

Understanding the policy-making processes behind local growth strategies in England

Industrial Strategy Council



Research Paper

Anna Romaniuk, Catherine Osborne,
Emily Rainsford and Abigail Taylor

July 2020

About the Industrial Strategy Council

The Industrial Strategy Council (“the Council”) is an independent non-statutory advisory group established in November 2018. It is tasked with providing impartial and expert evaluation of the government’s progress in delivering the aims of the Industrial Strategy. Its membership is comprised of leading men and women from business, academia and civil society.

Acknowledgements

This work was overseen by Council members Emma Bridgewater, Kate Barker, Christine Gaskell and Rotha Johnston. The Industrial Strategy Council would like to thank the research and secretariat team for their contribution to this research paper.

The Council is particularly thankful to the 49 research participants for their time, insightful responses and countless coffees and teas. In addition, we would like to thank the LEP staff members, who did not participate in the research themselves, but kindly facilitated introductions to and coordinated meetings with stakeholders.

The Industrial Strategy Council is grateful to the Productivity Insights Network at Sheffield University for organising and hosting an academic roundtable, to those who attended the roundtable¹, and to other academics who provided comments on the report².

The research has benefited greatly from input provided by local leads in the case study areas, from the Cities and Local Growth Unit, the Bank of England, the British Chambers of Commerce, and the Confederation of British Industry. Furthermore, assistance from the Department for Business, Energy and Industrial Strategy (BEIS), the Ministry of Housing, Communities and Local Government (MHCLG), officials in the devolved administrations, and HM Treasury has been valuable to the research.

Emily Rainsford and Abigail Taylor gratefully acknowledge the financial support from the Economic and Social Research Council (ESRC) through Newcastle University and City-REDI (University of Birmingham) respectively.

¹ Richard Harris (Durham University), Andrew Henley (Cardiff University), Paul Kirkbright (University Centre Shrewsbury), Philip McCann (University of Sheffield), Kathy Pain (University of Reading), Kate Penney (University of Sheffield), Lahari Ramuni (Centre for Cities), Vania Sena (University of Sheffield), Brian Tanner (Durham University), Tim Vorley (University of Sheffield), Jen Nelles (University of Sheffield)

² Anne Green (University of Birmingham), Graeme Roy (Fraser of Allander Institute), and Louise Kempton (University of Newcastle)

Contents

Executive Summary	3
Introduction	8
Institutional Context	8
Policy Context: Local Industrial Strategies	10
Research Background	16
Research Objectives and Methodology	18
Research Objectives	18
Methodological Approach	19
Choice of Case Studies	20
Places	22
The Marches	23
The North East.....	24
Cambridgeshire and Peterborough	26
Thames Valley Berkshire	28
Findings.....	30
Purpose.....	30
Process and uncertainty	32
Collaboration.....	37
Evidence base and intervention prioritisation.....	40
Evaluation	43

Executive Summary

This report provides insight into the policy-making processes behind Local Industrial Strategies (LISs), a key commitment in the Government's 2017 national Industrial Strategy. LISs are designed to identify the strengths and challenges, future opportunities and actions required to raise productivity, earnings power, and competitiveness in each local area. Adopting a qualitative approach, this report is based on thematic analysis of interviews conducted with key stakeholders from Local Enterprise Partnerships (LEPs), local businesses, local authorities and academics in four case study areas in England: Greater Cambridge and Peterborough, the Marches, the North East and Thames Valley Berkshire.

The research develops understanding of the process involved in developing the LIS in the areas studied. It identifies areas of good practice, and challenges, emphasising their wider relevance to debates regarding the implementation of future local economic growth policies. The fieldwork was carried out between October 2019 and February 2020, which was a period of unprecedented political uncertainty related to the UK's decision to leave the European Union.

Overall, this research demonstrates that there is value in the development of industrial policy at the local level through LEPs and MCAs, to bring together stakeholders constructively to agree on local priorities based on evidence. However, it also highlights the need for clear expectations to be set of the actors involved. For example, it is important to set expectations of central government's role in the development of LISs and ensure clarity in shared local and national objectives for the strategies. This is particularly important in an uncertain context.

Furthermore, it is necessary to ensure clear expectations for minimum requirements of evaluation at the local level, and to support the development of local expertise that can build the evidence base of "what works" in local economic growth. This should help to ensure continued engagement with the policy development process and delivery of effective policy that is responsive to changing circumstances. However, in order to conduct robust evaluations and build in-house analytical teams, LEPs require long-term funding. The research also highlights questions about whether areas have the appropriate powers to design and deliver the policy required to improve local productivity. The Council is currently examining existing institutional and governance structures to identify how local policy makers can work most effectively.

Purpose of Local Industrial Strategies

The study finds widespread understanding about the purpose in principle of LISs in terms of increasing local productivity in line with national strategy. Grasping what this meant in practice was more challenging. Interviewees suggested the intended

Industrial Strategy Council: Understanding the policy-making processes behind local growth strategies in England

purpose could have been set out more clearly by central government from the start. Better communication between central government and LEPs is needed to improve the efficiency with which local economic policies are developed. The LIS framework has at times been too rigid. Requiring strict alignment to the national Industrial Strategy makes it difficult for some areas to make LISs truly place-specific. This is particularly challenging in places which rely on low-productivity sectors (e.g. agriculture), and where these sectors are nonetheless important to the local and national economy.

Process and uncertainty in the LIS development process

The research identifies a belief that the process has worked well locally and LEPs are well placed to coordinate sub-national economic policy. Nonetheless, it identifies areas in which the process could be improved in future. Interviewees felt that co-production with government had not been planned well, leading to confusion, and at times, a waste of local resources. Participants expressed a desire for greater coordination of LIS development across central government. As highlighted in the Council's Annual Report, policy co-ordination is essential in creating successful strategies. The complexity of co-ordinating across LEPs endorses the argument for a greater strategic and coordination role for the LEP Network, for it to act as the lead commentator and negotiator for LEPs. If the Network is to play a more strategic role on a national scale, it will require appropriate funding based on a multi-year settlement. Furthermore, political and funding uncertainty negatively impacted on the process of developing LISs. Securing stakeholder engagement was at times challenging due to a lack of clear vision of how the LIS would translate into funding. The report also notes large differences in the number of employees in LEPs and the consequences of this in terms of LEPs securing funding for local programmes and interventions.

Collaboration

Collaboration was the strongest theme identified in this research, with positive reflections from stakeholders on the LEPs'/Mayoral Combined Authorities' (MCAs) role in bringing together stakeholders. All local areas spoke of consulting widely with a range of diverse stakeholders to identify the right priorities and secure buy-in for implementation. Feedback from external stakeholders involved in the process was positive, and developing the LIS was generally viewed as a useful and constructive exercise. It was clear from the fieldwork conducted that LEP staff are well embedded locally, are aware of local strengths and challenges and have good working relationships with key local stakeholders. However, a degree of consultation fatigue is emerging. Interviewees suggested that businesses in particular may be reticent to take part in future consultations until clarity is provided on future funding opportunities relating to LIS implementation.

Evidence base and intervention prioritisation

The value of a robust evidence base was a running theme throughout the interviews. All the areas studied employed consultants to develop the evidence base and then ran consultations with stakeholders. There was a widespread appreciation of how data can drive prioritisation processes alongside stakeholder engagement. However, gaps in local data at the LEP level was highlighted as a challenge. The evidence base has been the starting point for prioritising policy interventions in all cases. It also acted as a foundation for managing stakeholder expectations and ensuring discussions were not dominated by any individual or organisation. All local areas engaged with a variety of stakeholders to agree the right priorities for local workers and businesses showing their ability to build local consensus amidst competing needs. Many interviewees felt greater devolution of powers is needed to enable LEPs/MCAs to promote productivity in a sustainable and inclusive way. They considered current local powers as limiting their ability to address multi-faceted policy problems driven by long-standing and ingrained social and economic issues.

Evaluation

This research identifies a lack of consideration of evaluation in relation to the impact of planned activities in the LIS development process. This has implications on the potential for success in meeting the objectives set out in the LIS. The interviews conducted suggest a limited understanding of what constitutes evaluation and find that LEPs largely concentrated on measuring key performance indicators. Funding uncertainty impacts on local willingness to engage in discussions regarding evaluations plans. Long-term funding certainty would allow LEPs to build their capacity and boost their analytical capabilities.

Implications for practice

- There is a need for better communication and understanding between central government and LEPs. Misunderstandings about the purpose of LISs, the process for co-production and outputs could be avoided through more early engagement. The research also emphasises the importance of transparency and candid communication of how political uncertainty influences central policy-making.
- All places are different and what is effective in big cities will not work in rural areas. Policy frameworks should be flexible enough to allow LEPs to make their policies truly place-specific. Devolution can be a useful tool in giving regions more policy-making powers, however its feasibility on the national scale needs careful consideration.
- Regional disparities are not only visible in gross value added (GVA) figures, but also in LEP capacity. Larger LEPs have more capacity to secure new funding, whereas small, rural LEPs struggle the most. This inequality should be addressed to give all places the same opportunities to secure funding, implement large-scale projects and effectively engaged with local businesses.

Industrial Strategy Council: Understanding the policy-making processes behind local growth strategies in England

- Political uncertainty is often unavoidable, but funding uncertainty, while challenging to remedy, could be improved through the commitment of key government departments (HM Treasury and BEIS).
- There is also a need for a publicly available research depository that would not only facilitate LEP decision-making, reduce reliance on consultants, but also encourage more academic research.
- Access to up to date LEP-level and LA-level data needs to be improved as it is essential in developing effective policies and tracking their progress. This would minimise duplication of effort associated with data requests, collection, and analysis.
- Robust evaluations of regional economic policies will significantly improve our knowledge of “what works”, maximise value for money, and improve socio-economic outcomes for the public. Central government and LEPs/MCAs should work together to agree a minimum analytical requirement in LEPs, including both staff and evaluation spend.

Implications of COVID-19 for “levelling up”

Since the fieldwork was undertaken, COVID-19 has had a significant economic impact on all local areas as well as nationally. About half of Britain’s highest-paid employees can work from home, but less than 10% of those in the four lowest-paid deciles can.³ On a local level, it is already clear that areas with existing low productivity levels are suffering more than those areas that have a high proportion of workers able to work from home. Even if the economy “bounces back” soon after social distancing restrictions are relaxed, on an individual level those with little savings to fall back on will take longer to recover their financial stability.

After the uncertainty of UK’s departure from the EU and last year’s elections, the UK and the rest of the world is now facing an unprecedented economic crisis due to the COVID-19 pandemic. Therefore, it is understandable that many of deadlines for publishing LISs have been missed. However, the Council believe that as a result of COVID-19 crisis, “levelling up” is likely to become an even greater challenge and more imperative than it was prior to the pandemic. While LISs were constructed through the lens of growth, they still provide the best available economic evidence base for functioning economic areas in every region in England. They should be the starting point for economic recovery plans, which provide places with a plan to get regional economies back on their feet.

Making progress on improving collaboration between local and national actors, building LEP capacity, improving data and evaluation, and building an evidence base on “what works” in improving local economies are issues that have become even

³ The Economist. (2020). *How COVID-19 exacerbates inequality*. Retrieved from: www.economist.com/britain/2020/03/26/how-covid-19-exacerbates-inequality

Industrial Strategy Council: Understanding the policy-making processes behind local growth strategies in England

more urgent. To address this challenge, local and national partners will need to show mutual trust to work effectively together to protect those economies that are already suffering the most. Close collaboration of Whitehall departments will be needed to “level-up” regional economies.

Introduction

This section examines the institutional and policy context in which LEPs have been tasked with developing Local Industrial Strategies (LISs) in England. It begins with a brief overview of local economic growth structures and funding regimes in England over the previous 15 years. The section then outlines the aims of and background to LISs before briefly summarising regional policy in Scotland, Wales and Northern Ireland. The section concludes with a review of relevant research and identifies gaps that this report seeks to address.

Institutional Context

An evidence review into regional disparities conducted by the Council, found “the tendency to abolish and re-create regional policy institutions” and called for a new degree of continuity in UK regional policy.⁴ Indeed, recent decades have seen the establishment of several local economic growth structures and funding regimes in England. These include the creation of the Regional Development Agencies (RDAs) in the late 1990s and the Local Strategic Partnerships in the early 2000s. RDAs were replaced by Local Enterprise Partnerships (LEPs) in England in 2010 as business-led partnerships linking the private sector, local authorities, higher and further education and the voluntary sector. Their remit is to drive growth strategically in local communities, recognising the value of decision-making being led at the local level. Additionally, government has more recently introduced City and Growth Deals that provide funds to LEPs for projects that benefit the local area and economy. RDAs received greater funding in terms of total value compared to LEPs.⁵ As noted by Pike et al, they faced some criticism for inefficiency and under-achievement.⁶ However, a report by PricewaterhouseCoopers (PWC) suggested they had delivered net economic benefits adding £4.50 to regional Gross Value Added for every one £1 they spent.⁷

⁴ Industrial Strategy Council. (2020a). *UK Regional Productivity Differences: An Evidence Review*. Retrieved from: www.industrialstrategyCouncil.org/uk-regional-productivity-differences-evidence-review

⁵ Taylor, A. (2019). *The Realities, Challenges and Strengths of the External Funding Environment at LEP Level*. Retrieved from: www.birmingham.ac.uk/Documents/college-social-sciences/business/research/city-redi/Projects-Docs/EXTERNAL-FUNDING-ENVIRONMENT-FINAL-REPORT-c.pdf

⁶ Pike, A., Coombes, M., O'Brien, P. and Tomaney, J. (2018). Austerity states, institutional dismantling and the governance of sub-national economic development: the demise of the regional development agencies in England. *Territory, Politics, Governance* 6(1), p..118-144.

