



DEBATE PACK

Number CDP2019-0137, 31 May 2019

Regional Industrial Strategies

Summary

A debate will take place in Westminster Hall on “Industrial Strategy in the North East of England” on Wednesday 5th June at 9:30am. The debate was initiated by Mary Glendon MP.

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1. Background: industrial strategy

The government's industrial strategy was launched in November 2017. Key documents summarising the strategy are:

- The government's [industrial strategy web pages](#)
- The government's white paper: [Building a Britain fit for the future](#)
- House of Commons Library briefing paper: [Industrial strategy](#)

The industrial strategy has two strands: the **Sector Deals** and the **Grand Challenges**.

[Sector Deals](#) are collaborations between government and industries. The Deals involve a high-level council of relevant government ministers, industry leaders and academics. These councils work to identify issues in the sectors and recommend policy solutions. The Deals announced so far are:

- 1 [Aerospace](#)
- 2 [Artificial Intelligence](#)
- 3 [Automotive](#)
- 4 [Construction](#)
- 5 [Creative industries](#)
- 6 [Life sciences](#)
- 7 [Nuclear](#)
- 8 [Offshore wind](#)
- 9 [Rail](#)

The [Grand Challenges](#) are missions to tackle massive strategic issues facing the UK, and in which the UK has the potential to become a world leader. The policies generated from these missions are intended enhance existing industrial strengths in the UK and generate new areas of advantage, as well as improving productivity and living standards.

The Grand Challenges are:

- [Artificial Intelligence and data](#)
- [Ageing society](#)
- [Clean growth](#)
- [Future of mobility](#)

The Sector Deals and the Grand Challenges are intended to improve five foundations of the UK economy that the government has identified as being essential to the improvement of UK productivity and quality of life. The Foundations are:

- [Ideas](#)
- [People](#)

- [Infrastructure](#)
- [Business Environment](#)
- [Places](#)

Each of these foundations includes “cross cutting” or “horizontal” policies that help all sectors and are relevant to all of the Grand Challenges. For example, one of the policies in the Ideas foundation is that R&D investment will rise to 2.4% of GDP by 2027, and one of the policies in the People Foundation is the creation of a National Retraining Scheme to support people to re-skill in modern industries.

Local Industrial Strategies are part of the Places foundation.

2. Local Enterprise Partnerships Local Industrial Strategies and

2.1 Local Enterprise Partnerships

Local Enterprise Partnerships (LEPs) were created as a replacement for Regional Development Agencies (RDAs) in May 2010, following the formation of the Coalition Government.

LEPs are locally owned strategic partnerships of local business and civic leaders, designed to determine specific local economic priorities and promote growth, employment and infrastructure development. There are 38 LEPs covering all areas of England.

LEPs have been responsible for developing multi-year local Strategic Economic Plans, which have been used to negotiate [Growth Deals](#), with LEPs awarded funding to deliver locally determined priorities for growth - to date, a total of £9.1 billion of growth deal funding has been awarded.

2.2 Local Industrial Strategies

Local Industrial Strategies are plans designed by local public and private sector organisations that identify the local

...strengths, challenges, future opportunities and action needed to boost productivity, earning power and competitiveness.¹

The role of LEPs in the development of Local Industrial Strategies will vary depending on local government arrangements:

- In areas not covered by a Mayoral Combined Authority, the local LEP will lead on strategy development
- Areas covered by a Mayoral Combined Authority will have a single strategy, supported by combined local LEPs.

All Strategies will coordinate local economic planning, and national funding streams. They will involve close cooperation between the public and private sector in local areas, ensuring that the needs of the private sector are met in the context of the overall aims of the public sector.

The Strategies will also work to ensure that the relevant layers of government will coordinate their activity (for example, Mayoral Authorities, local authorities and central government will they coordinate planning and policy development).

2.3 Strengthened Local Enterprise Partnerships

In July 2018, following a policy review on LEPs, the Ministry of Housing, Communities and Local Government published their findings in [Strengthened Local Enterprise Partnerships](#). This outlined plans for LEPs

¹ HM Government, [Industrial Strategy: Building a Britain fit for the future](#), November 2017, p221

to play an increasingly active role in national industrial strategy through the formulation and delivery of Local Industrial Strategies.

