

LEAP Board

Date of meeting: **19 December 2018**

Title of report: **London's Local Industrial Strategy**

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Classification: **Public**

1 Executive Summary

- 1.1 London is required by Government to produce a Local Industrial Strategy, led by the Mayor, to be agreed with Government by early 2020. The Strategy should identify the economy's strengths and weaknesses and set out a clear approach to raising productivity, supported by a robust evidence base. It will also set out London's priorities for future funding for local growth. This is important in the context of the UK's impending departure from the European Union and the associated loss to London of access to European Structural and Investment Funds.
- 1.2 It is proposed that London's Strategy will address the challenge of inclusive growth, building on the Mayor's Economic Development Strategy, Skills Strategy, the London Plan and other statutory strategies. It will be produced in collaboration with stakeholders from across London, as well as central Government and other cities and regions.

2 Recommendation(s)

- 2.1 That LEAP Members consider and endorse the plans set out for London's Local Industrial Strategy.

3 Introduction and Background

- 3.1 As part of the UK Industrial Strategy, published by the Government in November 2017, all local areas in England are required to produce a Local Industrial Strategy (LIS). Where Mayoral Combined Authorities (MCAs) exist, they will lead on the production of the LIS, supported by the Local Enterprise Partnership (LEP). In the rest of England, LEPs will assume responsibility for the LIS.
- 3.2 The focus of the UK Industrial Strategy is on raising productivity across the country. It identifies five key drivers, or 'foundations', of productivity – people, ideas, infrastructure, business environment and place (see Appendix C).

- 3.3 A LIS is expected to be aligned with the UK Industrial Strategy but tailored to local needs. It should clearly identify the area's distinct strengths and weaknesses, and focus on tackling the most salient barriers to growth and higher productivity. Government will work with local areas to develop and agree their LIS.
- 3.4 While Government have been clear that a LIS should not be used as a pitching document for future funding, discussions at officer level suggest that a LIS may inform access to future funding. As such, MCAs/LEPs must agree a LIS with Government as a basis for claiming future funding for local growth and be mindful that the LIS will inform the development of the new UK Shared Prosperity Fund, which is the planned replacement for both EU Structural and Investment Funds and central government funding for LEPs. While there is an inevitable tension between articulating priorities and not including funding asks, officers will work with Government officials throughout the development of the LIS to address how this will work for London.
- 3.5 We set out London's proposed approach to producing its LIS below.

4 Issues for consideration

- 4.1 The London LIS will relate closely to the Mayor's Economic Development Strategy (EDS). The EDS provides a long-term 23-year plan, based on extensive consultation and evidence, for an inclusive and sustainable economy that works for all Londoners. It sets out how the Mayor will enable a fairer, more inclusive, lower carbon economy, help to create the underpinning conditions for future growth and support the growth of London's industrial sectors. The LIS will build on this, outlining more granular, spatial and tangible priorities and policies that the Mayor will take forward in collaboration with partners.
- 4.2 Government guidance on the production of the LIS says that it should be long term, setting out local opportunities and challenges and identifying a clear approach to driving productivity improvements. It should be based on a robust, in-depth evidence base and should outline how the Mayor will work in partnership with public and private stakeholders to develop and deliver the Strategy. Government have been explicit that the LIS should not include any unfunded proposals or requests for additional funding.
- 4.3 It is proposed that a mission-oriented approach is adopted for London's LIS, which sets out how economic activity and growth can be shaped to ensure they also achieve social and environmental aims.¹ This framing involves a high-level challenge, along with more focused missions or aims that contribute to achieving this challenge. Each aim will be supported by relevant policies.
- 4.4 The overarching focus of London's LIS will be on delivering growth and productivity improvements that contribute to addressing the social challenges London faces, particularly related to poverty, inequality and social exclusion. This means developing an approach that supports a dynamic, innovative and highly productive economy, but one that delivers for all Londoners, irrespective of income or background.
 - 4.4.1 **Challenge:** Inclusive growth: ensuring all of London's places, people and communities can contribute to and benefit from the city's growth.

¹ Mazzucato, M. (2018). *Mission-Oriented Research and Innovation in the European Union: A problem-solving approach to fuel innovation-led growth*. European Commission.

4.4.2 **Aim 1: Ensuring access to good work in all London communities**

Addressing the issues of low productivity, low skills, underemployment, in-work poverty, exclusion from the labour market and access to 'good work', to ensure all Londoners can participate in the city's economy and in their local economies, and be rewarded for it.

Understanding that strengthening the skills of Londoners not only benefits those individuals, but is vital to the continued success of London's business community.

This section will speak particularly to the Government's 'people' foundation of productivity.

4.4.3 **Aim 2: Supporting inclusive innovation in London**

Recognising that innovation has been a crucial driver of productivity growth and improved living standards over the longer term, and that London is uniquely well-placed to realise this given the wealth of world-class innovation assets at its disposal.

Developing an approach that supports and encourages innovation to drive productivity growth, especially where it is directed at solving London's social, environmental and economic challenges, and where it benefits Londoners, SMEs and parts of the city that have not typically shared in the benefits of innovation. This will also include investigating the potential to apply next generation technologies to improve productivity and job quality across the economy.

This section will speak particularly to the Government's 'ideas' foundation of productivity, alongside the infrastructure and business environment foundations.

4.4.4 **Aim 3: Maximising London's contribution to its local economies, its neighbouring regions and ultimately to nationwide prosperity**

Understanding that shared prosperity involves all of London's local economies contributing to and benefiting from the city's growth, as well as recognising that many of the challenges facing Londoners and their communities also hold businesses back – the cost and availability of housing, the affordability of the transport network and need for new capacity and the lack of available business space.