⁷ Larkin, L. (2009). *Regional Development Agencies: the facts*. Centre for cities. Retrieved from: centreforcities.org/wp-content/uploads/2014/09/09-12-08-RDAS-The-facts.pdf

Industrial Strategy Council: Understanding the policy-making processes behind local growth strategies in England

In addition, combined authorities can be set up by local authorities in England, and may take on additional powers in agreement with central government through devolution deals.⁸ In June 2020, there were ten combined authority areas in England, eight of which have an elected mayor.⁹

The Heseltine Review¹⁰ (2012) made recommendations to rebalance responsibilities for economic development between central and local government, including the strengthening of LEP powers, which were largely accepted and implemented by government.¹¹ LEPs have been subject to much scrutiny, particularly as they have been given increasing responsibility. The government published the Strengthening Local Enterprise Partnerships Review in July 2018 to set out expectations of LEPs' roles and responsibilities.¹² This followed a report by the Public Affairs Committee in July 2016¹³, which raised concern about the capacity and capability of combined authorities and LEPs to deliver their objectives, and a government review of LEP governance and transparency.¹⁴ The Strengthening LEPs review acknowledged the ability of LEPs "to bring together business and civic leaders across local administrative boundaries and provide strategic direction for a functional economic area" as one of their key strengths. However, the review also recommended reviewing the geographic boundaries of LEPs to ensure they provide efficient and effective decision-making and delivery going forward by March 2020.¹⁵ Most overlapping boundaries were resolved by the March 2020 deadline. Those which remain are progressing through ministerial conversations.

Furthermore, the Public Accounts Committee has found that local scrutiny and accountability arrangements are weak.¹⁶ Similarly, the National Audit Office has highlighted that "there is a clear rationale for more demonstrable good governance in

⁸ Sandford, M. (2019). *Combined Authorities*. House of Commons Library. Briefing Paper number 06649. Retrieved from: researchbriefings.files.parliament.uk/documents/SN06649/SN06649.pdf

⁹ Sandford, M. (2019). Op cit.

¹⁰ The Rt Hon the Lord Heseltine of Thenford. (2012). *No stone unturned in pursuit of growth*. Retrieved from: www.gov.uk/government/publications/no-stone-unturned-in-pursuit-of-growth

¹¹ The Heseltine Report was directly linked to the design of Strategic Economic Plans, the Local Growth Fund, and mayor-led combined authorities.

¹² Ministry of Housing, Communities and Local Government. (2018). *Strengthened Local Enterprise Partnerships*. Retrieved from: www.gov.uk/government/publications/strengthened-local-enterprise-partnerships

¹³ House of Commons Committee on Public Accounts. (2016). *Report: cities and local growth*. Retrieved from: www.parliament.uk/business/committees/committees-a-z/commons-select/public-accounts-committee/inquiries/parliament-2015/local-enterprise-partnerships-devolution-england-15-16/

¹⁴ Ney, M. (2017). *Review of Local Enterprise Partnership Governance and Transparency*. Department for Communities and Local Government. www.gov.uk/government/publications/review-of-local-enterprise-partnership-governance-and-transparency

¹⁵ Ministry of Housing, Communities & Local Government. (2018). Op cit.

¹⁶ House of Commons Committee on Public Accounts. (2019). *Local Enterprise Partnerships: Progress Review*, One Hundred and Fifth Report of Session 2017-19, June. Retrieved from: <https://publications.parliament.uk/pa/cm201719/cmselect/cmpubacc/1754/1754.pdf>

Industrial Strategy Council: Understanding the policy-making processes behind local growth strategies in England

LEPs and better oversight by the Department [MHCLG]” to evaluate how effectively funds are being used.¹⁷

Those concerns were acted on following the publication of Strengthened LEPs report. Government published the National Assurance Framework for LEPs in 2019 requiring every LEP to put in place a Local Assurance Framework (in line with the national framework).¹⁸ Under the new guidance, every LEP must undergo an annual appraisal and assessment by government and section 151 officers to give further assurance and provide fiscal accountability to LEPs. This approach was designed to provide a triple lock on governance.

Policy Context: Local Industrial Strategies

In 2017 the Government launched its Industrial Strategy White Paper setting out its long-term plan to boost the productivity and earning power of people throughout the UK.¹⁹ This stated that government will “work in partnership with places to develop Local Industrial Strategies (LISs), which will be developed locally and agreed with government.” LISs are to focus on “specific distinctive local strengths and address any local weaknesses.”²⁰ This may involve harnessing distinctive strengths to meet the Industrial Strategy’s Grand Challenges (Artificial Intelligence and data; ageing society; clean growth; future of mobility).²¹ In England, LISs are produced by Combined Authorities (CAs) where one exists, supported by Local Enterprise Partnerships (LEPs). Otherwise, the strategy is led by the LEP.²² The North East is the exception to this rule as the LIS development is led by the LEP that covers two Combined Authorities (see the Places section for more details). Henceforth, any reference to “LEPs” will include Combined Authorities unless otherwise stated.

LISs are designed to identify the strengths and challenges, future opportunities, and actions required to raise productivity, earnings power and competitiveness in each local area.²³ They should:

- Set out a robust and open evidence base

¹⁷ National Audit Office. (2019). *Local Enterprise Partnerships: an update on progress*. Retrieved from: www.nao.org.uk/wp-content/uploads/2019/05/Local-Enterprise-Partnerships-an-update-on-progress.pdf

¹⁸ MHCLG and BEIS (2019). *Local Enterprise Partnership national assurance framework*. Retrieved from: <https://www.gov.uk/government/publications/local-enterprise-partnership-national-assurance-framework>

¹⁹ Department for Business, Energy & Industrial Strategy. (2017). Op cit.

²⁰ Department for Business, Energy & Industrial Strategy. (2018). *Local Industrial Strategies: policy prospectus*. Retrieved from: www.gov.uk/government/publications/local-industrial-strategies-policy-prospectus/local-industrial-strategies-policy-prospectus

²¹ Department for Business, Energy & Industrial Strategy. (2018). Op cit.

²² Department for Business, Energy & Industrial Strategy. (2018). Op cit.

²³ LEP Network. (2020a). *The Industrial Strategy*. Retrieved from [The Industrial Strategy](http://www.lepnetwork.net/lep-activities/the-industrial-strategy/). Retrieved from: www.lepnetwork.net/lep-activities/the-industrial-strategy/

Industrial Strategy Council: Understanding the policy-making processes behind local growth strategies in England

- Map out specific opportunities and challenges
- Make clear how MCAs and LEPs 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 success

Regional policy in Scotland, Wales, and Northern Ireland remains at the discretion of the devolved administrations, although, as explained below, some policy is funded through central government streams (see Box 1 for further detail on the devolved administrations).

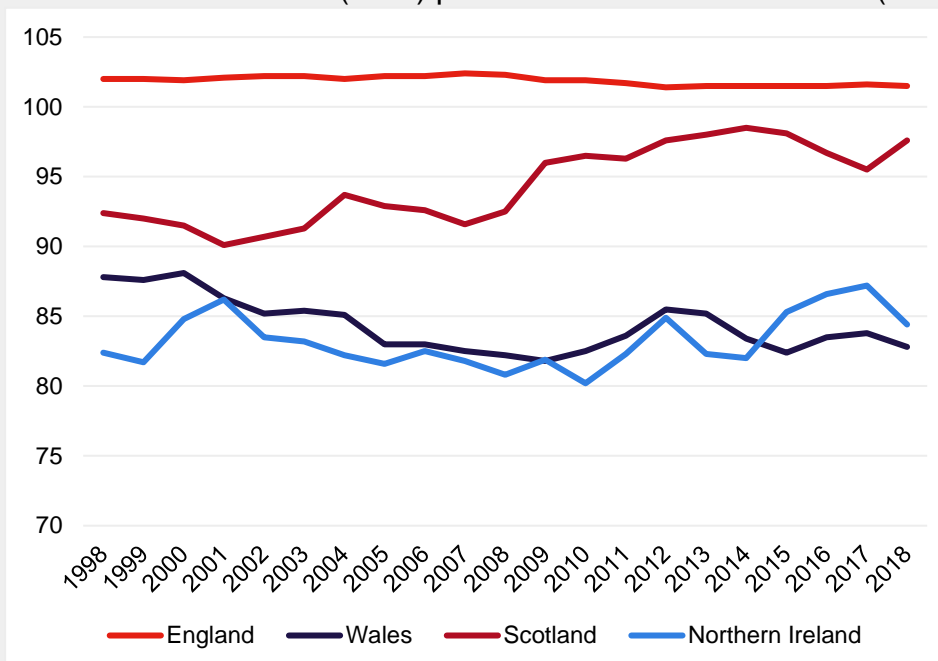
Box 1: Industrial strategy and place-based policy in the devolved administrations

Though this research focuses on areas in England as they develop Local Industrial Strategies (LISs), it is also important to consider the approach taken in Scotland, Wales and Northern Ireland to regional development in the context of the UK government's Industrial Strategy.

The specific policy of LISs applies only to areas in England, however the 2017 Industrial Strategy White Paper set out that the government was "committed to working in partnership across all four nations to reach the best possible outcome for every part of the UK".²⁴ It also recognises that key elements of the Strategy relate to powers that are devolved, and notes that "the UK government and the devolved administrations can each learn from each other in areas of common interest." The Strategy restates the government's commitment to further City and Growth deals in Wales, Northern Ireland, and Scotland.

²⁴ Department for Business, Energy & Industrial Strategy. (2017). Op cit.

Figure 1: Gross value added (GVA) per hour worked in UK nations (UK=100)²⁵



Source: ONS (2020). Regional productivity time series. Note that y-axis starts at seventy not zero.

City Region and Regional Growth Deals are agreements between the devolved administrations, the UK Government, and local government designed to bring about long-term strategic approaches to improving regional economies.²⁶ In July 2019, the Prime Minister committed a further £300 million of funding for these Deals, in order to provide full coverage across the Devolved Nations.²⁷ See Box 2 for information on City and Growth deals in Scotland specifically. Wales, Northern Ireland, and Scotland also benefit from UK-wide policies that are not explicitly place-based, for example through innovation-related initiatives such as the Industrial Strategy Challenge Fund, Strength in Places Fund, and Strategic Priorities Fund.

More widely, some key points on the approaches taken to industrial strategy and local growth are as follows:

- In **Wales**, the 2017 economic action plan sets out the strategy to drive “the twin goals of growing the economy and reducing inequality.”²⁸ It focusses on seven themes and represents a new approach to regional economic

²⁵ Office for National Statistics. (2020a). *Regional productivity time series*. Retrieved from: www.ons.gov.uk/employmentandlabourmarket/peopleinwork/labourproductivity/datasets/regionalproductivitytimeseries

²⁶ Centre for Cities (no date). *City Deals and Growth Deals: Case Studies*. Retrieved from: www.centreforcities.org/case-study-library/case-studies-city-deals-growth-deals/

²⁷ UK Government. (2019). *Press release Prime Minister launches new Growth Deals funding as he kicks off Union visits in Scotland*. Retrieved from: www.gov.uk/government/news/prime-minister-launches-new-growth-deals-funding-as-he-kicks-off-union-visits-in-scotland

²⁸ Welsh Government. (2017). *Prosperity for All: economic action plan*. Retrieved from: www.gov.wales/prosperity-all-economic-action-plan

development. Specifically, Wales has recently moved towards a place-based approach to the economy, by appointing Chief Regional Officers (CROs) across three regions: North Wales, Mid and South West Wales, and South East Wales.²⁹ The CROs are responsible for driving growth across their local areas, in collaboration with local stakeholders. Emphasis is placed on inclusion and sustainability in Welsh policy through the Wellbeing of Future Generations Act 2015, overseen by an independent commissioner to test and challenge policy against intergenerational fairness objectives.³⁰

- In **Northern Ireland**, the Department for the Economy published a draft industrial strategy titled “Economy 2030” in 2017. The strategy aimed to “set a long-term vision for Northern Ireland’s economy that combines ambition and inclusivity”.³¹ It focusses on five themes and emphasises that “all regions in Northern Ireland will have the opportunity to fulfil their potential”. The response to this consultation has not yet been published. The Department for Infrastructure is responsible for reviewing the Regional Development Strategy 2035, which aims to deliver the spatial element of the Executive’s Programme for Government to ensure that all areas benefit from economic growth.³² This was published in March 2012 and includes a “spatial framework” to assist with policy decisions.³³
- In **Scotland**, the government published its Economic Strategy in 2015, which was centered around the key pillars of increasing competitiveness and tackling inequality.³⁴ In relation to regional development, the Strategy states that it “considers the dynamic of Scotland’s cities, wider regions, and rural areas, to ensure success and opportunity is shared across the whole of Scotland”. Inclusive growth is one of four broad priority areas for policy-making. This is demonstrated by the inclusive growth outcomes framework³⁵, which is designed to aid regional policy development. For example, the Inclusive Growth Diagnostic outlined in the framework was developed and piloted in North Ayrshire to assess what was holding back long-term sustainable inclusivity and growth in the area.³⁶ The approach consists of a six-stage process to understand how areas perform in relation to inclusive growth and key barriers to improving this. It has since been used widely across Scotland.

