LOCAL ENTERPRISE PARTNERSHIP BOARD

SUBJECT: Greater Manchester Local Industrial Strategy Update

DATE: 16 July 2018

REPORT OF: Simon Nokes

PURPOSE OF REPORT

At the Autumn Budget, it was announced that Greater Manchester would be a trailblazer, alongside the West Midlands and Oxford/Cambridge, working in collaboration with HM Government to develop a Local Industrial Strategy (the GM LIS) by March 2019.

This paper provides an overview of the process to develop the GM LIS and progress to date. It also provides an update on the bidding process for the recently announced Strength in Places fund.

RECOMMENDATIONS

Members are asked to:

- Note progress to date on developing the GM LIS and provide comments.
- Note the approach being taken to developing a strong GM bid to the Strength in Places fund.

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1. **Background**

1.1. The 2017 Autumn Budget agreement between the GMCA and HM Government (HMG) will work together to develop a GM Local Industrial Strategy ('the GM LIS') which will reflect the main themes of the national Industrial Strategy, but also take a place-based approach that builds on the area’s unique strengths and ensures all people in Greater Manchester can contribute to, and benefit from, enhanced productivity, earnings and economic growth.

1.2. Discussions with Leaders and LEP members have confirmed that our ambition should be to develop a focused strategy which progresses our growth and reform agenda, aligned to the refreshed Greater Manchester Strategy. These discussions have also identified stakeholder views that skills needs to be as a central element of the GM LIS. Local stakeholders believe that, ultimately, the success of the GM LIS will be critically linked to our ability to have more influence and control over the skills system than is currently the case.

1.3. The national industrial strategy is structured around five foundations of productivity (Ideas, People, Business Environment, Infrastructure and Place) – and four grand challenges (Ageing Society, Digital/AI, Clean Growth, and Future of Mobility) – which provides a framework to set out an integrated package of policies to deliver against national and local priorities. This will need to describe how we will implement and align key actions and identify where further devolution and strengthened partnership working between GM and central government will deliver improved outcomes across the city region. The strategy will also need to set out how we have prioritised the actions we are proposing to take forward across the Foundations and Grand Challenges.

1.4. The intention is that the Greater Manchester Local Industrial Strategy will be:

   o Developed so that it provides a long-term vision that sets out the opportunities to grow the economy and reform public services to 2030 and beyond.

   o Informed by a robust evidence base, and focused on a select number of priority actions, to capitalise on Greater Manchester’s strengths and address the challenges it faces to raise skills levels and improve productivity and earning power.

   o A collaborative effort, co-designed and jointly owned by Government, local leaders, business, the community, voluntary and social enterprise (CVSE) sector and citizens.

1.5. It is proposed that a statement will be released in late-July 2018 setting out the process for developing the GM LIS and some early priorities, followed by a consultation and event targeted at businesses in October 2018, and publication of the final GM LIS in March 2019.

1.6. Working in collaboration with the Cities & Local Growth Unit, who are leading the development of local industrial strategies in Whitehall, the initial tranche of work has focused on two workstreams:

   o Agreeing the approach to developing the GM LIS; and

   o Initiating the evidence base development work.
2. Agreeing the approach to developing the GM LIS

2.1. On 17th May, Melanie Dawes (Permanent Secretary, Ministry for Housing, Communities & Local Government) convened a meeting of GM officers (including the GMCA Chief Executive and the CX lead for economy and business) with senior officials from HM Treasury, Number 10, the Department for Education, Department for Culture, Media & Sport, Department of Health & Social Care, Department for Work & Pensions, Department for Business, Energy & Industrial Strategy and the Department for Transport. The objectives of the meeting were:

- to gain an understanding of the approach GM is undertaking to develop our Local Industrial Strategy;
- to discuss the emerging thinking, Grand Challenge led policy development and respective priorities; and
- to agree joint ways of working across HMG and the establishment of working groups.

2.2. Overall, HMG welcomed the approach GM is taking. HMG particularly welcomed the focus on developing a robust evidence base and the development of a long-term partnership between HMG and GM, and stressed the importance of strong business engagement.

2.3. Following the meeting, departments agreed to work towards a statement on the GM LIS, which will:

- confirm HMG and GM’s commitment to working together to develop a comprehensive local industrial strategy aligned to the national industrial strategy and the Greater Manchester Strategy;
- set out our approach to developing the GM LIS (i.e. independently developing the evidence base and close collaboration with GM businesses, CVSE, universities and other stakeholders to develop policy propositions); and
- identify some early Grand Challenge ‘missions’ and agreements with individual departments for either specific actions or areas of joint work over the next 10 months.

