

## **Industrial Strategy Update**

### **Purpose**

For discussion and direction.

### **Summary**

This paper provides an update on recent developments with the Government's Industrial Strategy and outlines proposed next steps relating to the key place-based elements of the Industrial Strategy - the Government's Review of Local Enterprise Partnerships, the development of Local Industrial Strategies and the design of the UK Shared Prosperity Fund.

Given the pace of developments across these three areas of policy, officers will provide a verbal update on any further developments at the Board.

### **Recommendations**

Members of the City Regions Board are asked to consider the developments and proposed next steps in relation to:

1. The Government's Review of Local Enterprise Partnerships (**paras 3-14**);
2. The development of Local Industrial Strategies (**paras 15-22**); and
3. The design of the UK Shared Prosperity Fund (**paras 23-31**).

### **Action**

Officers to proceed with next steps in line with members' steer.

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## **Background**

1. On 27 November 2017 the Government published the Industrial Strategy White Paper which set out the Government's plans for supporting Britain's industrial sectors, improving productivity, driving growth across the country and making British business more competitive.
2. This paper provides an update on and proposes next steps relating to the three key place-based components of the Industrial Strategy - the Government Review of Local Enterprise Partnerships, the development of Local Industrial Strategies and the design of the UK Shared Prosperity Fund.

## **Government Review of Local Enterprise Partnerships (LEPs)**

3. In the White Paper, the Government announced it would be 'reviewing the roles and responsibilities of LEPs and will bring forward reforms to leadership, governance, accountability, financial reporting and geographical boundaries.' This Review was overseen by the LEP Advisory Panel, established by Jake Berry MP and Margot James MP in December 2017.
4. Two of the invited members of the Panel were LGA Lead Members - Cllr Judith Blake CBE (Leader of Leeds City Council and Lead Member of the Environment, Economy, Housing and Transport Board) and Cllr Anne Western CBE (Derbyshire County Councillor and then Lead Member of the People and Places Board).
5. In addition to LGA representation on the LEP Advisory Panel, a joint letter was submitted to the panel on behalf of the Chairs of the City Regions, People and Places and Environment, Economy, Housing and Transport Boards. This letter highlighted the key areas that local government wanted to see addressed through the LEP Review and outlined suggested recommendations in accordance with these.
6. Following the publication of the White Paper, the LGA also engaged with the LEP Network to discuss opportunities for collaboration on the LEP Review as well as the key place-based announcements contained in the White Paper, such as the introduction of Local Industrial Strategies. This was subsequently reflected in a joint press release published by the LGA and the LEP Network that outlined our commitment to joint working in these areas.<sup>1</sup>
7. In March, the LGA hosted a roundtable event with the LEP Network which provided an opportunity to identify common ground between councils and LEPs in relation to the Industrial Strategy and to consider how these can be most effectively communicated to the Government. The key output from this event was a joint letter to Greg Clark, Secretary of State for Business, Energy and Industrial Strategy. The letter outlined our shared priorities for the Industrial Strategy including the need for skills devolution and unified growth funding.

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<sup>1</sup> [www.local.gov.uk/about/news/lga-and-lep-network-joint-working-commitment](http://www.local.gov.uk/about/news/lga-and-lep-network-joint-working-commitment)

8. The LEP Advisory Panel met for the fourth and final time in May and the conclusions of the LEP Review were published in July in the 'Strengthened Local Enterprise Partnerships' policy paper.<sup>2</sup> This paper stated that the Government would aim to:
  - 8.1. Agree Local Industrial Strategies with all areas of England by early 2020 and "publish a further statement on Local Industrial Strategies to inform locally-led development across the country";<sup>3</sup>
  - 8.2. Establish "more representative" LEP boards of a maximum of twenty people with the option to co-opt up to five additional Board members. The Government's stated aspiration is that two-thirds of board members should be from the private sector;
  - 8.3. Ask LEP Chairs and other local stakeholders to come forward with considered proposals by the end of September on "geographies which best reflect real functional economic areas, remove overlaps and, where appropriate, propose wider changes such as mergers";
  - 8.4. Introduce a number of measures to strengthen accountability, including the development of "a LEP sector-led approach to assessing and improving performance through regular peer review" and support to LEPs to "set out how they will ensure external scrutiny and expert oversight, including participating in relevant local authority scrutiny panel enquiries to ensure effective and appropriate democratic scrutiny of their investment decisions";
  - 8.5. Take steps relating to the role of LEPs in Mayoral Combined Authority (MCA) areas, including "encouraging LEPs and MCAs to move towards coterminous geographies where appropriate in line with the wider discussions on LEP geographies";
  - 8.6. Provide up to £20million in 2018-19 and 2019-20 in additional capacity funding to "support LEPs to implement the review and to provide the strategic and analytical capability to develop ambitious Local Industrial Strategies";
  - 8.7. Publish a statement on the role and responsibilities of LEPs that will focus on enhancing productivity; and
  - 8.8. Offer an induction and training programme for LEP board members and officers on working with Government that will be developed with the LEP Network, the LGA and other professional development bodies.
9. In response to the publication, the LGA issued a response that covered the following key points.<sup>4</sup>

