

**24 September 2019**

**North East Local Industrial Strategy  
Progress Update**



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**Joint report of Lorraine O'Donnell, Director of Transformation and Partnerships and Ian Thompson, Corporate Director of Regeneration and Local Services**

**Electoral division(s) affected:**

Countywide

**Purpose of the Report**

- 1 To provide members of the Economy and Enterprise Overview and Scrutiny Committee with background detail on the progress of the North East Local Industrial Strategy prior to a presentation by Glenn Martin, Regeneration Policy Team Leader, Durham County Council.

**Executive Summary**

- 2 The committee will recall that at the special meeting of the Economy and Enterprise Overview and Scrutiny Committee held in March, members received an overview of the National Industrial Strategy, an overview of local industrial strategy guidance, and the development of the North East Local Industrial Strategy.
- 3 Arrangements are being made for a representative from the North East Local Enterprise Partnership to attend a future meeting of the Economy and Enterprise Overview and Scrutiny Committee to provide an in-depth overview of the North East Local Industrial Strategy.
- 4 The national Industrial Strategy was published in 2017 with the aim of boosting productivity which in turn should lead to better wages for workers. The strategy also outlines the need for Local Enterprise Partnerships and Mayoral Combined Authorities to develop Local Industrial Strategies (LIS). The North East Local Enterprise Partnership will be amongst the first in England to prepare a LIS and Business Durham, County Durham Economic Partnership and the Council are working together to engage with this.

## Recommendations

- 5 Members of the Economy and Enterprise Overview and Scrutiny Committee are asked to note and comment upon the information provided in the report and the presentation.
- 6 That the Economy and Enterprise Overview and Scrutiny Committee receives at a future meeting a presentation by the North East Local Enterprise Partnership on the development and progress of the Local Industrial Strategy.

## Background

- 7 Members will recall that at the special meeting of the Economy and Enterprise Overview and Scrutiny Committee held on 11 March 2019 the committee received an overview of the development of the LIS. At that meeting it was highlighted by members that they wanted to receive further progress updates on the development of the strategy. As a result, the committee agreed at its June 2019 meeting to include in its future work programme an update early in the work programme from the relevant Service Grouping followed by a further update from the NELEP in 2020.
- 8 Arrangements have been made for Glenn Martin, Regeneration Policy Team Leader to attend the committee on the 24 September 2019 to provide a presentation focusing on:
  - National Industrial Strategy
  - North East Local Industrial Strategy
  - UK Shared Prosperity Fund

A copy of the presentation slides is attached as Appendix 2.

## Context

### National Industrial Strategy

- 9 In November 2017, the Government published the [Industrial Strategy](#) which aimed to “*set out a long-term plan to boost the productivity and earning power of people throughout the UK*”. The vision for the strategy is fivefold:

Vision	Foundations
To be the world's most innovative economy	Ideas
Good jobs and greater earning power for all	People
A major upgrade to the UK's infrastructure	Infrastructure
The best place to start and grow a business	Business Environment
Prosperous communities across the UK	Places

- 10 The five elements of the vision form the basis for the five foundations of productivity which are ideas, people, infrastructure, business environment and places. In addition to these, the strategy identifies areas where the UK can take a lead in global technological development. These are known as the four 'grand challenges' of artificial intelligence, future of mobility, clean (e.g. low carbon) growth, and the ageing society.
- 11 A number of ['sector deals'](#) are also being agreed between the Government and the organisations that represent industrial sectors. Currently ten have been agreed for the following sectors:
- Aerospace
  - Artificial Intelligence
  - Automotive
  - Construction
  - Creative industries
  - Life sciences
  - Nuclear
  - Offshore wind
  - Rail
  - Tourism
- 12 Since its publication, the Industrial Strategy has been used as an umbrella under which a range of Government investments have been promoted. The strategy also makes several references to the economic opportunities that the UK will have after Brexit, but Brexit has clearly become the main challenge for the Government and economy.

## Local Industrial Strategy

- 13 The national Industrial Strategy also provides the framework for the development of 'Local Industrial Strategies' (LIS) which the Government expects Local Enterprise Partnerships or Combined Authorities to develop. In the North East the North East Local Enterprise Partnership (NELEP) will prepare the LIS, which will build on the evidence and

direction of the [North East Strategic Economic Plan](#) (NE SEP) but will focus on improving productivity, in line with the national strategy.

