

**AGENDA ITEM 10**

**REPORT TO THE TEES VALLEY  
COMBINED AUTHORITY**

**28<sup>th</sup> SEPTEMBER 2018**

**REPORT OF STRATEGY DIRECTOR**

**LOCAL INDUSTRIAL STRATEGY**

**SUMMARY**

This report provides an update on the development of the Tees Valley Local Industrial Strategy (LIS).

On 23<sup>rd</sup> July Government announced that Tees Valley would be in Wave 2 for the development of Local Industrial Strategies. At the time of writing we are awaiting a letter from Greg Clark to set out the process and timescales for the development of the LIS. However, we have had some initial inputs from civil servants.

This item is also linked to the report of the Review of Local Enterprise Partnerships (LEPs) which sets out the role that LEPs will play in the development and delivery of the LIS.

**RECOMMENDATIONS**

It is recommended that Cabinet:

- i. Note the report, agree the general approach to the development of the Local Industrial Strategy including an initial session of the Combined Authority, including private sector members, which is being organised to consider the evidence base that we have for the LIS and what it tells us.

**DETAIL**

**Background**

1. On 23<sup>rd</sup> July Government announced that Tees Valley would be in Wave 2 of the development of Local Industrial Strategies (LIS). At the time of writing we are awaiting a letter from Greg Clark setting out the process and timescales for the

development of the LIS. However, we have had some initial input from civil servants so we are in a position to start preparations and planning. They have outlined the core principles as follows:

### **Developing a Local Industrial Strategy**

2. Local Industrial Strategies will identify local strengths and challenges, future opportunities and the action needed to drive productivity. In doing so, they will represent the shared interests and needs of private, public and third sectors. They will set out a collective and shared course for the long-term. They will clearly identify strategic priorities based on robust transparent evidence. They will also set the context for proposed interventions. They should not aim to articulate specific bids for funding.
3. As detailed in the LEP Review report in Mayoral Combined Authority areas, the area will have a single LIS.
4. Building from this, it is important that Local Industrial Strategies:

### **Evidence**

5. Are founded on a robust and open evidence base. This will set out the relative strengths and weaknesses of the local economy, opportunities for the future, and local barriers to productivity. Places should harness the expertise of universities, independent experts and other stakeholders to develop a granular understanding of the local economy and the market failures that need to be addressed at the local level.

### **Policy mix**

6. Set out a distinctive long-term vision - this should be grounded in the evidence base to create shared purpose across local actors. The strategies should not set out to be exhaustive, but instead set out a strategic course, supported by specific ambitions and complementary policies.
7. Build on local strengths - they could harness local assets towards the Industrial Strategy's Grand Challenges or support other local opportunities. These might include existing powers, demographic opportunities, or established clusters of industrial activity. Individual sectors and large local employers should only be targeted when there are large benefits relative to the costs of addressing market failures that affect them.
8. Make choices and assess trade-offs - the best local economic strategies make clear the market failures that are being addressed and the case for intervention. They evaluate the costs and benefits implicit in addressing those specific market failures, and they draw on the best quality evidence of what works. They will make clear how these choices interact with the spatial geography of a place, indicating how decisions are intended to drive outcomes within and across boundaries.

9. Clarify specific actions and investments. This will ensure a well formulated policy mix, and in doing so, make clear how actions set out will:
  - Increase local collaboration between leaders, businesses, universities, and government on a shared set of local priorities over the long-term.
  - Coordinate with other local and national interventions to address cross-cutting opportunities, including the Grand Challenges. This will help increase the pace of growth by connecting initiatives and learning the lessons of previous successes.
10. Address the foundations of productivity - any strategy intending to drive productivity must address the fundamentals of local economies. In line with the Industrial Strategy, local strategies should identify priorities across Ideas, People, Infrastructure and Business Environment. In addition to this, they should set out the inter-connectedness of these priorities in a place, and where local action will add value in providing greater policy integration.

### **Evaluation**

11. Integrate evaluation - this should be proportionate and initiated from the start of the policy design process. The best Local Industrial Strategies will specify what constitutes success and build in a transparent mechanism for monitoring it. Places should continue to engage with independent expertise in this area. This could include drawing on the lessons of policy evaluation such as the What Works Centre for Local Economic Growth and their recent work around Local Industrial Strategies.

### **Timing**

12. Civil servants have indicated a 12 month process (starting in August) for the co-production of the Tees Valley LIS. This would mean getting to a final draft by the end of May 2019 with sign off by the Combined Authority and Government before the summer recess in July 2019. ANNEX 1 sets out the project plan for the preparation of the Tees Valley LIS, including a high level timeline diagram.

### **Developing the Tees Valley Local Industrial Strategy**

13. The Local Industrial Strategy does not replace the Strategic Economic Plan, it sits alongside and has an emphasis on productivity, how the area will contribute to national productivity growth and how this can be achieved. The relationship between this, and the Combined Authority's other strategic planning documents is attached at ANNEX 2.
14. An officer steering group has been established, Chaired by Linda Edworthy, Strategy Director and involving the five local authorities and strategic partners.
15. We are currently assessing our evidence base and identifying the gaps in evidence required. We are also in discussions with Durham and Teesside Universities and other bodies about how they can support the process. However, it will be necessary to commission some external support to fill the gaps in evidence and to facilitate some of the debates that we will need to have throughout the development of the LIS both within the TVCA family and with businesses and broader stakeholders.