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<sup>2</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/728058/Strengthened\\_Local\\_Enterprise\\_Partnerships.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/728058/Strengthened_Local_Enterprise_Partnerships.pdf)

<sup>3</sup> Mayoral Combined Authorities will have a Local Industrial Strategy (LIS) led by the mayor and supported by LEPs. For parts of England without a mayor, their LIS will be led by the LEP.

<sup>4</sup> The LGA's full response can be found here: <http://www.local.gov.uk/about/news/lga-responds-new-government-proposals-local-enterprise-partnerships>

- 9.1. The LGA welcomed the confirmation following recent joint calls for this from the LGA and the LEP Network that every area will be invited to develop a Local Industrial Strategy in partnership with the government.
  - 9.2. The Government's proposals on LEP board composition risk diluting the views of local people and undermining the role and investment that local authorities make in the success of their local economies.
  - 9.3. While it is important that the structure and governance of LEPs reflects the need for transparency and accountability highlighted by the Ney Review, on their own these changes will do little to help the country to match the productivity levels of its rivals.
  - 9.4. Only a devolved, streamlined, local solution to skills provision can help bridge the productivity gap globally. This must be backed by a UK Shared Prosperity Fund that is at least equal in quantum to current EU funds and does not result in a gap at the end of EU Funding. This fund should be flexible, localised, and based on the needs of local places and communities.
10. The Government has asked Local Enterprise Partnership Chairs and other local stakeholders to come forward with considered proposals by the end of September on geographies which best reflect real functional economic areas, remove overlaps and, where appropriate, propose wider changes such as mergers.
  11. An overview of the publicly-available geography proposals considered by LEP Boards will be **tabled at the Board meeting**.
  12. It has also stated that Government will respond to these proposals in the autumn and future capacity funding will be contingent on Ministerial approval of these proposals.
  13. In light this and the wider findings of the Government Review of LEPs, it is proposed that next steps for the LGA's activity relating to LEPs includes the following:
    - 13.1. Understanding the broad parameters of emerging proposals related to geography and considering the implications for local authority leadership and representation.
    - 13.2. Continuing to emphasise the importance of local leadership from councils in driving local growth as well as highlighting the importance of public sector representation on LEP Boards to both government and the LEP sector;
    - 13.3. Continuing to engage with the LEP Network to explore how local partnerships might be supported to implement elements of the LEP Review; and
    - 13.4. Considering how other elements of the LGA's Industrial Strategy work can strengthen joint working between councils and LEPs, such as activity relating to Local Industrial Strategies and the UK Shared Prosperity Fund.
  14. **Members are invited to comment on the proposed next steps for the LGA's work relating to the LEP Review.**