- 14 The NE SEP was based on a detailed [‘Independent Economic Review’](#) and the NELEP decided that much of this was still relevant evidence for the new LIS. NELEP also produces the [‘Our Economy’](#) report which identifies key aspects of the region’s economic performance against themes and targets set out in the SEP. Only two new pieces of evidence were commissioned; one of which investigated key industrial sectors and key assets in the region, and the other which investigated the region’s productivity performance.
- 15 In October, the Government published a [LIS policy prospectus](#) as well as updates on the progress towards LISs for [Greater Manchester](#) and the [West Midlands](#). These give an insight into what the Government expects LISs to include, how they link to the national Industrial Strategy, and an outline of the Government support available. The NE LIS will be amongst the first in the Country to be developed and is expected to be published towards the end of 2019.
- 16 County Durham has been involved in the development of the Local Industrial Strategy via a number of channels including the NELEP Boards and the North East Combined Authority (NECA). In July NELEP held a [NE LIS summit](#), which several Council officers attended, to discuss the content of the strategy. NELEP has established an ‘Evidence Forum’ which the vice chair of the County Durham Economic Partnership attends but which have taken place infrequently.
- 17 The NE LIS will sit between the national Industrial Strategy and the North East Strategic Economic Plan and its structure reflects this. It will be based on the five ‘foundations of productivity’<sup>1</sup> from the national strategy and four ‘areas of strategic importance’<sup>2</sup> identified in the NE SEP. The areas of strategic importance reflect economic strengths and challenges that are specific to our region.
- 18 Based on the early evidence we have seen thus far there are several areas where we would like to see improvements. These include representing rural areas, smaller towns and strategic business parks better. In addition, the NE LIS needs to support the development of infrastructure across the region and support improvements to connectivity and skills. It could also be more ambitious, demonstrate a stronger partnership approach to delivery, and provide a sound case for

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<sup>1</sup> Ideas, people, infrastructure, business environment, and places

<sup>2</sup> Manufacturing, digitalisation, energy, and health

UK Shared Prosperity Fund resources. The Council made these representations, via NECA, in early September 2019.

## **UK Shared Prosperity Fund**

- 19 In the context of 'Brexit', the NE LIS is important because the Government has proposed to align future funding streams to LISs. The Government already devolves several funding streams to LEPs and LEPs represent their respective local authorities in conversations with the Government. However, the amount of money received by Durham County Council via European funding programmes far outweighs resources from NELEP.
- 20 The current European funding programme is due to end in 2020 and, under Theresa May, the Government committed to continuing European-funded programmes that had commenced under the current programme. The 2017 Conservative Party Manifesto and national Industrial Strategy make commitments to introducing a new 'UK Shared Prosperity Fund' (UK SPF) to replace European funding. The Government intended to consult on this fund in 2018 but this did not occur.
- 21 In the meantime, some local authorities areas such as County Durham that receive significant European investment have been lobbying the Government to consult on the UK SPF and have developed a position on the conditions and management of the fund. The Council has primarily been working with the Industrial Communities Alliance (ICA) to develop a common position on the UK SPF and the ICA Secretariat has been lobbying MPs in all parties. Over the last year, there have been various Government Select Committee consultations that are relevant to this agenda which the Council has responded to directly and via the County Durham Economic Partnership as well as through other partnerships such as Britain's Leading Edge and the County Council's Network.
- 22 The Government has intimated that they will not consult on the UK SPF until Brexit has been resolved. There is also a risk that the Government will merge the UK SPF with other funds that are devolved to LEPs and may allocate funding on a competitive basis. This may mean funding is directed to areas where the Government can make the best short-term returns, rather supporting areas with deep-rooted socio-economic needs – which is the purpose of European funding.
- 23 Similarly, the Government has suggested creating a national pool of any undeployed European investment and invest these resources in-line with the national Industrial Strategy. It is imperative that any ring-fenced

EU resources committed to County Durham is not lost to a national pool.

### **Next steps**

- 24 The Council will continue to lobby the LEP and the Government through every available channel to try to mitigate the loss of funding. Our approach also takes into consideration other funding pressures that have been brought about by the Government's austerity measures over the last decade and ongoing changes to local government finance.

### **Background Papers**

- 25 The UK Industrial Strategy: [www.gov.uk/government/topical-events/the-uks-industrial-strategy](http://www.gov.uk/government/topical-events/the-uks-industrial-strategy)

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## **Appendix 1: Implications**

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### **Legal Implications**

Not applicable

### **Finance**

The NE LIS is expected to provide the strategy against which the Government will devolve investment to NELEP and is vital to the economy of the region and County Durham; particularly given the impending loss of European funding.

### **Consultation**

Not applicable

### **Equality and Diversity / Public Sector Equality Duty**

Not applicable

### **Human Rights**

Not applicable

### **Crime and Disorder**

Not applicable

### **Staffing**

The loss of EU funding may lead to the loss of staff on fixed-term contracts to deliver EU funded projects.

### **Accommodation**

Not applicable

### **Risk**

Not applicable

### **Procurement**

Not applicable