16. We are proposing to hold a series of cross cutting and sector based development workshops in two stages to firstly review the existing evidence base and to consider the interventions that are required to unlock productivity growth across the five drivers of productivity (Ideas, People, Infrastructure and Business Environment). This will build on work that has already been undertaken, particularly our economic assessment, quarterly economic reviews and the Sector Action Plans. We are planning to start this work with a joint session of the LEP / Combined Authority, members and officers, to consider the evidence base that we have so far and what it tells us. We will ensure that both public and private sector members of the Combined Authority will have the opportunity to be fully engaged in the development of the Strategy. Members of the Combined Authority will receive invitations to all workshops throughout the process and we will hold special Combined Authority sessions to consider the outcomes from the sector workshops and the development of the strategy as it progresses. These will be programmed in the detailed work plan which will be shared with the Combined Authority.

## **FINANCIAL IMPLICATIONS**

17. The Development Fund will be used initially to provide external support to fill gaps in evidence and facilitation support for the preparation of the LIS. Additional Government funding will be made available for this purpose. We understand that up to £200k will be made available to support both the development of the LIS and the implementation of the LEP review. We will know how much funding is being made available to Tees Valley once we have submitted our LEP review implementation plan at the end of October. The LIS will identify future priorities to address productivity in Tees Valley. This work therefore needs to be closely aligned with the Tees Valley Investment Plan and the current prioritisation exercise.

## **LEGAL IMPLICATIONS**

18. There are no legal implications at this stage. All external support will be procured through appropriate mechanisms.

## **RISK ASSESSMENT**

19. The development of the project plan and subsequent project planning approach to be undertaken jointly with Government will identify and monitor the ability to deliver the LIS within the desired timescales. If the initial plan development flags up any issues these will be reported to the Project Steering Group / Management Group and will be discussed with Government officials.

## **CONSULTATION & COMMUNICATION**

20. A consultation and communication plan will be prepared as part of the project management approach to the development of the LIS.

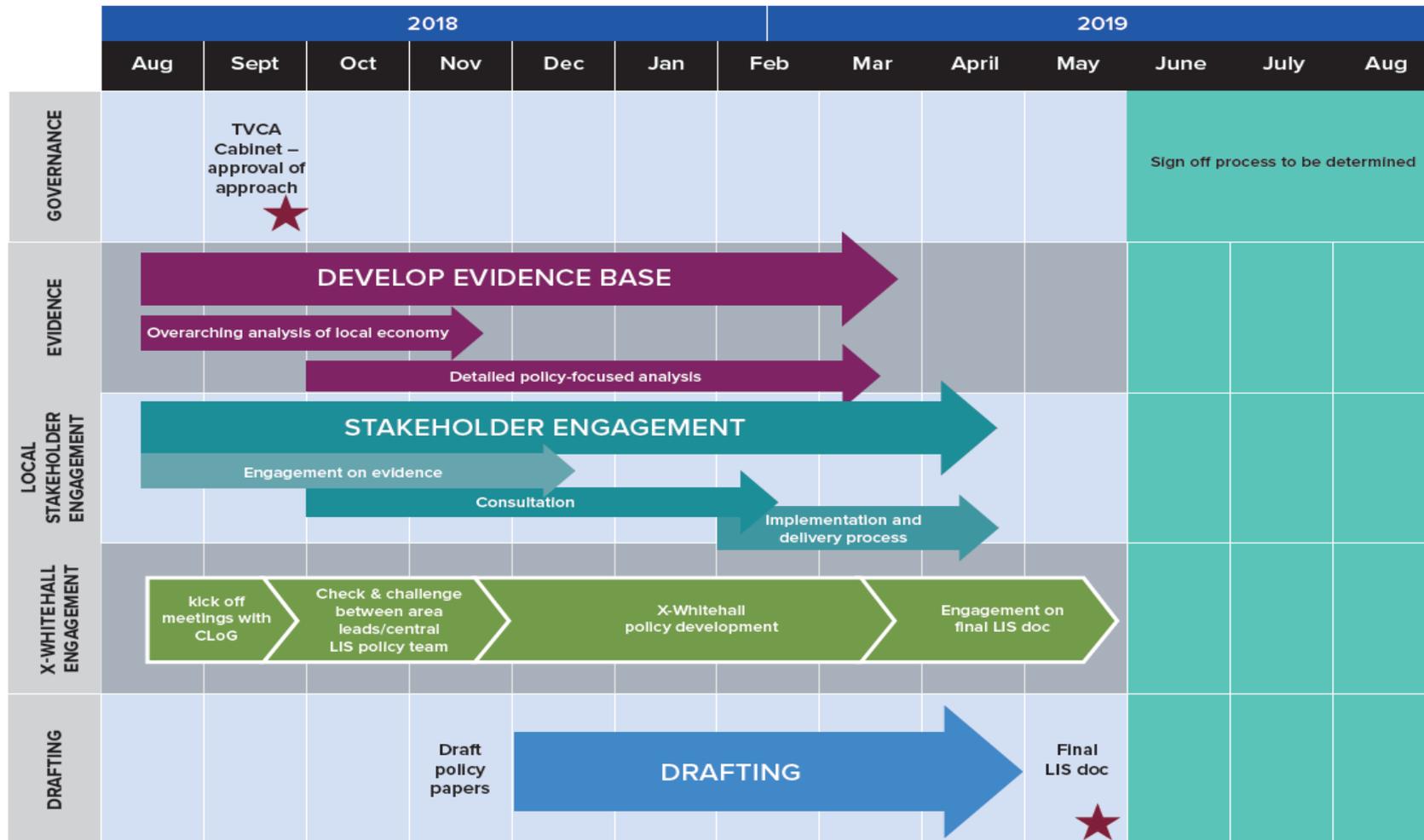
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# LIS TIMELINE



ANNEX 2