²⁹ Welsh Government. (2017). Op cit.

³⁰ Future Generations Commissioner for Wales. (2015). *Well-being of Future Generations (Wales) Act 2015*. Retrieved from: www.futuregenerations.wales/about-us/future-generations-act/

³¹ Northern Ireland Department for the Economy. (2017). *Economy 2030 - draft Industrial Strategy*. Retrieved from: www.economy-ni.gov.uk/articles/industrial-strategy

³² Northern Ireland Department for Infrastructure. (2012). *The Regional Development Strategy (RDS)*. Retrieved from: www.infrastructure-ni.gov.uk/articles/regional-planning

³³ Northern Ireland Department for Infrastructure. (2012). Op cit.

³⁴ Scottish Government. (2015). *Scotland’s Economic Strategy*. Retrieved from: www.gov.scot/publications/scotlands-economic-strategy/

³⁵ Scotland’s Centre for Regional Inclusive Growth. (2019). *Inclusive Growth Diagnostics*. Retrieved from: www.inclusivegrowth.scot/resources/data-and-analysis/2020/01/inclusive-growth-diagnostics/

³⁶ Scotland’s Centre for Regional Inclusive Growth. (2019). Op cit.

Industrial Strategy Council: Understanding the policy-making processes behind local growth strategies in England

Centrally in England, the Cities and Local Growth Unit [CLGU, a joint team between the Department for Business, Energy and Industrial Strategy (BEIS), the Ministry of Housing, Communities and Local Government (MHCLG)] is responsible for delivery of the LIS policy and engages with LEPs on their strategies. This includes the cross-Whitehall Local Industrial Strategies Analytical programme board (LISA) to support evidence building specifically, a cross-Whitehall meeting on policy development, and facilitating contact with other government departments to develop policy where relevant. Guidance on developing a LIS is available from various organisations including the What Works Centre for Local Economic Growth³⁷, the Productivity Insights Network (PIN)³⁸, the Centre for Cities³⁹ and the Local Government Association (LGA).⁴⁰ CLGU's own LIS Evidence Pack⁴¹ aims to support areas in developing the evidence, and many areas have published the evidence base underlying their strategy.

Whilst the strategies themselves should not contain proposals that require new funding, the LIS will help to set out how areas can maximise the use of future funding streams (for example, the forthcoming UK Shared Prosperity Fund, which will replace the EU structural funds). LEP funding is provided through the Single Local Growth Fund, and the current funding period runs to 2021/22.⁴² Furthermore, while some places may still use their Strategic Economic Plan (SEP) as a framework for local growth, the LIS is different due to the joint agreement process between local and national policy makers, and the public and private sectors.⁴³

To date, seven LISs have been published, starting with the West Midlands in May and Greater Manchester in June 2019. Five further strategies were published in July 2019, for the West of England and the four areas that constitute the Oxford-Cambridge-Milton Keynes arc. The government has aimed to agree all places' Local Industrial Strategies in England by early 2020.⁴⁴ However, due to competing priorities, notably Brexit and the COVID-19 response, further publications are "on hold" at the time of this publication.

³⁷ What Works Centre for Local Economic Growth. (No date). *Developing an Effective Local Industrial Strategy. 10 principles for all places to consider as they develop their local industrial strategies.* Retrieved from: www.whatworksgrowth.org/policy-challenges/industrial-strategy/

³⁸ Productivity Insights Network. (2019). *Local Industrial Strategies and the need for economic assessments.* Retrieved from: www.productivityinsightsnetwork.co.uk/2019/03/lis-and-economic-assessments/

³⁹ Ramuni, L. (2019). *Why 'place' matters when thinking about productivity.* Centre for Cities. Retrieved from: www.centreforcities.org/blog/why-place-matters-when-thinking-about-productivity/

⁴⁰ Local Government Association. (no date given). *Local Industrial Strategies online hub.* Retrieved from: www.local.gov.uk/topics/devolution/devolution-online-hub/local-growth/local-industrial-strategies-online-hub

⁴¹ Not published.

⁴² In the 2020 Budget, HM Treasury announced that decisions on the future of the Local Growth Fund will be made at the Comprehensive Spending Review. In advance of this, the Budget confirmed up to £387 million in 2021-22 to provide certainty for local areas that they will be able to continue with existing priority Local Growth Fund projects that require funding beyond this 2020/21.

⁴³ Department for Business, Energy & Industrial Strategy. (2018). Op cit.

⁴⁴ Department for Business, Energy & Industrial Strategy. (2018). Op cit.

Box 2: City and Growth Deals in Scotland

City and Growth Deals give local areas specific powers and freedoms to support economic growth, create jobs or invest in local projects. In the devolved administrations, they are based on an agreement between the UK government, devolved government and local partners.⁴⁵ In Scotland specifically, eight agreements have been signed⁴⁶, with a commitment from both governments for all areas of the country to be covered by a Deal. Whilst these differ from the LISs delivered through MCAs and LEPs in England, some comparisons can be drawn.

- **Governance:** Latterly, Regional Economic Partnerships (REPs) have formed across functional economic areas⁴⁷ to develop and then support the Deals.⁴⁸ Whilst LEPs are also intended to represent functional economic geographies⁴⁹, the approach to place-based policy in England through mandatory creation of LISs is more top-down compared with the voluntary development of Deals in Scotland. There are therefore some areas in Scotland that are included in more than one Deal. For example, Fife is covered by both the Tay Cities, and the Edinburgh and South East Scotland Growth Deal.⁵⁰
- **Collaboration:** The REPs are proving useful in driving collaboration between local councils and their stakeholders to bring policy areas together with a productivity focus. In some cases, they seem to be morphing into more general partnerships, not just focused on economic issues.⁵¹ This chimes with the experience of the LEPs in producing LISs, where the process of identifying and agreeing local economic priorities is having wider impact
- **Evidence base:** Areas in Scotland have differing capacity for producing the evidence base required to support a Deal. Some bigger Local Authorities have devoted specific resource to evidence building, for example the Glasgow City Region has its own intelligence hub⁵², whilst others have needed more assistance. Some statistics and guidance have been made available by Scottish government, so that all areas have some

⁴⁵ Delivering for Scotland. (No date). *City Region & Growth Deals*. Retrieved from: www.deliveringforscotland.gov.uk/investment-projects/city-region-deals/

⁴⁶ Delivering for Scotland. (No date). Op cit.

⁴⁷ Scottish Government. (2016). *Scotland's Agenda for cities*. Retrieved from: www.gov.scot/publications/scotlands-agenda-cities/pages/3/

⁴⁸ Scotland's Centre for Regional Inclusive Growth. (No date, a). *Regional Economic Partnerships*. Retrieved from: www.inclusivegrowth.scot/our-work/regional-economic-partnerships/2019/04/regional-economic-partnerships/

⁴⁹ Ministry of Housing, Communities and Local Government. (2018). Op cit.

⁵⁰ Audit Scotland. (2020). *Scotland's City Region and Growth Deals*. Retrieved from: www.audit-scotland.gov.uk/report/scotlands-city-region-and-growth-deals

⁵¹ Audit Scotland. (2020). Op cit.

⁵² Glasgow City Region. (No date). *Glasgow City Region Intelligence Hub*. Retrieved from: www.glasgowcityregion.co.uk/IntelligenceHub

evidence without needing to pay for or commission it.⁵³ Similarly, LEPs in England are assigned a BEIS analyst to support them to build the evidence base and the central local growth analytical team conduct regular research to provide more data and analysis to LEPs.⁵⁴ However, fieldwork in England suggests there have been some instances of a lack of data at the appropriate spatial level to inform LIS policy-making.

- **Evaluation:** A report by Audit Scotland⁵⁵ has found that the Scottish government has not set out how it will measure long-term success of the deals. This resonates with the Council's findings in England, where plans for monitoring success of the LISs have not been built in from the outset. Robust evaluation and monitoring plans are important for assessing the impact of policy. The Edinburgh and South East Scotland deal partners are putting together a monitoring and evaluation strategy (led by Edinburgh University) that will be used as an exemplar for the other Deals.

Research Background

The Industrial Strategy Council's UK Regional Productivity Differences: An Evidence Review⁵⁶ gives an overview of the literature and data on regional disparities in productivity, and the implications for policy. This highlights some of the views in the literature on the appropriate policy response to disparities in productivity and prosperity, which is particularly pertinent in the context of the current Government's focus on "levelling up" across the UK economy. The current research report seeks to specifically deepen understanding of the policy-making process at the local level, about which there is limited existing research.

Much existing research takes a broader focus rather than just policy-making. Pike et al. (2015) have examined how the experiences of LEPs differ according to whether the LEP defined a new geographical area. They argue that "reflecting processes of dismantling, improvising, layering and recombining, the LEPs building-up from, and adapting existing (sub-)regional partnerships were relatively quicker off the mark".⁵⁷

A 2019 report from City-REDI maps the value of different funds awarded directly to LEPs and other organisations in LEP areas. It finds that large urban LEPs were most successful in securing central government local growth funding. Participants in the

⁵³ For example: Scotland's Centre for Regional Inclusive Growth. (No date, b). *Regional skills assessments*. Retrieved from: www.inclusivegrowth.scot/resources/data-and-analysis/2019/08/regional-skills-assessments/

⁵⁴ Unpublished. Information received directly from the BEIS local growth analysis team.

⁵⁵ Audit Scotland. (2020). Op cit.

⁵⁶ Industrial Strategy Council. (2020a). Op cit.

⁵⁷ Pike, A., Marlow, D., McCarthy, A., O'Brien, P. and Tomaney, J. (2015). Local institutions and local economic development: the Local Enterprise Partnerships in England, 2010-, *Cambridge Journal of the Regions, Economy and Society*, 8:2, pp.185-204.

Industrial Strategy Council: Understanding the policy-making processes behind local growth strategies in England

research suggested that larger LEAs, particularly those with combined authorities benefited from greater networking capacity.⁵⁸

IPPR North⁵⁹, the UK2070 Commission⁶⁰ and the CBI⁶¹ emphasise the potential for further devolution in England to reduce regional disparities. As noted by the Productivity Insights Network (PIN), “there remain debates about the appropriate geographical level for intervention (...) on issues like research and innovation, access to finance, and transport”.⁶² Whilst governance structures and devolution of powers are not the focus of this piece of research, these will be the subject of future Industrial Strategy Council work on places.

The Local Government Association, along with Metro Dynamics, has undertaken research⁶³ on lessons learned from the “trailblazer” LISs⁶⁴, to help other areas in developing their LIS. This particularly highlights the importance of engaging stakeholders in the LIS process, and the need for increased clarity in communications by central government, which resonates with the Council’s findings as set out in this report.

Overall, existing research provides important insights into the strengths and limitations of the existing remit of LEAs, the funding environment in which LEAs operate, how their capacity levels differ and the experiences of the trailblazer LEAs of introducing LISs. This report seeks to further understanding of the process of developing LISs, outside of the trailblazer LEAs, identifying common challenges and examples of good practice.

⁵⁸ Taylor, A. (2019). *The Realities, Challenges and Strengths of the External Funding Environment at LEP Level*. Smart Specialisation Hub, March. Retrieved from:

www.birmingham.ac.uk/Documents/college-social-sciences/business/research/city-redi/Projects-Docs/EXTERNAL-FUNDING-ENVIRONMENT-FINAL-REPORT-c.pdf

⁵⁹ IPPR North. (2019). *The Devolution Parliament*. www.ippr.org/blog/the-devolution-parliament

⁶⁰ UK2070 Commission. (2020). *Executive Summary: The Final Report of the UK2070 Commission: Make No Little Plans – Acting At Scale For A Fairer And Stronger Future*. Retrieved from:

<http://uk2070.org.uk/publications/>

⁶¹ CBI. (2019). *Powering up places: unlocking regional growth through devolution*. Retrieved from:

www.cbi.org.uk/articles/powering-up-places-unlocking-regional-growth-through-devolution/

⁶² Cook, J., Hardy, D. and Sprackling, I. (2019). Productivity Policy Review, Productivity Insights Network - 11. Retrieved from:

www.productivityinsightsnetwork.co.uk/app/uploads/2019/01/Productivity-Policy-Review.pdf

⁶³ Metro Dynamics. (2019). *Local Industrial Strategies: Lessons Learned*. Retrieved from:

www.local.gov.uk/sites/default/files/documents/LIS%20Lessons%20Learned%20-%20Final%20Report.pdf

⁶⁴ The first eight trailblazer local industrial strategies were announced in November 2017: Greater Manchester, West Midlands (Greater Birmingham & Solihull, Coventry & Warwickshire and Black Country) and the Cambridge-Milton Keynes-Oxford Corridor (Oxfordshire, Cambridgeshire & Peterborough, Buckinghamshire Thames Valley and South East Midlands).

Research Objectives and Methodology

This section summarises the research objectives of this report as well as the methodological approach adopted. It outlines how the research aims to add to understanding of the process involved in developing the LISs as well as wider debates regarding the implementation of future local economic growth policies. It also justifies the choice of case study areas.

