

North East Local Industrial Strategy

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Industrial Strategy

Industrial Strategy: Building a Britain fit for the future

Industrial Strategy

What is the UK Industrial Strategy?

Published by government in 2017, it sets out how the UK will create an economy that boosts productivity and earning power across the country

The vision is for the UK to:

- be the world's most innovative economy
- create good jobs and greater earning power for all
- have a major upgrade to its infrastructure
- be the best place to start and grow a business
- have prosperous communities across the country

To achieve this, it is important to ensure every part of the UK realises its full potential

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What is productivity?

Productivity measures how much output is produced by a given input

- for example, the value of the goods or services produced per worker within a region or sector

Improving productivity means more output can be produced with given inputs

Productivity matters because it is a key driver of economic growth, social prosperity and living standards. In the long run, a country's ability to raise living standards is almost entirely down to its ability to increase productivity

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Industrial Strategy approach

5 foundations of productivity – align to vision for transformed economy

- **Ideas:** the world's most innovative economy
- **People:** good jobs and greater earning power for all
- **Infrastructure:** a major upgrade to the UK's infrastructure
- **Business environment:** the best place to start and grow a business
- **Places:** prosperous communities across the UK

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Industrial Strategy approach (cont.)

Grand Challenges – to put UK at forefront of the industries of the future

- **AI and the data economy:** We will put the UK at the forefront of the artificial intelligence and data revolution
- **Future of mobility:** We will become a world leader in the way people, goods and services move
- **Clean growth:** We will maximise the advantages for UK industry from the global shift to clean growth
- **Ageing society:** We will harness the power of innovation to help meet the needs of an ageing society

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Industrial Strategy approach (cont.)

Industrial Strategy is informing range of funding

- Directly – e.g. National Productivity Investment Fund monies for Grand Challenges
- Indirectly – bids increasingly asked to demonstrate alignment with Industrial Strategy and/or LIS

Anticipated will also inform UK Shared Prosperity Fund – but not yet confirmed

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HM Government



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Local Industrial Strategies

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Local Industrial Strategies

Key policy under 'place' foundation:

Agree Local Industrial Strategies that build on local strengths and deliver on economic opportunities

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Objectives of LIS

Set out clearly defined priorities for how areas will maximise their contribution to UK productivity

Allow places to make the most of their distinctive strengths

Enable better coordination of economic policy at the local level and ensure greater collaboration across boundaries

Help inform local choices, prioritise local action and, where appropriate, help to inform decisions at the national level

Provide strategic overview which will inform Local Enterprise Partnerships' approach to any future funding deployed through them

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Development of North East Local Industrial Strategy

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Development of North East LIS

Clarifying relationship between Local Industrial Strategy and North East Strategic Economic Plan

Developing evidence base

Engagement with partners across North East

Engagement with government

Oversight by LEP Board and LIS Steering Group

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Relationship between Local Industrial Strategy and the North East Strategic Economic Plan



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Developing evidence base



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Engagement with partners across North East

Have engagement with wide range of regional partners through range of structures including:

- LEP Advisory Boards and working groups
- Regional structures including LA7 Chief Executives and Economic Directors
- Sub-regional structures including North of Tyne Industrial Strategy Steering Group
- Industry-led meetings, including some in relation to specific Sector Deals (e.g. Offshore Wind, Business Services)
- Range of other meetings with local authorities and other partners
- Engagement events
 - Review of productivity performance (14 February)
 - LIS Summit (16 July)

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Engagement with government

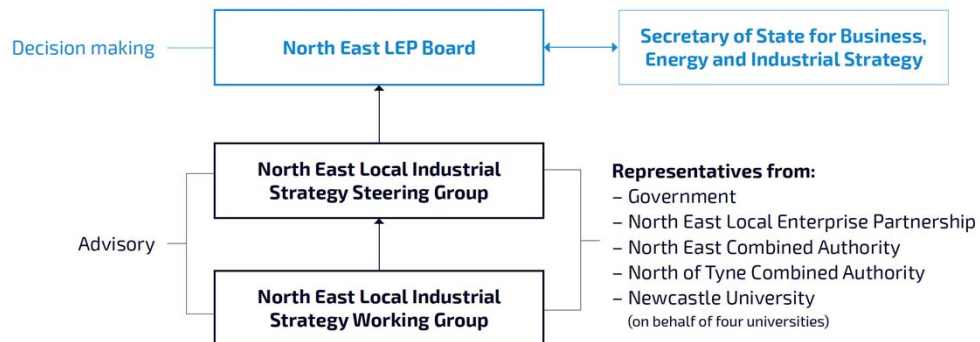
LIS is being co-created with government. Engagement has included:

- CLGU representation on LIS Steering Group and Working Group
- Meetings between regional partners and government department on range of topics – e.g. advanced manufacturing, ageing, skills, etc. (5 and 6 February 2019)
- Attendance at government briefings on grand challenges and sessions on best practice in improving productivity
- Evidence base reviewed by cross-Whitehall LIS Analytical Panel (5 June 2019)
- Priorities currently being developed in more detail for consideration by government departments

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Key structures



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Key issues raised during development process

Need to build on the North East Strategic Economic Plan and be outward looking

Need to express and build on our regional distinctiveness

Need to reflect priorities of regional partners – including local authorities, combined authorities, universities and businesses

