

Industrial Strategy Update

Purpose

For discussion and direction.

Summary

This paper provides an update on recent developments with the key place-based elements of the Government's Industrial Strategy and proposes next steps for the LGA's work in relation to them.

Recommendations

Members of the People and Places Board are asked to note the recent developments in relation to:

1. The Government's Review of Local Enterprise Partnerships (**paras 2-9**);
2. The development of Local Industrial Strategies (**paras 10-18**); and
3. The design of the UK Shared Prosperity Fund (**paras 19-23**).

Members are then invited to consider and agree next steps for the LGA's engagement on the Industrial Strategy (**paras 24-25**).

Action

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

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Overview

1. This paper provides an update on recent developments with the three key place-based components 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. It then proposes next steps for the LGA's work in relation to the Industrial Strategy for Members of the People and Places Board to consider and agree.

Recent developments

The Government's Review of Local Enterprise Partnerships (LEPs)

2. The conclusions of the LEP Review were published in July in the 'Strengthened Local Enterprise Partnerships' policy paper.¹ This paper outlined a number of changes that the Government wants LEPs to implement.
3. At the previous meeting of the People and Places Board, Members discussed their concerns regarding the Government's uncertain position on future LEP geographies along with concerns over the potential dilution of public accountability arising from the Government's desired reduction in public sector representation on LEP Boards.
4. Subsequent discussions with government officials have also indicated that the definition of 'public sector' will include representatives from higher and further education. This again risks further diluting the public accountability of LEPs given the Government's aspiration that two-thirds of LEP board members should be from the private sector.
5. In response to the concerns expressed by Members, the Chairman of the People and Places Board and the Chair of the City Regions Board wrote to the BEIS Secretary of State seeking urgent clarity on both these issues. A response had not been received at the time of writing and officers have raised this with officials.
6. Of the publicly available proposals for LEP geographies that were submitted to LEP Boards for consideration, a significant majority proposed retaining the same geography. Only one merger has been proposed and, while a number proposed removing existing overlaps, this was not the case everywhere, despite the specific request from government to address this issue. An outline of the publicly available proposals considered by LEP Boards is available as **Appendix A**.
7. Following the submission of proposals for LEP geographies, the next step towards implementing the LEP Review was for all LEPs to submit a detailed plan for implementing the other changes outlined in the *Strengthened Local Enterprise Partnerships* policy paper – these plans were due to be submitted before 31 October 2018.
8. Our current understanding is that Ministers will consider these proposals in the coming weeks and seek to reach swift agreement regarding any revision to LEP geographies. It

¹ [Strengthened Local Enterprise Partnerships](#) (July 2018)

is anticipated that Ministers will seek to agree all LEP geography changes before the consultation on the UK Shared Prosperity Fund is published, which is currently expected to be in December. There is therefore only a limited opportunity for further representations on this issue.

9. Members are asked to note the update on the Government Review of Local Enterprise Partnerships and comment on the next steps proposed in paragraph 24.

Local Industrial Strategies

10. 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.
11. In July, the Government 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.
12. Following the confirmation that the Government will aim to agree Local Industrial Strategies with all areas of England by early 2020, the Government has now published a policy prospectus on Local Industrial Strategies to guide locally-led work.² Key points covered in the policy prospectus include:
 - 12.1. Local Industrial Strategies will provide a strategic overview which will inform LEPs' approach to any future local growth funding deployed through them and help local areas in England decide on their approach to maximising the long-term impact of the new UKSPF;
 - 12.2. Agreeing a LIS with Government will be a necessary condition for Mayoral Combined Authorities (MCAs) and LEPs to draw down any future local growth funding being deployed through them;
 - 12.3. The Government has formally invited all remaining MCAs and LEPs to begin developing a LIS but this invitation is subject to places demonstrating commitment to implementing the changes outlined in the LEP Review in full;
 - 12.4. All MCAs and LEPs will have dedicated official support from an Area Lead within the Cities and Local Growth Unit and the Government will work with the LEP Network and others to establish a series of regional workshops over the coming months; and

² [Local Industrial Strategies: Policy Prospectus](#) (October 2018)