2.4. HMG also intend to publish statements with other trailblazers. The statements will look different for each trailblazer because of the different approaches being taken and the different stages of development the strategies are at.

2.5. Following the summer recess, a series of workshops with Government departments will be held based around the Grand Challenges to build momentum on the back of the joint statement.

2.6. The LEP will play a central role in the development of the GM LIS. Dame Nancy Rothwell and Jürgen Maier have agreed to act as the LEP’s industrial strategy “champions” and will take a lead in contribution to key documents (including the GM-HMG joint statement, the consultation document, and the final GM LIS), bringing together business leaders (including through the LEP Foresighting Group) and attending key meetings with senior officials.

2.7. Discussions are currently being had with employers and employer representative organisations to gather views on the GM LIS and help determine
the content of the October consultation document and event. It is also intended to hold a series of meetings with economic development lead officers in each district over the course of July and August to gather district input and priorities.

2.8. The final GM LIS will be developed based on the outcomes of the policy development work, feedback from the consultation with businesses, and the findings from the evidence base work (described in the next section).

3. Developing the evidence base

3.1. A robust and credible evidence base will be critical to make the case for what needs to be done to deliver growth for Greater Manchester and its residents. It will also be critical to ensure the buy-in from all government departments.

3.2. GM already has a strong evidence-base (including the Manchester Independent Economic Review (MIER), the Northern Powerhouse Independent Economic Review, the Science and Innovation Audit, and the deep dive work), which provides a very solid platform on which to build. However, to enable the GM LIS process to genuinely drive forward the next phase of devolution, there will be a need to build on this evidence and co-produce additional analysis with HMG.

3.3. An Independent Review approach is therefore being progressed – building on the MIER model – led by a high-profile expert panel. The panel’s membership is as follows:

- Diane Coyle (Chair) – Cambridge University;
- Henry Overman – LSE and What Works Centre for Local Economic Growth;
- Ed Glaeser – Harvard University;
- Stephanie Flanders – Bloomberg Economics;
- Darra Singh – EY; and
- Mariana Mazzucato – UCL.

3.4. The Independent Advisory Panel met for the first time on 24th May. In its first meeting the panel discussed the purpose and function of the evidence review, including hearing from GMCA about progress since the MIER and recent research on productivity, Brexit, innovation, labour market and inequalities. The underpinning evidence for the review was discussed alongside potential topics for new research commissions.

3.5. The Panel agreed that:

- a summary paper of GM’s existing evidence will be brought together, structured around the 5 foundations of productivity, for the Panel’s next meeting in September;
- a separate paper will also be produced detailing progress with the implementation of GM’s devolution deals, highlighting key achievements and barriers; and
that the name of the Review should be considered, as industrial strategy was thought to be too narrow. The Greater Manchester Independent Prosperity Review has now been agreed as the name.

3.6. The panel also identified a select number of research commissions that they recommend be taken forward to support the GM LIS. These are as follows:

- **Audit of Productivity:** This will aim to provide a finer-grained understanding of the barriers and enablers of productivity in different parts of Greater Manchester. It will build on the research piece undertaken recently by the GMCA on the economic role of the regional centre and look at agglomeration v clusters/specialisms effects across the city region.

- **Education and Skills Transitions:** This will analyse the role of different parts of the education and skills system (early years, primary and secondary school outcomes, FE, HE and skills within the labour market) in contributing to labour market outcomes. It will review the ‘transitions’ between different parts of the system and assess the extent to which failures at key transition points impact on individual outcomes. It will seek to set out the role of local and national actors in delivering improved skills performance.

- **Low Productivity Sector Review:** This will analyse in more granular detail the long tail of low productivity firms within GM. Case studies of major sectors will be undertaken, including adult social care (taking into account the devolved commissioning powers which GM has within this sector). The report will focus on how productivity could be raised in these sectors, including through greater technology adoption and diffusion.

- **Supply Chain Analysis:** Recognising that this is a challenging area to explore in a short timescale, there is an identified need to better understand GM’s supply chain linkages nationally and internationally. Work will be undertaken to explore what new datasets and analytical techniques are available which can give a better understanding of GM’s supply chain linkages.