Research Objectives

The Industrial Strategy Council aims to provide an expert independent challenge to government on whether the Industrial Strategy is having a positive impact on the economy and society. This report provides insight into the policy-making processes behind the Local Industrial Strategies (LISs), a key commitment in the Government's 2017 national Industrial Strategy. The Council's evidence review highlighted the scale and extent of regional disparities in productivity.⁶⁵ This research develops understanding of the flagship policy designed to drive productivity growth and prosperity across all areas of the UK.⁶⁶

This research has used a qualitative approach to provide insights into the process of developing LISs in four case study areas. The areas studied have been selected to provide diversity across a number of characteristics: the stage of development of the LIS, internal geography, and the level of productivity. The case study areas are:

- Cambridgeshire and Peterborough
- The Marches
- The North East
- Thames Valley Berkshire

The qualitative approach taken builds a rich understanding of the processes in the areas studied, to identify areas of common good practice and challenges. A full assessment of individual LISs is beyond the scope of this work. The focus here is on the policy-making process, as opposed to the substance or impact of the policies

⁶⁵ Industrial Strategy Council. (2020a). *op cit*.

⁶⁶ Department for Business, Energy & Industrial Strategy. (2017). *Industrial Strategy: building a Britain fit for the future*. Retrieved from: www.gov.uk/government/publications/industrial-strategy-building-a-britain-fit-for-the-future

Industrial Strategy Council: Understanding the policy-making processes behind local growth strategies in England

themselves. This research gives a unique insight into how policies are developed locally, highlights good practice, and identifies common challenges.⁶⁷

The qualitative research is complemented by reflections from the devolved administrations (see Boxes 1 and 2), and from academics with awareness of the process of developing LISs at a roundtable organised in collaboration with the Productivity Insights Network (see Box 6).

Methodological Approach

This project adopts a qualitative approach, involving thematic analysis of 47 interviews with 49 stakeholders from LEPs, local businesses, and academia in four case study areas in England.

Based on the findings from the Council's evidence review on regional disparities⁶⁸ and relevant publications (including guidance from central government and from the What Works Centre for Local Economic Growth⁶⁹ on local policy-making), the research focussed on the following themes:

- **Collaboration:** Who is involved and how? How has collaboration worked?
- **Prioritisation:** How were the priorities for the LIS decided upon? In what ways was the evidence base used to narrow down priorities?
- **Evaluation:** What does success look like? What are the plans to evaluate progress towards success?

These themes were selected as they represent gaps in existing research and are not explicitly acknowledged in the published LISs and associated documents. Evaluation was selected as of particular interest to the Council, given its remit for measuring and monitoring success.

The analysis of the interviews highlighted several further themes relating to: the purpose of the strategies, the process, impacts of uncertainty, and the evidence base. Further detail on the research design can be found in Box 3.

⁶⁷ Due to the small number of case studies and the "snowballing" approach to recruiting participants, the findings are not necessarily generalisable to all LEPs developing LISs or to all those involved in LIS development in the case study areas.

⁶⁸ Industrial Strategy Council. (2020a). Op cit.

⁶⁹ This included: the LIS policy prospectus; LIS evidence pack provided to LEPs/(M)CAs; HMT Green and Magenta Books; the What Works Centre's "[Developing Effective Local Industrial Strategies](#)".

Choice of Case Studies

The research adopts a diverse method of case selection, where cases are chosen based on differences in their characteristics.⁷⁰ The four case study areas were selected to provide a mix of experiences across three characteristics, as key attributes of interest that may impact the process for developing the LIS. These are: stage of development of the LIS (based on the “wave” or planned timing of LIS publication)⁷¹, internal geography (rural/urban/mixed), and the area’s existing level of productivity. The four case study areas are as follows (see the next section on Places for further detail on the case study areas): the Marches, the North East, Cambridgeshire and Peterborough, and Thames Valley Berkshire.

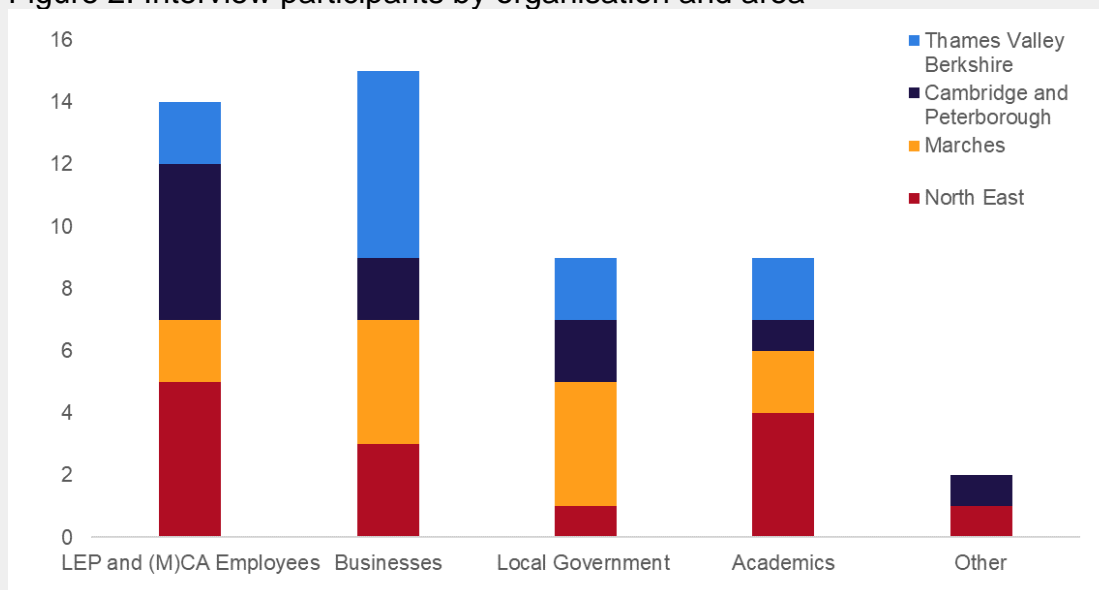
Box 3: Research design and delivery

- A qualitative approach, based on in-depth semi-structured interviews with stakeholders, was applied. All participants were selected because they were actively involved in developing LISs in one of the four case study places.
- Participants were first recruited with the help of the LEP/Combined Authority in each case study area, through requests to chairs and chief executives to speak to internal (LEP) representatives and external (non-LEP) stakeholders, who had been involved in the process. This top down recruitment was complemented with snowball sampling where, at the end of the interviews, participants were asked to recommend other relevant people to speak to. This sampling approach aimed to reach as wide a sample of stakeholders who had been actively involved in the development process. However, it is possible that not all relevant groupings were reached.
- As shown in Figure 2, the number of interviewees from each type of organisation varied slightly in each area as a result of the top down recruitment and snowball sampling approach outlined above. This also reflects the differing governance structures in each area.

⁷⁰ Seawright, S. & Gerring, J. (2008). Case Selection Techniques in Case Study Research: A Menu of Qualitative and Quantitative Option. *Political Research Quarterly*, 61(294), pp. 294-308.

⁷¹ See www.lepnetwork.net/lep-activities/local-industrial-strategies/ for a full list of publication waves.

Figure 2: Interview participants by organisation and area⁷²



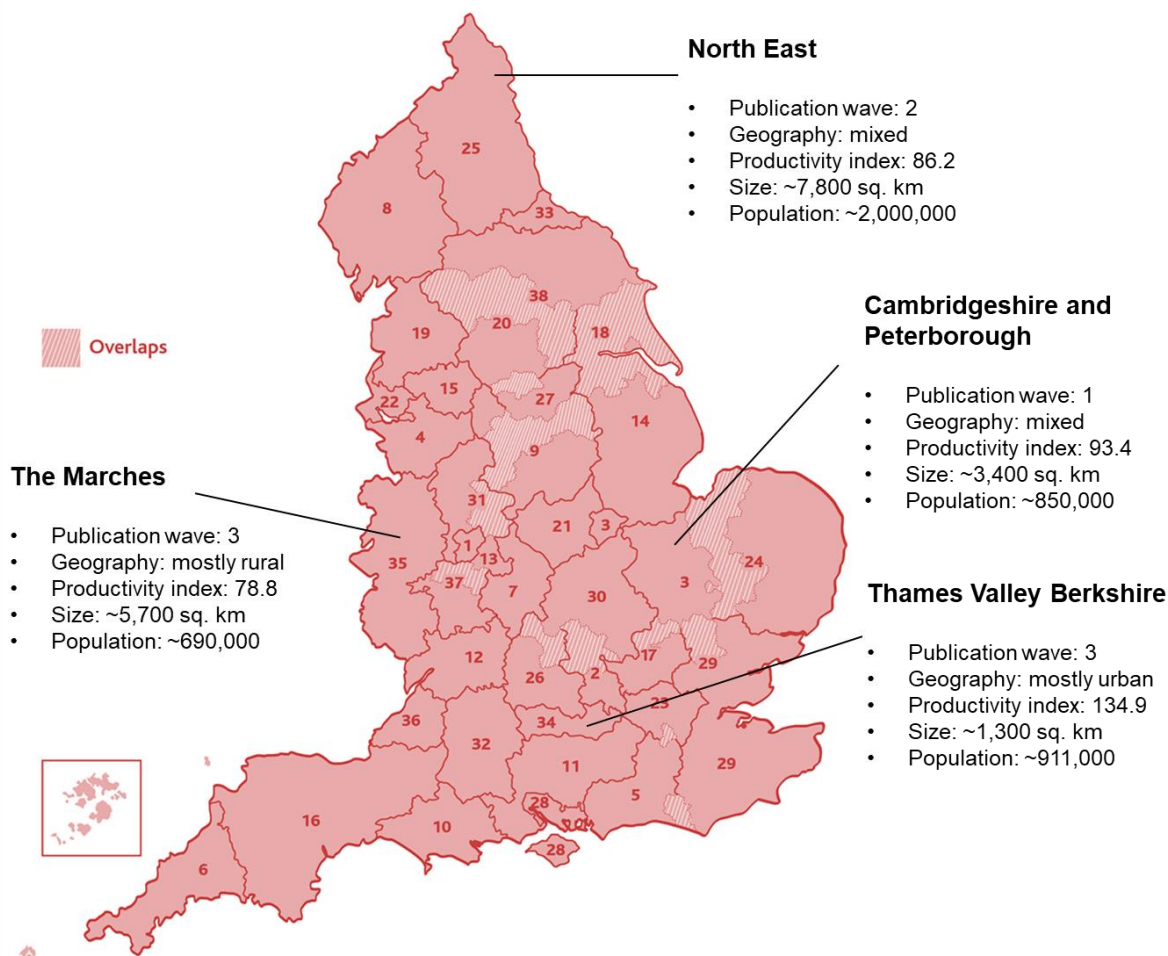
- The majority of interviews were conducted individually, and in person, at the participant's place of operation. Interviews were recorded and transcribed with participants' consent. Three interviews were conducted over the phone, and two were done jointly with two participants, due to availability. The interviews were conducted between October 2019 and February 2020.
- The analysis adopted a thematic approach, where the most common themes are identified based on coded interview transcripts. This approach captures the most consistent opinions / views across interviewees and minimises the risk of confirmation biases impacting research findings. The thematic analysis also allows for identification of additional themes that were not captured in the initial research design.

⁷² "Businesses" includes a mix of those on the relevant local board (e.g. the LEP board) and those not; "local government" largely comprises those from Local Authorities (LAs); "other" participants are those from the 3rd sector and further education.

Places

The map below shows the geographical locations of each case study area and highlights other characteristics.

Figure 3. Characteristics and locations of case study areas⁷³



⁷³ Map source: LEP Network. (No date, c). Location Map. Retrieved from: www.lepnetwork.net/about-leps/location-map/.

Geography data: Department for Environment, Food & Rural Affairs. (2016). Op cit.

Productivity per hour worked Index in 2018 (UK=100): Office for National Statistics. (2020b).

Subregional productivity: labour productivity indices by economic enterprise region. Retrieved from: www.ons.gov.uk/employmentandlabourmarket/peopleinwork/labourproductivity/datasets/subregionalproductivitylabourproductivitygvpaperhourworkedandgvpaperfilledjobindicesbylocalenterprisepartnership.

