feeds into Local Industrial Strategies.
- Comprehensive Careers Strategy will be published shortly that will set out plans to improve the quality and coverage of careers advice for people of all ages.
- Apprenticeships: From April 2018, we plan to allow levy-paying employers in England to transfer up to 10% of their funds to another employer including within their supply chain. The government will continue to work with employers on how the levy can be spent.
- Higher Education. The new Office for Students will employer and student expectations and needs in the short, medium and long term. It will consider the skills gaps that exist today and anticipate the demands of the future economy.
- The government commitment to conduct a major review of tertiary education will ensure a joined-up system that works for everyone.

Infrastructure

Focus on making investments more geographically balanced and more forward looking in terms of significant global economic trends

- Increase the National Productivity Investment Fund to £31bn, supporting investments in transport, housing and digital infrastructure
- Recognition that cost-benefit analysis can lead to investment in places where development has already happened. Cost-benefit analysis will remain central to decision making but it will be complemented the use of broad-based and dynamic assessment techniques that reflect the full potential for infrastructure to support local economies (strategic programme design)

- In transport a Rebalancing Toolkit will provide a framework to support high value transport investments in less productive parts of the UK.
- £300m will be invested to make sure that HS2 infrastructure can accommodate future Northern Powerhouse and Midlands rail services. This will enable faster services between cities in the north, including Liverpool, and Manchester, Sheffield, Leeds and York, and from these cities to the East Midlands and London.
- Support electric vehicles through £400m charging infrastructure investment and an extra £100m to extend the plug-in car grant
- Housing was highlighted as important part of economic infrastructure in responses to Green Paper. Investments include increasing the Housing Infrastructure Fund to £5bn and interventions to improve the productivity of the construction sector.
- Recognition of the value of Ports, the National Infrastructure Commission has been asked to undertake a study on the future of freight infrastructure – to be published in Spring 2019.
- Boost our digital infrastructure with over £1bn of public investment, including £176m for 5G and £200m for local areas to encourage roll out of full-fibre networks (there will be a challenge fund with funding awarded to areas that can best leverage private sector investment. A report to be published in Summer 2018 will identify options for incentivising investment in new digital infrastructure.
- “As a general principle we will aim for resilience as well as efficiency” e.g. cyber and climate change resilience, working not just to preserve but to enhance natural capital (the air, water, soil and ecosystems), investing £2.6bn to better protect the nation from flooding.

Business Environment

Focus on spreading best practice of most productive businesses, access to finance, increasing exports, management and leadership skills and making better connections between high-performing businesses and their supply chains, building skills and ensuring everyone has the opportunity of good work and high-paying jobs.

- Launch and roll-out Sector Deals partnerships between government and industry aiming to increase sector productivity. The first Sector Deals are in life sciences, construction, artificial intelligence and the automotive sector
- Drive over £20bn of investment in innovative and high potential businesses, including through establishing a new £2.5bn Investment Fund, incubated in the British Business Bank
- A network of British Business Bank regional managers will be rolled out by Autumn 2018 to ensure business across the UK know how to access sources of investment.
- Local Growth Hub programme will be built upon by enabling the Hubs to bring together public and private sector partners such as UK Research and Innovation, the British Business Bank, Tech Nation, investors and universities. They will continue work of peer-to-peer networks, and connecting businesses

to support as well as considering how to support high potential businesses to scale up.

- Launch a review of the actions that could be most effective in improving the productivity and growth of small and medium-sized businesses, including how to address what has been called the 'long tail' of lower productivity firms
- Launch a new Supply Chain Competitiveness programme that will target areas where key businesses need to improve to support training and enhanced business processes in manufacturing.
- Piloting intensive export growth support for potential scale-ups and particularly ambitious medium-sized businesses. Working with LEP Growth Hubs.
- Recognition of strength of food and drink industry. A new Food and Drink Sector Council is being established to lead work to secure the UK's position as a global leader in sustainable, affordable, safe and high quality food and drink. An early task will be to build on emerging proposals for a food and drink sector deal in food and drink manufacturing including support to transform exports and capitalise on its unique innovation opportunities in sustainable agriculture and food manufacturing.
- A new Future Sectors team will lead four reviews a year into the highest potential fast-growing sectors yet to establish an identity.

Monster Group (which sells a wide range of products from popcorn machines to shelving units) case study included, which has a based in North Lincolnshire.

Sector Deals: these are partnerships between the government and industry on sector-specific issues. A number of sector deal development processes were launched in the Green Paper alongside an open call for sectors to come together and develop their own deals.

The White Paper announces the conclusion of four agreed Sector Deals in:

- Life Sciences focussing on ensuring that new pioneering treatments and medical treatments are produced in the UK and that the UK is an attractive location to invest so that patients benefit.
- Construction Sector Deal led through the Construction Leadership Council focusing on increasing productivity through investment in skills and innovation.
- Artificial Intelligence Sector Deal focusing on deriving value from developing AI technologies and developing skills.
- Automotive Sector Deal focussing on maximising opportunities in the transition to electric, connected and autonomous vehicles.

The White Paper also provides details of deals in advanced discussions including in:

- Creative Industries focussing on pioneering immersive technologies, developing creative clusters across the UK, increasing exports and access to finance

- Industrial Digitalisation and the Made Smarter Review. The University of Lincoln has been closely involved in the Review, which was led by Professor Jurgen Maier, Chief Executive of Siemens and included a significant strand on Food Manufacturing.
- Nuclear focusing on cost reductions, improving domestic capability and export growth.
- The development of a sector deal in Food and Drink manufacturing is referred to elsewhere in the White Paper, the GLLEP has been involved in discussions about this deal and is supporting the development process.

Places

Focus on reducing UK economic disparity and supporting all places to realise their potential.

- Agree Local Industrial Strategies that build on local strengths and deliver on economic opportunities
- Supporting Local Enterprise Partnerships: The PM will chair a biannual 'Council of Local Enterprise Partnership Chairs', following the LEP review reforms will be brought forward on leadership, governance, accountability, financial reporting and geographical boundaries. Additional financial resources will be made available to LEPs that demonstrate ambitious levels of reform following the review.
- Government is working on a pilot Town Deal with Grimsby in recognition that some towns face particular challenges. The Deal seeks to build on the towns strengths in energy, port related logistics, manufacturing, chemicals/petrochemicals and food processing. The Greater Grimsby Partnership Board is developing a new approach to regeneration that will be taken forward by public and private sector partners to revitalise the town centre, increase skill levels and create new jobs and housing.
- Create a new Transforming Cities fund that will provide £1.7bn for intra-city transport. This will fund projects that drive productivity by improving connections within city regions
- Provide £42m to pilot a Teacher Development Premium. This will test the impact of a £1000 budget for high-quality professional development for teachers working in areas that have fallen behind.