- **Innovation Ecosystem:** Aligned with the work to refresh the information in the GM and East Cheshire Science and Innovation Audit (particularly to expand the coverage of private sector assets), this research will analyse the interrelationships between public and private innovation in Greater Manchester. It will look to fill gaps in understanding of private sector innovation through the use of innovative data techniques. This report will also include a review of the lessons learnt to date from the commercialisation of Graphene.

- **Infrastructure:** This study will analyse the infrastructure needs of Greater Manchester to raise productivity, including looking at current funding and investment models and the potential for new approaches to unlock additional investment in infrastructure.

3.7. These are currently being discussed with Panel members and will be refined over the coming weeks. The Panel will meet again in September to review progress with the above research commissions and identify emerging findings for the GM LIS.
3.8. The views of industry will be brought into the analysis through a number of challenge sessions which will bring together businesses, policy makers, and academics to discuss the research findings.

4. Strength in Places Fund

4.1. The Strength in Places Fund (SIPF) was initially announced by the Secretary of State for BEIS, Greg Clarke, alongside publication of the Industrial Strategy White Paper in December. The Government subsequently opened the formal competitive bidding round at the start of June, which will close on 25 July.

4.2. The intention of SIPF is to take a more place-based approach to research and innovation funding, in order to better support regional growth. Specifically it looks to support innovation-led relative regional growth by identifying and supporting areas of R&D strengths that are driving clusters of businesses that have the potential to innovate, or to adopt new technologies, in order to make those clusters nationally and internationally competitive.

4.3. Funding will be competitively awarded to consortia representing ‘economic geographies’ across the UK that have existing research excellence and high-quality innovation capability that are focused on wealth creating opportunities and aligned to the needs of their local industry and business supply chains. But also to activities that are likely to bring significant, relative economic impact and regional growth.

4.4. The programme will consist of two stages: an Expression of Interest stage to access up to £50k seed corn funding to develop a full business case; and a full bid stage for those successful at the EOI stage to access funding of £10m and £50m (the latter sum, however, will only be awarded to exceptional projects). A total of £115m has been allocated. In this first wave of funding, UKRI expects to fund between 4 and 8 bids.

4.5. Bids may only be made by either a businesses or a research organisation – but will need to demonstrate strong engagement with local leadership partners (including LEPs and Combined Authorities). The LEP and GMCA, therefore, cannot lead on a bid – however, they can give their endorsement to the strongest bid that emerges from local partners.

4.6. We are aware of several propositions that are being considered by academics within the GM universities in particular. It is likely to be counterproductive, however, if a number of separate bids are submitted from the GM geography. Therefore GM officials have been encouraging local collaboration as far as possible.

4.7. Bids are likely to be most successful if they are evidenced based. The Science and Innovation Audit (SIA) conducted in 2016 was a collaborative effort to understand the genuine research and innovation strengths within the City-Region. This concluded that they are strongest for GM in Health Innovation and Advanced Materials; and to a lesser extent in Digital, Energy, and Industrial Biotechnology. Additionally, that the greatest potential driver for innovation comes from where three or more of those strengths combine together e.g. health-materials-digital. Finally, the UKRI criteria is clear that successful bids will be those that focus on research excellence, but more particularly that can support commercialisation of that research. In order to achieve the economic
gains from research it will be essential to demonstrate genuine work with industry.

4.8. We recommend that the GMCA/LEP endorse only one bid from within GM, with backing to anything that is as closely aligned to the recommendations of the SIA as possible. A verbal update with progress on the development of a GM bid will be given at the LEP Board meeting.

5. **Next Steps:**

5.1. The immediate next steps for the development of the GM LIS are:

   o HMG/GM discussions to agree the wording for the statement. This will be discussed at the meeting of Greg Clark, Andy Burnham and Richard Leese scheduled for 12\textsuperscript{th} July 2018.

   o Finalisation of the scopes for the research studies and commencement of the research itself, with first drafts available by September. It is also intended to issue a call for evidence so that GM stakeholders can submit evidence to support the Review’s analysis.

   o Meetings will be held with businesses and GM districts over the summer to shape the October consultation document and event.

   o A number of policy development workshops are also being held with leading national and Northern think tanks, including IPPR North, the Northern Powerhouse Partnership and the Resolution Foundation involving representatives from business, universities, and the public sector.

5.2. On the Strength in Places fund, officials have been advising on the drafting of the EOI and in facilitating engagement with a wider set of stakeholders to ensure it is genuinely a cross-GM bid. A number of workshops have been set up to help shape the bid. The final EOI will need to be submitted to UKRI by 25 July. A verbal update on progress with the GM bid will be given at the LEP Board meeting.