Population data: NOMIS. (2018). *Local Enterprise Partnership. Labour Market Profiles*. Retrieved from: <https://www.nomisweb.co.uk/reports/lmp/lep/contents.aspx>

The Marches

The Marches LEP is a primarily rural area, covering the Local Authorities of Herefordshire, Shropshire, and Telford & Wrekin. Each local authority area has a private sector Business Board that is responsible for business engagement. It is made up of three urban areas (Hereford, Telford and Shrewsbury) and over thirty market towns.⁷⁴ The Marches is part of the West Midlands and partners with neighbouring LEP areas and westwards into Wales.⁷⁵

As shown in Figure 3, the Marches has the lowest productivity of the four case study areas. It benefits from a large SME business base but is also home to large businesses in advanced manufacturing (primarily focused in Telford), agri-tech (led by Harper Adams University) and food and drink (across the whole region). The Marches is also developing strengths in cyber security, building on the expertise already established in the defence and security sector in Hereford as well as the neighbouring areas of Gloucestershire and Worcestershire, and in environmental technologies, agri-tech and innovative health and social care. The business and professional services sector is also important to the area, contributing 24.3% of the GVA in the region.⁷⁶

A substantial challenge for the area is the low level of productivity, with negative growth between 2012 and 2017. This is largely driven by employment growth in low wage and low value sectors as well as a lack of business investment. Furthermore, it faces challenges associated with an ageing population, which is older and ageing more quickly than the national average. In addition, difficulties retaining young people and graduates in the region and digital connectivity issues have presented obstacles for the area to improve productivity.⁷⁷

⁷⁴ The Marches Local Enterprise Partnership. (No date). *The Marches*. Retrieved from www.marcheslep.org.uk/about/the-marches/

⁷⁵ The Marches Local Enterprise Partnership. (No date, b). *Strategic Partnerships*. Retrieved from: <https://www.marcheslep.org.uk/about/strategic-partnerships/>

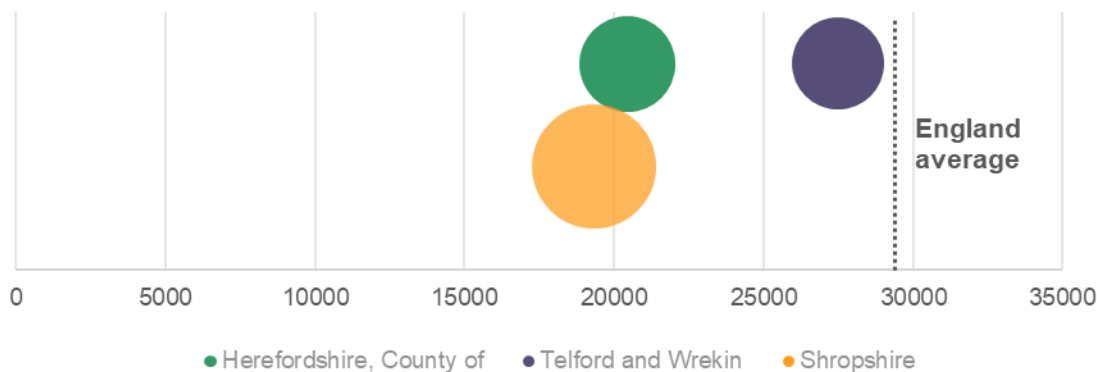
⁷⁶ The Marches LEP. (2019a). *Strategic Economic Plan, updated*. Retrieved from: www.marcheslep.org.uk/download/economic_plans/strategic-economic-plan-update-2019/The-Marches-LEP-Strategic-Economic-Plan-2019.pdf

⁷⁷ The Marches LEP. (2019b). *Draft Local Industrial Strategy*. Retrieved from: www.marcheslep.org.uk/download/marches_local_industrial_strategy/Marches-Local-Industrial-Strategy-Final-draft-20.12.19.pdf

Figure 4: GVA per head in the Marches (2018 estimates)⁷⁸

GVA per head (current prices) by the Marches LEP Local Authorities

Bubble size represents population size



Source: ONS Regional gross value added (balanced) by local authorities and ONS population estimates.

The LEP published their updated Strategic Economic Plan (SEP) in 2019. The SEP sets out both long- and short-term ambitions and goals for the area to grow strong sectors and support emerging ones. In December 2019, the LEP published a draft version of the LIS, which the LEP and government were in the process of reviewing prior to the coronavirus crisis. The LIS has been designed to complement the SEP, with particular focus on delivering clean growth and improved productivity in an inclusive and sustainable way.

The LEP used consultants to draw together the evidence base. The evidence base was further refined through engagement with stakeholders in the public, private and third sectors. The LEP has a small number of staff based in Shrewsbury, around 10 people, including some with specific responsibilities for areas such as skills and energy.⁷⁹

The North East

The North East LEP has a mixed internal geography, made up of multiple urban centres in Tyne and Wear, as well as large rural areas in Northumberland and County Durham. The LEP covers two Combined Authorities – the North East Combined Authority (County Durham, Gateshead, South Tyneside and Sunderland) and the North of Tyne Mayoral Combined Authority (Newcastle, North Tyneside, Northumberland). The North of Tyne Combined Authority was established in 2018

⁷⁸ Note that while GVA per head can be a useful way of comparing regions of different size, comparisons can be affected by commuting flows into or out of the region.

⁷⁹ The Marches LEP. (No date, c). *The Marches LEP Team*. Retrieved from: www.marcheslep.org.uk/about/management-team/

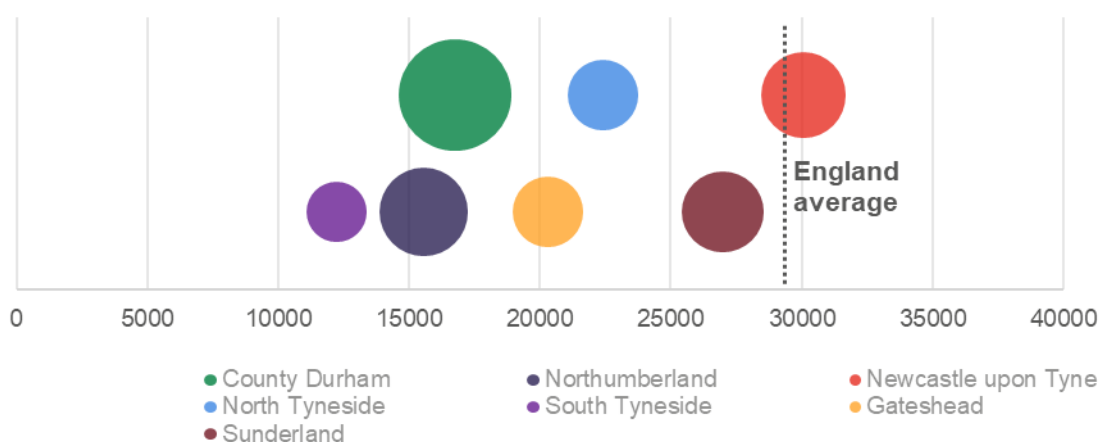
with a devolution deal and elected its first Mayor Jamie Driscoll (Labour) in May 2019.

Key industries include the automotive sector (notably a large Nissan manufacturing plant in Sunderland), which employs over 30,000 people in the area, and the pharmaceutical sector.⁸⁰ The LEP is also developing strengths in digital, green energy and health and life sciences, with a particular focus on ageing (with links to the Institute for Ageing and the Campus on Ageing and Vitality in Newcastle).⁸¹

Figure 5: GVA per head in the North East (2018 estimates)

GVA per head (current prices) by the North East LEP Local Authorities

Bubble size represents population size



Source: ONS Regional gross value added (balanced) by local authorities and ONS population estimates.

A key challenge is that the local area has a lower level of productivity than others in the UK, and this influences business competitiveness and resilience negatively. Furthermore, for many years the region has struggled with high levels of unemployment.⁸² This issue is reflected in the Strategic Economic Plan (SEP) for the region, first published in 2014 and updated in 2019, the tagline for which is to create 100,000 more and better jobs by 2024. There is a particular gap in jobs in the private sector and in higher skilled jobs. The private sector is underrepresented in the economy and it has a low enterprise rate compared to the rest of England. The SEP forms the background and basis for the LIS. The area has a detailed and extensive evidence base from the SEP, to inform the evidence base for the LIS however the LIS is seen as complementing the SEP, not replacing it.⁸³ The SEP was formally

⁸⁰ North East LEP. (2019b). *The North East Strategic Economic Plan (updated)*. Retrieved from: www.nelep.co.uk/wp-content/uploads/2019/03/nel404-sep-refresh-2018-web-new-final.pdf

⁸¹ North East LEP. (2019b). Op cit.

⁸² Office for National Statistics. (2019c). *Regional Labour Market Statistics in the UK: December 2019*. www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/regionallabourmarket/december2019

Industrial Strategy Council: Understanding the policy-making processes behind local growth strategies in England

refreshed in spring 2019 as part of the work to ensure a robust evidence base for the LIS.⁸⁴

The LEP used consultants to bring together the evidence base for the LIS. Existing structures for stakeholder engagement were used, such as the LEP Steering Group to oversee its development. Representatives from both regional combined authorities have participated in the LEP convened Working Group. In addition, the LEP consulted with other stakeholders, such as local educational providers and sector organisations, and held an Engagement Summit in July 2019.⁸⁵ The seven local authorities are also represented on the LEP's Leadership Board, which has the ultimate local sign off of the LIS. The LEP employs nearly 50 people.

Cambridgeshire and Peterborough

The MCA is made up of representatives from eight organisations: Cambridge City Council, Cambridgeshire County Council, East Cambridgeshire District Council, Fenland District Council, Huntingdonshire District Council, Peterborough City Council, South Cambridgeshire District Council and the Business Board.⁸⁶ The Combined Authority was established in 2017 and is currently led by the directly elected Mayor, James Palmer (Conservative). The area has an independent Business Board, responsible for overseeing the development of the LIS.⁸⁷

Sectors driving both economic growth and innovation in Cambridge are primarily linked to digital and information technology, artificial intelligence (AI), agri-tech and advanced manufacturing. Their development is strongly supported by higher education institutions in the area - the University of Cambridge and Anglia Ruskin University. Greater Peterborough is one of the fastest growing cities in the UK and has historically been an important centre for manufacturing. Recently, it has seen a growth in services and financial companies. The Fens is, largely, a rural area with a strong agricultural sector.

The local area is a combination of “three economies” that have very different needs and opportunities, which requires a flexible and agile approach to local policy-making. This is recognised in both the LIS and the Cambridgeshire and Peterborough Independent Economic Review (CPIER).

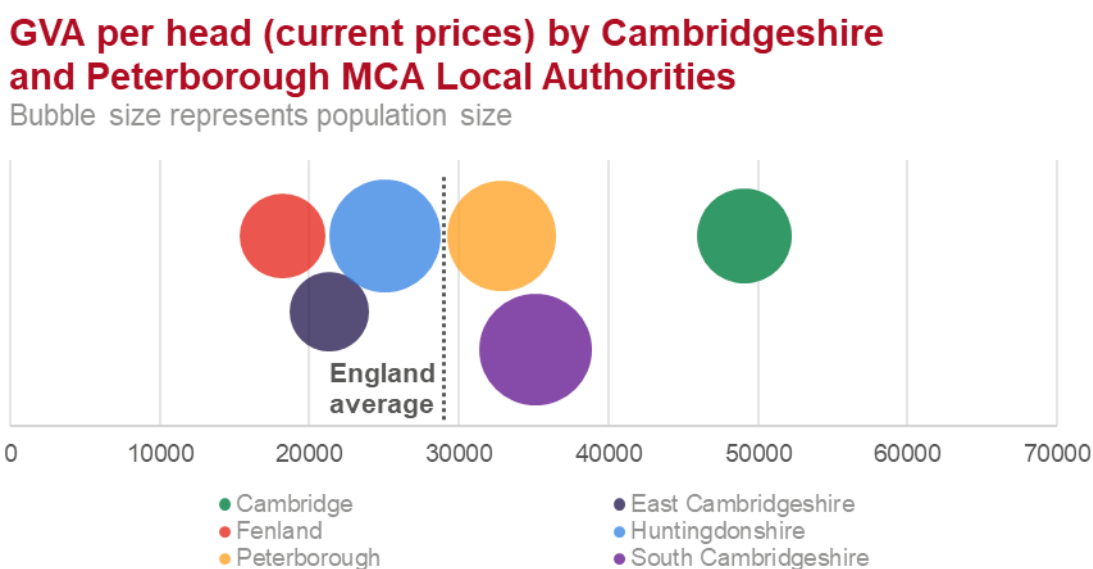
⁸⁵ North East LEP. (2019c). *Local Industrial Strategy Summit*. Retrieved from: www.northeastlep.co.uk/local-industrial-strategy_summit

⁸⁶ Cambridgeshire & Peterborough Combined Authority. (No date, a). *About us*. Retrieved from: <https://cambridgeshirepeterborough-ca.gov.uk/about-us>

⁸⁷ Cambridgeshire & Peterborough Combined Authority. (No date, b). *Business Board*. Retrieved from: <https://cambridgeshirepeterborough-ca.gov.uk/business-board>

- **Greater Cambridge** –with national and international investment in local businesses, Cambridge has a potential to maintain its strong economic growth. However, it needs to tackle its structural issues, including low availability of housing, poor infrastructure, and insufficient transport.
- **Greater Peterborough** - has poorer skills outcomes than the south of Cambridgeshire, with relatively low levels of degree-level qualifications. The CPIER states that this is partly due to the lack of a university in the city.
- **The Fens** – while the Fens benefit from a rich ecosystem and some thriving towns, it is the poorest one of the “three economies”. The distance of some of the market towns from larger urban areas, combined with poor transport infrastructure, has led to out-migration of young people. It also has low skill rates and lower than national average wages.

Figure 6: GVA per head in Cambridgeshire and Peterborough Combined Authority (2018 estimates)



Source: ONS Regional gross value added (balanced) by local authorities and ONS population estimates.

Cambridgeshire and Peterborough was one of eight LIS “trailblazer” areas, and its Strategy was launched in July 2019 alongside the LEP areas that together make up the Oxford-Cambridge Arc. The underpinning evidence work for the LIS was undertaken by the Cambridgeshire and Peterborough Independent Economic Commission, to enable the area to articulate the case for greater fiscal devolution, demonstrate how it delivers benefits across the UK and inform the area’s Local Industrial Strategy. The final report was published in September 2018 and included 14 policy recommendations.