This report states:

- LEPs will focus on “enhancing productivity” – achieved through design and implementation of Local Industrial Strategies
- LEPs will receive “up to £20 million of additional funding” between 2018-19 and 2019-20 to support changes and “embed evidence in Local Industrial Strategies.”
- The government aims to have Local Industrial Strategies agreed with all areas of England by early 2020.²

Single page summaries of local industrial plans for all LEP areas (as well as Scotland, Wales and Northern Ireland) [were published by the Department for Business, Energy & Industrial Strategy](#) in December 2018; a page detailing progress on the development of Local Industrial Strategies by individual LEPs is published by [the LEP Network](#).

2.4 Local Industrial Strategy Prospectus

The October 2018 [Local Industrial Strategy Policy Prospectus](#) outlines objectives that should be considered when setting out a Local Industrial Strategy.

This states a Local Industrial Strategy should:

- Set out a robust and open evidence base
- Focus on specific distinctive local strengths and address any local weaknesses
- Make clear how Mayoral Combined Authorities and Local Enterprise Partnerships will work in partnership with public and private stakeholders to achieve their ambitions.
- Prioritise specific, achievable and long-term ambitions
- Set out clear plans to evaluate progress

The report goes on to say that Local Industrial Strategies will be used to inform LEP’s approach to any further local growth funding deployed through them, as well as helping areas work on “maximising the long-term impact of the new UK Shared Prosperity Fund once details of its operation and priorities are announced.”³

² Ministry of Housing, Communities and Local Government, [Strengthened Local Enterprise Partnerships](#), July 2018, pg. 8

³ HM Government [Local Industrial Strategies: Policy Prospectus](#), October 2018, pg. 4

3. The West Midlands Local Industrial Strategy

Thus far, the West Midlands is the only area to publish [a local industrial strategy](#), based on the area of the West Midlands Combined Authority - this area includes three LEPs (Black Country, Coventry & Warwickshire and Greater Birmingham & Solihull).

The strategy has specific aims based around nine themes:

- **Driving growth: Future of Mobility** – this is based around innovation in automobile manufacturing and the development of an intergrated transport network
- **Data-driven health and life sciences** – this is based around innovation in health sciences
- **Modern Services** – this is based developing the West Midlands region as a “high-value business and professional services location”
- **Creative content techniques and technologies** - this is based on developing opportunities in the gaming sector and those arising from the Commonwealth Games and Coventry City of Culture
- **Ideas** – this is based on increasing levels of business innovation and the commercialisation of research and development
- **People** - this is based on adult education provision and opportunities from the devolution of the Adult Education Budget.
- **Infrastructure** - this is based on developing transport and housing infrastructure
- **Business Environment** - this is based boosting “business dynamism and productivity”
- **Places** – this is based on strengthening individual population centres such that the “strengths of each add up to more than the sum of their parts” – this includes town centre regeneration and making use of the UK Shared Prosperity Fund.

4. North East regional economic indicators

The North East LEP covers two combined authorities - the North of Tyne Mayoral Authority and the North East Combined Authority. The North East's Local Industrial Strategy will build on the evidence base in the LEP's annual [Our Economy](#) report and the priorities set out in the [North East Strategic Economic Plan](#).⁴

The table below shows the North East region's performance in a range of local economic indicators.

		North East	UK
Population			
2017 mid-year estimates	Millions	2.6	66.0
Economy			
Total output (GVA), 2017	£ billions	53	1,820
Total output (GVA) per head, 2017	£	20,129	27,555
Economic Growth (GVA), 2010-17	Annual ave real terms % ch.	0.9%	2.0%
Forecast economic growth (GVA, real terms)*			
2018	% change on year	0.9%	1.4%
2019-29	Average annual % change	1.5%	1.9%
Labour market, January - March 2019			
Employment level	Thousands	1,206	32,697
Employment rate	% of population aged 16-64	71.1%	76.1%
Unemployment level	Thousands	69	1,298
Unemployment rate	% of economically active	5.4%	3.8%
Median weekly earnings, 2018	£, full time employees	512	569
Industries - employment, October-December 2018			
Manufacturing	% of total jobs	10.5%	7.7%
Public sector	% of total employment	19.4%	16.4%
House prices, March 2019			
Average	£	123,000	227,000
Annual change	% change on year	-0.8%	1.4%
Fiscal indicators, 2017/18			
Public sector revenue per head	£	8,938	11,454
Public sector expenditure per head	£	12,604	12,090
Net fiscal balance per head	£	-3,667	-636
Businesses			
Number of businesses, 2018	Thousands	163	5,668
Annual % change in businesses, 2018	% change on year	14.2%	-0.5%
* Forecasts from Oxford Economics (May 2019)			
Sources: See section 14. Notes and Sources			

⁴ LEP Network [Local Industrial Strategies](#)

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