Better understanding and appreciating London's role in its wider city region and in the UK economy, and addressing the question of how London's distinct assets and places can be leveraged to support growth and productivity improvements that are widely shared. This involves recognising that supply chains for London's industries stretch well outside its local economy.

This section will speak particularly to the Government's 'place' foundation of productivity, alongside the infrastructure and business environment foundations.

4.5 The LIS evidence base will involve both the compilation of existing data and analysis, led by GLA Economics, and commissioning new research to address identified knowledge gaps. London has submitted a bid via LEAP to the Department for Business, Energy and Industrial Strategy (BEIS) for funding to support this research (up to £200,000 is available for each LEP area).

4.6 The evidence base will assess London's performance across the five foundations of productivity, with a particular focus on the 'people' element.

This will assess the extent of inequality between Londoners in terms of living standards, employment and job quality, alongside other indicators.

- 4.7 Following feedback from the Mayor's office, and to influence Government's thinking as they develop their approach to UKSPF, it is intended that the draft evidence base will be published separately, and ahead of the publication of the LIS.
- 4.8 The evidence base will be presented in an accessible and engaging format to improve understanding among Government and other stakeholders of the realities of London's economy, including commentary on the significant inequality challenges it faces that, despite some perceptions, are not too dissimilar from the challenges that other regions face.
- 4.9 Consultation with stakeholders will take place by adopting a co-design approach to the LIS, rather than repeating the extensive formal consultation conducted for the EDS. This will involve working with local stakeholders, including business, workforce representatives, sub-regional bodies, skills providers, higher education and boroughs, through roundtables and co-design events convened around specific policy issues.
- 4.10 The 'skills and employment' strands of the LIS will be jointly drafted by GLA and London Councils.
- 4.11 Government encourages the use of independent experts to support the development of the LIS. Officers plan to engage experts via one-to-one meetings and expert participation in roundtable/co-design events.
- 4.12 The proposed governance arrangements for the LIS are:
 - a) An officer working group comprising officers from all relevant policy areas to advise on and produce content for the LIS, and guide engagement with stakeholders;
 - b) A senior officer level steering group to review the draft LIS, with scope for closer involvement if desired;
 - c) LEAP to fulfil an advisory and sounding board role over the course of the production of the LIS;
 - d) The Skills for Londoners Board and Skills for Londoners Business Partnership will act in advisory capacity to oversee the skills and employment strands of the LIS;
 - e) The officers producing the LIS will frequently update and seek the input of the Mayoral team;
 - f) The final LIS will be approved by the Mayor (through an MD).
- 4.13 Government aims to agree all LIS in England by early 2020. Given this deadline, London intends to have its LIS finalised by the end of 2019, though officers are currently liaising with BEIS to agree a publication timeline.

5 Equality comments

- 5.1 Equality issues will be considered throughout the LIS. This will be achieved through the Strategy's proposed focus on raising productivity, wages and job quality in the 'everyday' economy of low-wage sectors, where there is a higher proportion of female and BAME employees. The focus on 'inclusive innovation' will also address equality issues by looking at how the participation of underrepresented groups in innovative sectors and entrepreneurial activities, which tend to be relatively more productive and higher-paid, can be increased.

6 Risks arising / mitigation

- 6.1 There is a risk that externally commissioned work is not completed on time (low likelihood, high impact). This will be mitigated by specifying the timeline clearly in the invitation to tender, and via effective oversight of the commissioned project, including establishing interim deadlines.
- 6.2 There is a risk that the LIS does not receive buy-in from all relevant stakeholders (low likelihood, high impact). This is being mitigated through close working with relevant policy officers in the GLA, who communicate the priorities of their stakeholders. The production of a stakeholder engagement plan, which sets out an approach to early and sustained engagement with stakeholders, including through co-design events, also addresses this risk.
- 6.3 There is a risk that the LIS seeks to be too comprehensive and lacks coherence and impact (low likelihood, medium impact). This risk has so far been managed through the decision to identify the objectives and priorities of the Strategy early, and to consult widely on this within the GLA. Going forward, it will be managed via regular meetings with contributing policy officers to ensure the work remains focused.

7 Financial Comments of the Executive Director Resources

- 7.1 There is no match funding requirement for the BEIS grant, but as set out at Appendix B, match funding is being sought for Strand 1 and £30,000 match funding has been secured for Strand 5 from the GLA Skills Strategy budget to increase the research spend. The only anticipated constraint on the spending of the grant is that it will have to be fully committed by the end of March 2019.

8 Next steps

- 8.1 The next steps following consideration by the Board are summarised below:

Activity	Indicative timeline
Production of evidence base	December 2018 – July 2019
Competitive tendering of additional supporting research	January 2019 – February 2019
Production of additional supporting research	February 2019 – June 2019
Stakeholder engagement (including co-design events)	November 2018 - April 2019
Production of first draft of LIS	March 2019 - June 2019
Publication of draft evidence base	July 2019
Review and redrafting of LIS	July 2019 - November 2019
MD approval	December 2019
Submit LIS to Government for approval	'Early 2020' (date tbc.)
Publication of LIS and final evidence base	2020, date tbc.

Appendices:

- **Appendix A** – Proposed draft structure for London's LIS
- **Appendix B** – Funding asks for additional research to support the LIS
- **Appendix C** – The five foundations of productivity identified in the UK Industrial Strategy