The private sector led Business Board provides the leadership on economic growth activities in its area and, in partnership with the Combined Authority, oversees the Local Industrial Strategy.⁸⁸ The Business Board is currently developing its LIS

⁸⁸ Cambridge & Peterborough Economic Review (2020). *About us*. Retrieved from: www.cpier.org.uk/

Industrial Strategy Council: Understanding the policy-making processes behind local growth strategies in England

implementation programme, which focuses on the challenges identified above (infrastructure, skills and better jobs). Rather than having one delivery plan, it is working up a suite of delivery plans to cover the key LIS interventions. The Combined Authority has 56 employees.

Thames Valley Berkshire

Thames Valley Berkshire covers six local authorities: Bracknell Forest, Reading, Windsor and Maidenhead, Slough, Wokingham, and West Berkshire. Whilst the region is mostly urban, it also has areas of countryside, including part of the North Wessex Downs Area of Outstanding Natural Beauty.

The area has high productivity relative to the UK average (see Figure 3). Economic growth is driven largely by the information and communications sector, and it is home to a number of major technology firms. The area also has strengths in life sciences, as part of the “Golden Triangle”, and low carbon technologies.⁸⁹

Furthermore, it has a strong history of export performance and inward investment.⁹⁰ Berkshire is well served by transport infrastructure, both at a national level (through the M4 motorway and Great Western Railway), and at an international level (through its proximity to Heathrow Airport)

Though the area has a high level of productivity, growth rates GVA have been slower than the UK average in recent years.⁹¹ Three key barriers affecting growth in the area are⁹²:

- Access to talent: although the local area is characterised by higher than national average skills levels, it experiences skills shortages, particularly in high-skilled roles and suffers from skills gaps
- Affordable housing: a lack of affordable housing makes inclusive growth a challenge
- Congestion: the transport and communications infrastructure is very congested

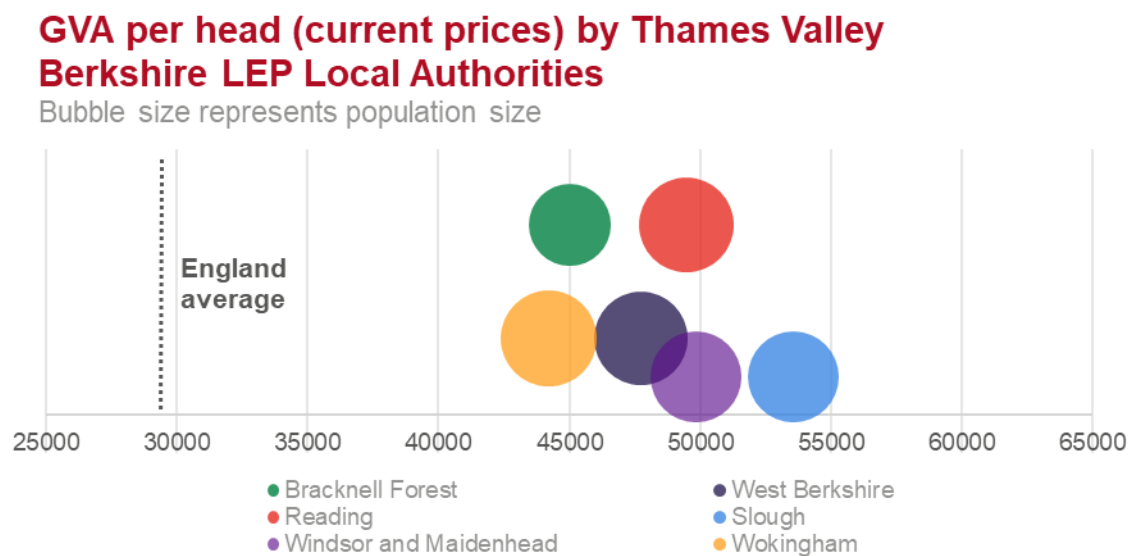
⁸⁹ Thames Valley Berkshire Local Enterprise Partnership. (No date, a). *Building our Industrial Strategy Green Paper. Response by Thames Valley Berkshire LEP Ltd.* Retrieved from: www.thamesvalleyberkshire.co.uk/getfile/Public%20Documents/Strategic%20Economic%20Plan/Industrial%20Strategy%20Green%20Paper%20-%20TVB%20LEP%20Response.pdf?inline-view=true

⁹⁰ Thames Valley Berkshire Local Enterprise Partnership. (2019a). *Berkshire Local Industrial Strategy. Framework document for consultation.* Retrieved from www.thamesvalleyberkshire.co.uk/getfile/documents/Berkshire%20Local%20Industrial%20Strategy%20-%20Framework%20Document.pdf

⁹¹ Thames Valley Berkshire Local Enterprise Partnership. (2019a). Op cit, p.16

⁹² Thames Valley Berkshire Local Enterprise Partnership. (No date, a). Op cit.

Figure 7: GVA per head in Thames Valley Berkshire LEP (2018 estimates)



Source: ONS Regional gross value added (balanced) by local authorities and ONS population estimates.

In April 2020, the LIS was at a late stage of development. The Strategic Economic Plan (SEP), published in 2014, forms the basis for this. The LEP published a framework document for open consultation in March 2019.⁹³ The LEP formed a “productivity commission” of individuals from the business and higher education sectors in the area, and this has met a number of times to develop the LIS. In addition, “task and finish” groups were created with the 6 local authorities in the area, to discuss the topics emerging from the evidence. The strategy is referred to locally as the BLIS (Berkshire Local Industrial Strategy). The LEP itself is small, with around 10 permanent staff.⁹⁴

⁹³ Thames Valley Berkshire LEP. (No date, b). *LEP consults on framework for a Local Industrial Strategy to focus on the challenge of driving up productivity*. Retrieved from: www.thamesvalleyberkshire.co.uk/news?id=110

⁹⁴ Thames Valley Berkshire Local Enterprise Partnership. *Contact us*. Retrieved from: www.thamesvalleyberkshire.co.uk/contact-us

Findings

This section discusses the key findings from the thematic analysis of the interview transcripts. The findings are categorised into the following “themes”: the purpose of LISs, the process for developing LISs and political uncertainty, collaboration, evidence base and intervention prioritisation, and evaluation.

Purpose

The key objectives of Local Industrial Strategies as stated in the 2017 White Paper are:

*These strategies will help identify priorities to **improve skills, increase innovation and enhance infrastructure and business growth**. This will guide the use of local funding streams and any spending from national schemes.*

*Local Industrial Strategies will be **long-term, based on clear evidence, and aligned to the national Industrial Strategy**. They will identify **local strengths and challenges**, future opportunities and the action needed **to boost productivity, earning power and competitiveness**.*

UK Industrial Strategy White Paper (2017)

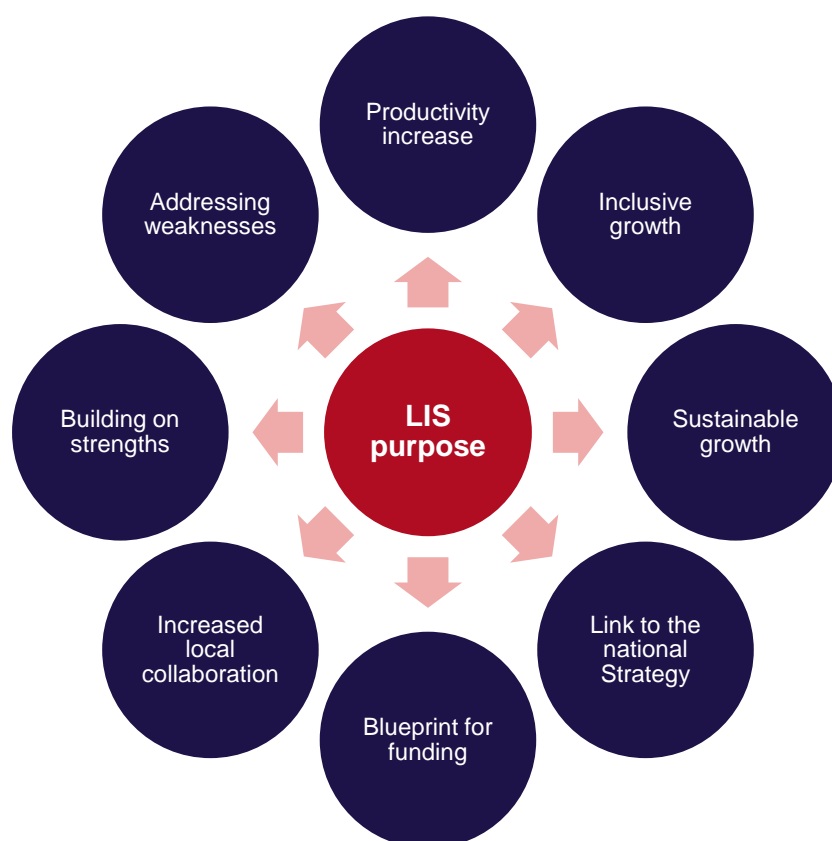
This vision was largely reflected in the interviews. The link to the National Strategy was widely recognised, including alignment to the Grand Challenges. Interviewees understood that their local areas were part of the solution to improving plateauing national productivity levels. Each local area identified economic strengths- where they could particularly excel, but also looked at drivers of instances of slow economic development. There was a widespread focus on making LISs locally focussed and specific to the realities that face businesses locally.

Some interviewees thought that a requirement for strict alignment to the National Strategy was making it difficult to make LISs truly place-specific. A common concern expressed was that all LISs will place particular focus on tackling the Grand Challenges, and in doing so, reduce emphasis on key sectors of their local economies.⁹⁵ Furthermore, the focus on increasing productivity meant that less productive sectors such as agriculture, tourism, and culture were largely omitted in LISs, even though they form a substantial part of many local economies. While there is value in challenging places to try to expand high-productivity sectors, it is clear that to interviewees, the LIS framework was sometimes too rigid.

⁹⁵ Note that this was not the HMG official policy.

Beyond the productivity focus, the interview participants often emphasised the importance of achieving growth in an inclusive and sustainable manner. Income inequality often appeared as one of the main concerns. On balance, there is less focus on within-region equality in the National Strategy than locally. However, the “levelling up” agenda has the potential to bring economic cross-region inequality into greater national focus.⁹⁶

Figure 8: The most mentioned goals of LISs



As figure 8 shows, there were other commonly mentioned goals of LISs. For example, by bringing stakeholders together and giving them a voice in the prioritisation process, LEPs saw LIS as an opportunity to create a culture of “collective responsibility” for the success of LISs and broader local prosperity.

As LISs were a national policy (meant to be delivered locally), LEPs relied on central government officials to outline their purpose. Most interviewees felt that the purpose of LISs was not communicated clearly enough. Many thought that their purpose was linked to securing future funding and that LISs served as a “business case” or a “blueprint” for further devolution. Many admitted that they had to do a degree of guessing to really understand the purpose. According to the government’s prospectus for LISs, their main purpose was to “better coordinate economic policy at

⁹⁶ However, the official LIS policy prospectus has not reflected new policy thinking yet. It is also unclear if it will be necessary for LEPs that have already published their LISs, to revise their documents to put greater focus on “levelling up”.

the local level and ensure greater collaboration across boundaries”.⁹⁷ However, the prospectus states that “Local Industrial Strategies will help local areas in England decide on their approach to maximising the long-term impact of the new UK Shared Prosperity Fund”. So, it is not surprising that places thought that LISs were linked to future government spending. Therefore, better communication between central government and LEPs is needed to improve the efficiency with which local economic policies are developed.

Process and uncertainty

Although the case study areas were chosen based on their differences, interviewees from the four local areas described a similar approach to developing their LISs (see Figure 9). Developing an evidence base was the starting point for the prioritisation process in all cases. Cambridgeshire and Peterborough utilised their CPIER (2018), an independent evidence review developed before the government proposed developing LISs.⁹⁸ Similarly, the North East used the evidence base developed for their SEP, although this was published much earlier in 2014. Almost all LEPs were offered £200,000 of capacity funding to support implementation of LEP reforms and development of the Local Industrial Strategy.⁹⁹ In a large number of cases, including the four areas under consideration, this led to consultants being employed to undertake further data analysis and stakeholder engagement. In all areas, consultants also worked with local authorities, academics, and other experts to review the evidence. This approach can be highly effective as it minimises the impact of analysts’ confirmation biases, gives room for challenge from those “on the ground” and can ensure wide buy-in. However, it can risk the diminution of local distinct approaches. Consultants need to have good knowledge of local economies and avoid bringing “template approaches”.

The use of consultants can be a response to a lack of sufficient in-house policy-making capacity in LEPs. Furthermore, as shown in the “Places” section of this report there are large differences in capacity across LEPs (e.g. 10 LEP employees in the Marches versus 50 in the North East). These differences in staff have implications beyond developing LISs – it also means that smaller LEPs can find it more difficult to successfully apply for funding and implement large-scale projects. They also have limited capacity to engage effectively with central government, other LEPs and businesses. Indeed, a research study for the Smart Specialisation Hub found that rural LEPs struggle the most to obtain funding due to the smaller capacity and networks of their teams, only contributing to their “left-behind” status.¹⁰⁰

⁹⁷ BEIS. (2018). Op cit.

⁹⁸ Cambridge & Peterborough Economic Review. (2018). Op cit.

⁹⁹ This funding was dependent on compliance with HMG funding guidelines and adopting recommendations set out in the Strengthening LEPs Review.

¹⁰⁰ Taylor, A. (2019). Op cit.