## **Local Industrial Strategies**

15. The key place-based announcement contained in the White Paper was the introduction of Local Industrial Strategies. The White Paper outlined that places in England with a Mayoral Combined Authority will have a Local Industrial Strategy (LIS) led by the mayor and supported by LEPs. For parts of the country without a mayor, the development of the LIS will be led by the LEP.
16. At previous meetings, Members of the City Regions and People and Places Board have highlighted the need for further guidance on Local Industrial Strategies and requested confirmation from government that all parts of the country will be invited to develop a LIS.
17. These are issues that the LGA has continued to push for further clarity on through its engagement at political and official levels.
18. Following the attendance of senior BEIS officials at the Boards in June, the LGA submitted a joint letter with the LEP Network to Greg Clark, Secretary of State for Business, Energy and Industrial Strategy. This letter sought confirmation that all areas would be invited to develop a LIS by government.
19. Following this engagement, the Government confirmed in the LEP Review publication that it will aim to agree Local Industrial Strategies with all areas of England by early 2020. It also committed to publishing a policy prospectus on Local Industrial Strategies over the summer to guide locally-led work. We understand that the policy prospectus will set out the objectives, policy rationale and approach to developing Local Industrial Strategies and will be accompanied by progress statements from Greater Manchester and the West Midlands that will set out the extent of cross-Whitehall support for LIS development.
20. In July, the Government also announced that the North East, Tees Valley, West of England, Leicester & Leicestershire, Cheshire & Warrington and the Heart of the South West will be the second wave of areas to work with government to develop their Local Industrial Strategies. This follows the first set of LIS trailblazers in Greater Manchester, the West Midlands and the Cambridge-Milton Keynes-Oxford corridor.
21. Now that it has been confirmed that all areas will agree a LIS with government, it is proposed that the LGA's engagement with Whitehall now seeks to secure clarity on the following areas for councils:
  - 21.1. Understanding the links between Local Industrial Strategies and other key areas of local growth policy including: the UK Shared Prosperity Fund, the LEP Review and the devolution framework;
  - 21.2. Ensuring that Local Industrial Strategies are a vehicle to securing the necessary powers and adequate funding for local leaders to deliver successful and inclusive economies and that these efforts are supported across Whitehall departments; and
  - 21.3. Clarifying the approach to future phasing of Local Industrial Strategies and how this will be structured to both meet proposed timeframes and ensure that those

areas involved in later phases are not disadvantaged both in relation to the support provided to develop their LIS and the powers and resources awarded following agreement of their LIS.

**22. Members are invited to comment on the LGA's priorities for engagement relating to Local Industrial Strategies.**

**The UK Shared Prosperity Fund**

23. The Government has pledged to create a UK Shared Prosperity Fund (UKSPF) to replace EU funding. In a written statement delivered in July,<sup>5</sup> James Brokenshire, Secretary of State for the Ministry of Housing, Communities and Local Government, provided an update on the UKSPF in which he stated that the Fund would aim to:

23.1. **Tackle inequalities** between communities by **raising productivity**, especially in those parts of our country whose economies are furthest behind;

23.2. Be a **simplified, integrated fund** to ensure that investments are targeted effectively and supported by strong evidence about what works at the local level; and

23.3. **Respect the devolved settlements** in Scotland, Wales and Northern Ireland.

24. The written statement also referenced the preparation of Local Industrial Strategies which will enable local areas to prioritise long-term opportunities and challenges to increasing productivity. It states that this prioritisation will help local areas decide on their approach to maximising the long-term impact of the UKSPF once details of its operation and priorities are announced in the Spending Review.

25. Finally, the written statement announced that the Government will underwrite the UK's allocation for structural and investment fund projects under this EU Budget period to 2020 in the event of no-deal.<sup>6</sup>

26. However, despite the detail outlined in the written statement, there continues to be limited detail on what it will mean in practice for local areas and, crucially, what the quantum of the UKSPF will be.

27. The LGA will continue to press for our key lines, including seeking a commitment to at least matching the current quantum of EU structural funds and building on existing devolved funding arrangements. We are also making the case for the introduction of the

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<sup>5</sup> <https://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Lords/2018-07-24/HLWS898>

<sup>6</sup> The LGA's response to this announcement is available here: <https://www.local.gov.uk/about/news/lga-responds-government-announcement-funding-eu-programmes>

UKSPF to be a fresh opportunity to develop a place-based, multi-year fund that is based upon locally determined targets and outcomes, as opposed to a replication of the current system that is unnecessarily complex and bureaucratic.

28. The LGA have been proactive in pressing the Government on the design and delivery principles to underpin UKSPF. We have published our principles in the [Beyond Brexit](#) report and made the case for urgent action in our LGA Conference report, [Brexit: Moving the Conversation On](#). The LGA are working with the sector to develop these principles further as well as supporting councils and combined authorities that attend any related events.
29. The Government are holding a series of pre-consultation events and formal consultation is expected by the end of the year. The LGA secured a council officer led roundtable as part of the pre-consultation process on 24 August. This had a focus on strategic economic issues beyond current EU funding streams and how UKSPF can be integrated within economic development and growth programmes. **A verbal update on the roundtable discussion and any further developments with the UKSPF will be provided at the Board.**
30. The LGA is preparing for the consultation that is anticipated towards the end of the year and we continue to welcome contributions from members.
31. **Members are invited to comment on the next steps for the LGA's work relating to the UKSPF.**