- 12.5. The prospectus outlines that Local Industrial Strategies should: set out a robust and open evidence base; map out specific opportunities and challenges; make clear how MCAs and LEPs will work in partnership with public and private stakeholders to achieve their ambitions; prioritise specific, achievable and long-term ambitions; and set out clear plans to evaluate progress.
13. In addition to the policy prospectus, the Government has also published progress statements on the development of Local Industrial Strategies in Greater Manchester and the West Midlands.³ These statements detail the work to date between the Government and local partners to develop a LIS in these areas.
14. Despite the publication of these documents, a lack of clarity remains on the key issues for councils that were discussed at the previous Board. These include:
- 14.1. The links between Local Industrial Strategies and other key areas of local growth policy, including: the UKSPF, the LEP Review and the devolution framework;
 - 14.2. The extent to which Local Industrial Strategies will act as a vehicle to securing the necessary powers and adequate funding for local leaders to deliver successful and inclusive economies, particularly in areas outside Mayoral Combined Authorities;
 - 14.3. The extent to which local efforts to develop and deliver Local Industrial Strategies are supported across Whitehall departments; and
 - 14.4. The approach to future phasing of Local Industrial Strategies and how this will be structured to both meet the proposed early 2020 deadline and ensure that 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.
15. The commitment to a Local Industrial Strategy in all parts of the country is a significant achievement. It is proposed that the LGA supports where appropriate the development of these strategies and focuses its policy and public affairs work to ensure a fair and consistent approach to their evaluation and endorsement across Whitehall.
16. The LGA will also commission a provider to deliver a Local Industrial Strategy improvement support offer. This will incorporate the delivery of a series of masterclasses targeted at councils and the development of a resource or toolkit to support the development of Local Industrial Strategies. The procurement process for this improvement support offer is underway and a provider will have been appointed by the time of the Board meeting. **Officers will invite the appointed provider to attend the Board and this will present an opportunity for Members to feed in perspectives on**

³ [Progress statement: Working towards a Greater Manchester Local Industrial Strategy](#) (October 2018)
[Progress statement: Working towards a West Midlands Local Industrial Strategy](#) (October 2018)

how the improvement offer can most effectively support councils in non-metropolitan areas.

17. In addition to engagement with BEIS and MHCLG officials on Local Industrial Strategies, LGA officers also met recently with officials from DEFRA. They shared the Department's emerging concern that despite support from councils, LEPs in non-metropolitan areas lack the capacity and knowledge-base to build robust enough evidence bases to ensure LIS priorities are relevant to communities from more sparsely populated rural and coastal areas. As such, they were keen to ascertain the role that local authorities could play in helping to "rural proof" the development of Local Industrial Strategies in non-metropolitan areas.
- 18. Members are asked to note the update on the development of Local Industrial Strategies and comment on the next steps proposed in paragraph 24.**

UK Shared Prosperity Fund (UKSPF)

19. The LGA has 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](#).
20. It is still expected that the Government's consultation on UKSPF will commence by the end of the year. This follows a Government-led pre-consultation exercise, and includes the LGA's session bringing together councils and the UKSPF team in August. Officers continue to meet regularly with Whitehall's UKSPF team. That said, detail on the likely structure, governance, funding, and allocation methodology from the UK Government is very light.
21. To further develop the LGA's lines on UKSPF, the following will need to be explored:
- 21.1. democratic accountability, governance and capacity to deliver UKSPF; and
 - 21.2. that while European funding and its successor UKSPF is absolutely critical, it needs to be seen as part of a wider economic development landscape post 2020 which will see the end of the Local Growth Fund and other economic development and inclusive growth funds
22. The LGA will look do this through the following ways:
- 22.1. Officers will engage further with members on these issues through the People and Places Board, City Regions Board, Resources Board and the Brexit Taskforce.
 - 22.2. LGA officers have planned meetings with our member authorities to understand the key priorities for our sector for a future UKSPF. These include: a workshop at the LGA Skills conference to focus on UKSPF (27 November); discussion at the next LGA convened Combined Authority skills and employment working group (21 November); plus a roundtable of Directors who lead on economic development and inclusive growth in early December.

22.3. LGA officers are also building on and updating our own research, including updating our fragmented funding so that we have a clearer picture of the funding outlook post 2020. In addition, we are also be exploring how our Work Local proposals (local labour market agreements) can be used as a framework for the development of UKSPF and related Local Industrial Strategy work.

23. Members are asked to note the update on the design of the UK Shared Prosperity Fund and comment on the next steps proposed in paragraph 24.

Next steps

24. With consideration to these updates and the LGA's work in this area to date, Lead Members of the People and Places Board proposed the following next steps for the LGA's work on the Industrial Strategy at their previous meeting:

- 24.1. Invite a senior representative from the Cities and Local Growth Unit to the Board to present on government progress with delivering the place-based elements of the Industrial Strategy and the devolution framework;
- 24.2. Pursue further political and official engagement on the Industrial Strategy, with consideration to the broad range of issues for the sector across the key place-based policy areas detailed in this paper, including the outstanding issues relating to the Government's LEP Review;
- 24.3. Develop a plan for partnership work with the LEP Network with initial priorities to focus on being the LEP Review and the UKSPF; and
- 24.4. Seek a steer from the Board on support that councils in non-metropolitan areas would be seeking from DEFRA for support on the Industrial Strategy and from the LGA's LIS improvement support offer.

25. Board Members are invited to **comment on the proposed next steps** and **consider any further activity** that the LGA might undertake to address issues arising from the Industrial Strategy that are specific to non-metropolitan areas.