Drawing up the evidence base was followed by developing proposals for priorities for each distinctive place within the local area, based on the evidence and consultation findings (e.g. in Thames Valley Berkshire, Bracknell Forest has different needs and priorities to Reading). The theme of collaboration continued with what interviewees described as wide consultation processes on draft priorities. Many interviewees detailed how the evidence base was a foundation for managing stakeholder expectations and bringing focus back to evidence-based economic strengths and issues. LEP leadership was essential to ensure that discussions were not dominated by any specific individuals or interest groups, and the majority of interviewees thought this was achieved successfully. Collaboration and consultation activities are described in more detail below.

Figure 9: LIS process as described by research participants.



In terms of co-production with central government, interviewees felt that this had not been planned or managed well, leading to confusion, and at times, a waste of local resources. Most interviewees indicated that while the LISs were meant to be co-produced with central government, in practice there was little central involvement during the development phase. The places that either had a working draft or had published their LIS at the time of the interviews reported that the collaboration only started at the very end of the process. Some described their views of the process as “central government marking their homework”. In Cambridgeshire and Peterborough (the only case study area that had already published their LIS), the delay to central government involvement meant that when the strategy had to be signed off, they felt

rushed to make decisions that should have been discussed much earlier in the process.

However, there was also widespread understanding that political uncertainty significantly inhibited the ability of Civil Servants to sign off new policies. Many aspects of uncertainty were mentioned, and it formed one of the most persistent and negative themes across the various stakeholders in the areas studied (see Box 4 for more detail). Some suggested that more transparency and candid communication on how political uncertainty influenced the central policy-making process would have been able to significantly improve the relationship. However, better communication can only improve relationships and mutual understanding. LEPs and businesses require a national commitment to long-term policy solutions. For a more detailed discussion about the importance of longevity, see the IS Council Annual Report.¹⁰¹

Box 4. Elements of political uncertainty during LIS development and their impact.

The idea for each LEP to develop their LIS was announced in the Government's Industrial Strategy White Paper in 2017. Since then, the UK has experienced unprecedented political uncertainty. The three challenges mentioned most often by research participants were:

- **Brexit** – all places saw the LIS as a way to build local resilience to the negative economic impact of Brexit. Research participants spoke of worries regarding corporations moving out of the UK, skills shortages and the impact on exports. However, until early 2020, it was not clear what kind of future relationship with the EU was likely. In central government departments, staff were moved to roles associated with exiting the EU, leaving teams understaffed. This could have contributed to LEPs feeling that they did not receive sufficient support.¹⁰²
- **Political changes and policy direction** – since the publication of the IS White Paper, three different Secretaries of State have been responsible for the Industrial Strategy. According to research participants this issue, coupled with the December 2019 General Election, made LISs' future uncertain. Many interviewees said that political uncertainty stifled their progress towards finalising LISs.
- **Funding** – With no direct funding allocated for the implementation of LISs and LEP budgets only confirmed up to March 2021, coinciding with the ending of Growth Deals and EU Structural funds, many interviewees thought that LEPs needed more certainty to progress with implementation plans and operate to their full potential. Interviewees also wanted to see more details about how the UK Shared Prosperity Fund will be distributed, so that LISs can be better aligned with the Fund's requirements.

¹⁰¹ Industrial Strategy Council. (2020). Op cit.

¹⁰² Institute for Government. (2018). *Summary: Costing Brexit What is Whitehall spending on exiting the EU?* Retrieved from: www.instituteforgovernment.org.uk/summary-costing-brexit

These uncertainties had a real impact on the LIS development process. Collaboration, prioritisation and evaluation were affected. While all places showed that they are well placed to engage local stakeholders, at times engagement was challenging due to a lack of clear vision of how the LIS would translate into funding and more broadly the future of LISs and LEPs. Additionally, priorities could be better aligned to future funding streams if there was more clarity over their allocation mechanism.

Finally, robust impact evaluation needs to measure long-term outcomes, which requires policy longevity. In the light of these uncertainties, it is perhaps not surprising that locally there is a lot of appetite for greater devolution of economic policy-making powers, which would decrease local reliance on national policy. Nonetheless, national politics and economic policy will always have a significant impact on local prosperity.

The IS Council Annual Report emphasised the need for better policy coordination to achieve large-scale and long-term goals. Many participants in all places expressed a desire for greater coordination of LISs development across England by central government officials. While all places collaborated with other LEPs, particularly neighbouring LEPs, participants felt that central government did not have a clear vision of how LEPs should work together to minimise inter-LEP competition and enhance value-added by identifying sectoral gaps.

However, it is not a small task for central government to negotiate separately with 38 LEPs, hence there is an argument for a greater strategic and coordination role for the LEP Network. The LEP Network received £78,000 per annum from HM Government, which is then supplemented by voluntary contributions from LEPs. Similarly to LEPs themselves, the network only gets funding confirmed for a single year, which does not allow for effective planning.¹⁰³ If the Network is to play a more strategic role on a national scale, it will require an appropriate, multi-year settlement.

There was strong agreement amongst interviewees from all institutions (LEPs, universities, businesses and others) that the process had worked very well locally and LEPs are well placed to coordinate local economic policy. The LIS development process was thought to be a useful tool to focus stakeholders' attention on local strengths and issues. It was clear from the fieldwork conducted that LEP staff are well embedded locally, are aware of local strengths and challenges and have good working relationships with key local stakeholders.

During the interviews, research participants were asked to reflect on the process of developing LISs and identify key lessons learnt that can help other LEPs in creating their strategies. Those are summarised in Box 5 below.

¹⁰³ Funding information received directly from the LEP Network.

Box 5. Developing LISs – key lessons learnt as identified by interviewees.

Purpose

- Needs to be clear to central government, LEPs and local stakeholders from the outset of engagement. A lack of clarity over the ultimate goal leads to a chaotic process, confusion, frustration and waste of resources.
- Aim to be ambitious in your goals.

Process

- Big projects like LISs require a dedicated specialist team, they cannot be done properly by simply adding it to staff's existing workload.
- Have a clear timeline and update stakeholders of the progress to show them how their time contributes to achieving objectives.
- Allow time for developing a robust evidence base, reviewing documents, and consulting widely.
- Ensure that you update your evidence base on a regular basis.
- Good consultants are worth the money, but they need to be experienced, understand policy-making processes and the local economic landscape.

Collaboration

- Engage a wide range of stakeholders, who can offer diverse perspectives.
- Manage people's expectations to avoid disappointments.
- Make consultations genuine by listening to their point of view and addressing their concerns.
- Explain to stakeholders why they should give their time and explain how it will contribute to achieving project outcomes.

Intervention prioritisation

- A strong evidence base is essential to generate successful policy. If the evidence base is widely respected, it will make managing competing priorities easier.
- Before jumping into "what should be done?" consider "why is there a problem?" in the first place.
- Do not neglect to include a unique place-based approach even if it does not directly fit with all national IS priorities.
- Do not just focus on productivity. Consider sustainability, equality and wellbeing in your policies.

- Local partners need to be engaged in the prioritisation process to later support the LIS implementation.

Collaboration

Local collaboration in developing LISs was the theme that emerged most positively from the analysis. All places spoke of consulting widely with a range of diverse stakeholders and many felt this was the strongest part of the LIS development process (see Figure 10). While some of the consultations were not totally distinct from stakeholder engagement on previous strategic documents (e.g. Strategic Economic Plans), it is recognised as good practice to utilise findings from earlier collaborations in LISs.¹⁰⁴ As such, some of the stakeholder relationships were pre-existing and often strengthened during the LIS consultation process. Others were new, particularly where new sectoral priorities emerged.

It is important not to underestimate the complexity of the various networks and individuals consulted as a part of the LIS development. For example, the North East LEP covers an area of seven local authorities under two different combined authorities. Meaningful engagement with all representatives of those governance structures is a large task. All places engaged with all relevant public sector institutions. This included pan-regional structures (e.g. the Midlands Engine in the case of the Marches, the Northern Powerhouse in the case of the North East, and the Ox-Cam Arc in the case of Cambridgeshire and Peterborough) and local politicians (Mayors, MPs, local councillors). Engagement with local politicians was particularly prominent in MCA areas.

All places also worked with local universities to understand their priorities, particularly relating to Research and Development (R&D), to discuss plans for improving graduate retention, and to utilise their expert knowledge in developing the evidence base. Examples include academic institutions such as University of Reading (Thames Valley Berkshire), University of Cambridge (Cambridgeshire and Peterborough), Newcastle University and Durham University (North East) and Harper Adams University and University Centre Shrewsbury (the Marches). University of Cambridge played a key role in the development of the evidence base for the Cambridgeshire and Peterborough LIS through the CPIER. However, as discussed in Box 6, it is unclear whether all LEPs managed to fully access the available local academic expertise.

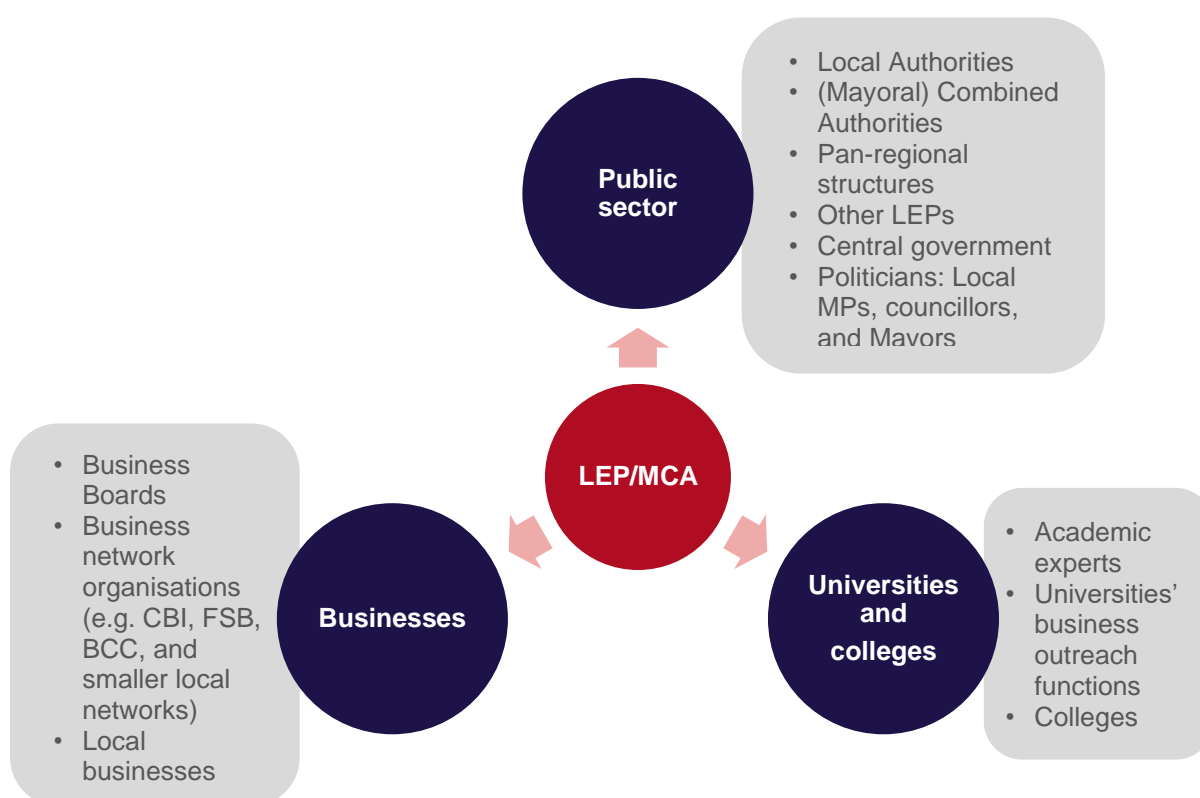
The case study LEPs also engaged with a variety of local businesses, business organisations and sectoral networks. A number of businesses were directly engaged

¹⁰⁴ What works centre for local economic growth. (2018). *Developing effective local industrial strategies*. Retrieved from: https://whatworksgrowth.org/public/files/18-06-21_Designing_Effective_Local_Industrial_Strategies.pdf

Industrial Strategy Council: Understanding the policy-making processes behind local growth strategies in England

in the process through their association with LEPs and their Business Boards. Others were engaged through wider engagement processes such as open consultations and stakeholder events. The focus was on sectors identified as priorities for LISs. This was supplemented by consultations with local representatives of organisations such as Chambers of Commerce, the Confederation of British Industry (CBI), and the Federation of Small Businesses (FSB). In Cambridgeshire and Peterborough interviewees also spoke of engagement with local business organisations (Cambridge Ahead and Opportunity Peterborough).

Figure 10: LISs engagement outline based on interviews.



All areas also collaborated with central government (particularly the Cities and Local Growth Unit). However, this engagement was repeatedly described as challenging and it represented one of the most consistent themes across interviewees and places. Many of the issues seem to derive from poor communication covering the purpose and process for developing LISs. However, it has to be noted that the level of political uncertainty (see Box 4), which is largely out of Civil Servants' control, was the main driver of the somewhat chaotic collaboration. This was widely recognised.

However, there are also some positive elements of the central government involvement. Most places felt that their local Cities and Local Growth Unit colleagues (especially junior staff) tried to be visible and engaged in the process. Further, stakeholders outside of LEPs were largely unaware of the issues described above, which shows that local officials were dedicated to maintaining the enthusiasm and support for their LISs.

Industrial Strategy Council: Understanding the policy-making processes behind local growth strategies in England

Approaches to stakeholder engagement varied. Leaders of large, local businesses had a significant impact on the prioritisation process through their roles in LEP Business Boards. In terms of SMEs, Thames Valley Berkshire and Cambridgeshire and Peterborough used a mixture of events and smaller focussed business meetings, complemented by a public consultation. The North East depended largely on their LIS Engagement Summit (350 delegates attended) and interviews with business leaders. In the Marches, business engagement was facilitated through the Business Board and their consultation events. LEPs also created working groups made up of representatives from local authorities, academia and businesses. For example, Thames Valley Berkshire created a Productivity Commission to review the evidence base and help to identify the right priorities, while the North East convened academics and industry experts in the North East Evidence Forum. It is worth keeping in mind that this is just a snapshot of all engagement activities that LEPs led and still lead, but nonetheless it is clear that the breadth of engagement was substantial in all case study areas.

Overall, interviewees felt that the process was strongly led by their respective LEPs (MCA in Cambridgeshire and Peterborough) and assessed their leadership as largely positive. A small number of engagement gaps were identified through interviews. These referred to the lack of involvement, or just not enough depth of it, or lateness of engagement.

It was widely recognised that direct engagement with local residents was difficult for the purposes of a largely business-focussed document. In Thames Valley Berkshire and Cambridgeshire and Peterborough, the public had a chance to feed back through an online public consultation. In all areas, local authorities were well represented. Small businesses also proved difficult to engage. LEPs mainly relied on public consultations and engagement with small business network organisations to understand their priorities in the LISs. This approach is not surprising; intensive engagement would be time consuming and small businesses have only limited resource for activities not directly related to their business operation.

There was a widespread understanding that successful implementation will rely on ongoing collaboration with local partners, and that LEPs play an important coordination role. However, some interviewees (both stakeholders and LEPs) noted a degree of consultation fatigue. This was particularly the case in places that had either recently undertaken consultations for different strategic projects or where the consultation coincided with heightened political uncertainty about the future of LISs. Interviewees suggested that businesses, in particular, may be reticent to take part in future consultations until clarity is provided on future funding opportunities relating to LIS implementation.

Evidence base and intervention prioritisation

Interviewees from the four local areas described a similar approach to identifying priorities. The evidence base has been the starting point for the prioritisation process in all cases. While it is not the purpose of this research to assess the robustness of the evidence base used, the Industrial Strategy Council's own evidence review published earlier this year found that there are many data gaps at a regional and local level, which will have a negative impact on the quality of the evidence base.¹⁰⁵ For example, at the time of writing in June 2020, the latest published regional GVA statistics, which are essential for measuring productivity, related to 2018 data. Regional consumer and producer prices, regional capital stocks, and the relationship between wellbeing and productivity are other examples of evidential gaps, which are discussed in more detail in the UK Regional Productivity Differences Evidence Review.¹⁰⁶ Delays in providing critical regional economic data reduce agility, in which LEPs can respond to changing circumstances. This was reflected in some interviews, where research participants noted that the lack of LEP and LA level economic data was a challenge.

Identifying clear priorities, based on evidence and with clear outcomes is a key component of effective policy-making. LEPs/MCAs used their evidence bases in their stakeholder engagement to shape local priorities, taking on board stakeholder interests and expertise to better reflect the local economy. The evidence base was also a foundation for managing stakeholder expectations and ensuring that discussions were not overly dominated by any individual/organisation. Overall, evidence acted as a "sounding board" and was continuously referred to during the process to identify priorities, rationalise them and manage competing interests.

In terms of prioritisation, this research found that it was common practice within case study areas to break down their regions into smaller areas to recognise that there were many socioeconomic differences not only between regions but also within them. For example, Cambridgeshire and Peterborough, was broken down into three distinct local economies – Greater Cambridge, Greater Peterborough, and the Fens. In the Marches, the competing priorities were also identified by the three business boards in Herefordshire, Telford & Wrekin and Shropshire. Then for each place, based on the evidence base, key priorities were identified to reflect different economies – such as sectoral strengths, infrastructure, employment levels, or type of jobs. In all case studies, there was a big emphasis on building on existing strengths (e.g. automotive industry in the North East) but also addressing weaknesses (e.g. high cost of living in Thames Valley Berkshire). The approach as described by the research participants, was truly place-centric, which was possible due to close collaboration between LEPs and local stakeholders. There were no examples in the

¹⁰⁵ Industrial Strategy Council. (2020a). Op cit.

¹⁰⁶ Industrial Strategy Council. (2020a). Op cit.

Industrial Strategy Council: Understanding the policy-making processes behind local growth strategies in England

interviews conducted of any specific geographic area being disadvantaged in terms of prioritisation.

As mentioned in the purpose section, the case study areas saw the purpose of the LISs as not simply to increase productivity, but to do so in a sustainable and inclusive way. As one of the Grand Challenges identified in the national Strategy, clean growth features strongly as a priority in all places. All places considered low carbon solutions when planning new infrastructure, and where there was an opportunity to do so, prioritised clean energy sectors. In terms of tackling economic inequality, common measures included upskilling local residents through re-training schemes and apprenticeships. In the Marches, University Centre Shrewsbury, which offers courses focused on improving employability and social mobility, has been engaged in the LIS planning. Investment in research and business centres in areas with good connectivity, but low productivity, was also commonly prioritised. This holistic approach, which considers a wide range of issues, and places emphasis on prosperity and not only productivity is an example of how LEPs can support the government's "levelling up" agenda.

However, promoting economic growth and particularly tackling economic inequality, involves multi-faceted policy challenges that are driven by long-standing and ingrained social and economic issues. Therefore, making a real change requires multiple policy powers ranging from education to infrastructure and business support at a local level. Many interviewees noted that LEPs have spending and policy powers only directly relating to businesses and local economy. MCAs are generally in a better position as additional powers can be granted through devolution deals. However, in both of these governance structures, there are examples of LEPs identifying central issues that cannot be addressed locally, either because they are controlled centrally or extend beyond their geographic remit.

It is outside the remit of this research report to consider if there is a case for greater devolution of powers or de-centralisation. However, many interviewees felt that greater devolution of powers is needed. There was also a perception from some interviewees that funding streams need to be better coordinated across central government departments to minimise the time that LEPs have to spend on applying for different funding. This would allow long-term planning by LEPs, provide more reassurance to stakeholders, and create the incentives and certainty for LEPs to build more permanent policy-making and evaluation capacity.

The majority of research participants agreed that the priorities identified were the right ones for their areas and businesses. Some interviewees thought that there were gaps in prioritisation. Those largely fell into two categories: low-productivity sectors (e.g. tourism) and areas outside of LEPs/MCAs remit (e.g. health and education).

Box 5: Insights from academic roundtable

To complement the qualitative research conducted for this report, the Industrial Strategy Council and the Productivity Insights Network at the University of Sheffield co-hosted a roundtable with academics with expertise in local and regional economies. The invited academics had awareness of the process of developing a LIS, not limited to the four case study areas studied in detail for this research. Views of other academics consulted separately are also included here.

Consultants

A key focus of this discussion was the role of universities, academics and consultants in supporting LEPs in developing their LIS. As highlighted above, all the case study places used consultants to develop the evidence base, and some also used them for stakeholder engagement around the evidence base. The academics noted the use of consultants in the cases that they had been involved in, including to provide specialist expertise on specific topics. This was viewed as particularly valuable where local tensions had previously led to disagreement over policy priorities.

Data availability

Some data and journal articles may be more easily available to academics than consultants. However, it was acknowledged that there are consultancy firms with considerable expertise in accessing and using spatially-disaggregated data, and who are able to bring knowledge of similarities and differences across LEP areas. More broadly, in line with the finding of the Council's evidence review, the discussion emphasised the existence of data gaps at the regional and local level, which influence the quality and granularity of the data that can be compiled to support LIS development and monitoring.¹⁰⁷

Working with academia

Participants acknowledged that there are limitations to the availability of academics on an ad hoc basis. They also highlighted that it can be challenging for external stakeholders to find the right "front door" within universities and to make contact with individual experts. In some cases, LEPs collaborate with individual academics, but they may not have the financial resources to employ academics on longer-term projects.

It is clear from this discussion that Universities have an important role to play in providing support and a structure for engagement between academics and LEPs. In general, greater coordination of the research expertise within universities could help to facilitate better use of academic knowledge across England to support development of local and regional policy. The establishment of the Civic

¹⁰⁷ Industrial Strategy Council. (2020a). Op cit.

Universities Network in 2019 offers the potential to showcase and disseminate good practice in this regard.

Evaluation

Evaluation is a crucial element in the policy-making cycle and it allows government to reinvest in interventions that have the desired impact and improve or stop policies that are not successful or indeed harmful. The Magenta Book, HM Treasury's detailed guidance on how to conduct evaluations, defines evaluations as "an objective process of understanding how a policy or other intervention was implemented, what effects it had, for whom, how and why".¹⁰⁸ Evidence collected through both small and large initiatives helps to create the evidence base that is used to maximise value for money and improve socio-economic outcomes for the public. In recognition of this, the policy prospectus for LISs asks LEPs to "set out clear plans to evaluate progress: this should be proportionate and initiated from the start of the process".¹⁰⁹

The case study places largely concentrated on measuring key performance indicators (KPIs, in particular GVA) in their evaluation plans. Success metrics are an important part of measuring progress and the IS Council has published a set of diverse, evidence-based metrics that can be used for this purpose.¹¹⁰ However, tracking trends does not allow for isolation of the effect of an intervention from other factors. An impact evaluation needs a so called "counter-factual" (i.e. "control group") to measure the outcome without intervention, which is then compared to the "intervention group".¹¹¹ Not every policy intervention is large enough to be robustly evaluated and it is not always reasonable to conduct often costly research. Therefore, a proportionate approach, where a selection of large-scale priority projects is evaluated is more appropriate for LISs.

During the interviews, there was generally a limited understanding of what constitutes a robust evaluation. In part this reflects limited analytical resource within LEPs and a reliance (to a greater or lesser degree) on consultants and academics to conduct research. Some interviewees mentioned that while they had not made evaluation arrangements yet, they planned to commission consultants and academics to conduct evaluation on their behalf. It is possible that consultants would steer LEPs towards more robust approaches. However, evaluators need to work with

¹⁰⁸ UK Government. (2020). *The Magenta Book*. Retrieved from: www.gov.uk/government/publications/the-magenta-book

¹⁰⁹ Department for Business, Energy & Industrial Strategy. (2018).

¹¹⁰ Industrial Strategy Council. (2020). *Success Metrics*. Retrieved from: www.industrialstrategyCouncil.org/success-metrics

¹¹¹ There are many approaches to creating a control group, which can be flexibly applied depending on how interventions work. See the What Works Centre for Economic Growth guidance for more information www.whatworksgrowth.org/blog/how-to-evaluate-find-a-control-group/

policy makers as early as possible to design robust control groups for impact evaluation. The Magenta Book states that “the earlier an evaluation is considered in the policy development cycle, the more likely it will be that the most appropriate type of evaluation can be identified and adopted”.¹¹² Therefore embedding evaluation early on is crucial to ensure its robustness.

Robust evidence of impact is needed to ensure that public money spent is beneficial to the society and economy, and if this is lacking, any claims made about a policy’s effectiveness is ultimately unfounded. Therefore, any government funding should have a clear requirement for evaluation, and this was indeed the case for LISs. However, there is an argument for setting evaluation robustness standards¹¹³ and a minimum evaluation spend to improve consistency and quality of evidence. This approach fosters appreciation of robust evaluation approaches and creates a constant learning cycle, ultimately improving the evidence base and policy-making. It also has the potential to build greater trust between central government and LEPs if there is clear evidence that money is spent well locally.

Evaluation is particularly important where policies are long-term and there is sufficient time to introduce improvements to interventions as evidence of what works and what does not work emerges. Considering that LISs were designed to specify a long-term approach to local economic growth, they lend themselves well to evaluations of key interventions planned. However, it is important to remember that evaluations can be costly, hence they need to be funded properly. Ideally in-house analytical expertise needs to be developed within LEPs to enable them to effectively manage evaluation providers and provide informed challenge where appropriate. In the course of this research, but also from various LEP-related conferences and workshops, it is consistently highlighted that there is not enough guaranteed funding for LEPs to make good evaluation a priority.

Many interviewees spoke about engaging academic experts in the process of developing the evidence base and those already established relationships can be equally useful when conducting interventions. Amongst the academics consulted (see Box 6), there was a good degree of appetite for further collaboration with LEPs. This suggests that collaborating on evaluation and other research projects can be mutually beneficial.

Overall, evaluation emerged as the weakest element of the LIS development process studied through this research. However, it is important to put this finding in the context of continued political and funding uncertainty. It can be perceived as sensible to withhold spending limited resources on evaluation planning if there is no clear government commitment to LISs. Nonetheless, uncertainty aside it is

¹¹² UK Government. (2020). Op cit.

¹¹³ The Maryland Scientific Methods Scale is widely used to benchmark the quality of evaluations. More information on how to use this scale is available on the What Works Centre for Economic Growth website – www.whatworksgrowth.org/public/files/Scoring-Guide.pdf

Industrial Strategy Council: Understanding the policy-making processes behind local growth strategies in England

appropriate for evaluation plans to be embedded more strongly into local policy development.