Need to ensure LIS supports regional response to Brexit

Need to ensure our approach is inclusive/sustainable

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North East LIS vision

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North East LIS Working Group and Steering Group agreed the following vision for LIS

By 2030, we will be known as
a confident, creative, collaborative and connected
North East - making our mark on the world

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North East
Leading the way in the future

Confident

We'll be a place where people want to live, work, study and where businesses want to start, scale and be located

We'll have businesses and leaders that are confident to trade internationally and recognise the impact this has on their growth and resilience

We'll be a place full of people who are confident in their abilities, understand and have access to the huge opportunities available to them throughout their working lives

We'll be a region that thinks and acts globally by default

We'll tell the world about our strengths and achievements

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Creative

We'll generate ideas and innovations that are transformative and that tackle critical local, national and international challenges and work to ensure the region benefits from this creativity

We'll be early adopters of innovations and be known as the ideal testbed location for new technologies and approaches

We'll have a modern, productivity focused economy and culture that embrace creativity, adaptation and problem solving

As part of our ambition to make the North East the best place to live and work in the country, we will recognise and strengthen our unique and heritage cultural and natural assets and leverage them to increase inward business investment and improve life chances for people living here

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Collaborative

We'll think, act and work collaboratively across sectors, between and with communities and across geographical boundaries for a more inclusive, outward looking North East

Collaboration and competition between our businesses will drive productivity improvements

Our successful entrepreneurs will support those who are earlier in their enterprise journey to be the best they can possibly be

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Connected

People, goods and services will get to where they need to be, in a way that seamless, timely and has minimal impact on the environment

Digital connectivity will be central to helping people and businesses achieve their full potential

We'll be a region where our businesses, education and cultural institutions will leverage international connections and opportunities, for the benefit the region

A connected community where people can make positive progress, regardless of their protected characteristics, in education, businesses and the labour force

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Positioning the North East LIS

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Positioning the North East LIS

As outlined earlier, LIS needs to achieve a number of different objectives:

- Set out strategy for improving North East productivity
- Highlight the North East's key assets and how these can be leveraged to contribute to global challenges and to build industries of future, including through Grand Challenges and Sector Deals
- Position North East for future funding – including in areas beyond productivity

Combined, these make the LIS a relatively complex strategy. Challenges include:

- How to communicate the North East's approach concisely ('elevator pitch')
- How to ensure links are made between different objectives and that approach benefits all residents

Addressing these requires:

- Having small number of headline messages
- Ensuring linkages and how we will ensure all North East residents benefit are set out

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Headline messages

- North East has a 200-year track record in developing and deploying practical solutions in response to emerging economic and social opportunities
- This has allowed us to develop globally competitive businesses and industries and attract investment
- Our size and culture makes collaboration easy – and means successful approaches can spread and reach critical mass quickly
- The UK's diversity is reflected in the North East in terms of our industrial and spatial structure (mix of rural and urban and polycentric) and with areas of both prosperity and disadvantage
- ***Combined these make the North East the ideal location to develop, test, commercialise and deploy new approaches, technologies, products, services and business models***
- Within this, our focus will be on:
 - Technologies, products, services and business models in the areas where the North East has distinctive assets and competencies and there are substantial economic opportunities
 - New policy approaches to tackling the issues that are inhibiting productivity growth

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North East strengths and opportunities

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North East strengths and opportunities

Industrial Strategy identifies four Grand Challenges and a number of Sector Deals

- Intended to put UK at forefront of the industries of the future
- Important that LIS sets out how North East contributes to these, in turn securing investment and support

LIS should set out distinctive strengths and economic opportunities for their locality

- North East Strategic Economic Plan sets out areas of strategic importance and enabling services
- Commissioned review of North East sectors, assets and competencies to inform approach

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Recap on North East Strategic Economic Plan areas of strategic importance and enabling services

Four areas of strategic importance



Four service sectors to support growth and better jobs



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Review of North East sectors, assets and competencies

Assets and competencies examined across wide range of sectors:

- Digital
- Advanced manufacturing
 - Pharmaceuticals
 - Chemicals
 - Automotive
- Health and life sciences
- Energy
- Culture and visitor economy
- Financial, professional and business services
- Transport
- Education
- Construction

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Leading Enterprise Performance

Review of North East sectors, assets and competencies - recommendations

Need targeted interventions to enable North East to build on assets and competencies to deliver productivity gains and help UK be at forefront of industries of the future

- Appropriate geographic level for intervention varies

To exploit assets more effectively, North East needs to be

- Less fragmented, more coordinated
- More ambitious about scope to capitalise on assets
- Raise awareness of North East's assets and ensure maximising benefit of investments that have already been made into region

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Leading Enterprise Performance

North East strengths and economic opportunities

Based on the North East Strategic Economic Plan, the review of sectors, assets and competencies and discussions with partners, it is proposed that the LIS highlights four areas where the North East has key strengths and there are significant economic opportunities:

- A clean growth future through energy and environmental assets
- Transforming manufacturing: smarter, greener, global
- Innovating in health at a time of demographic change
- Driving digital and knowledge-based services

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A clean growth future through energy and environmental assets

Assessment of review of sectors, competencies and assets (in relation to energy):

- North East is strong in oil and gas, offshore wind, grid management and potentially hydrogen, with emerging opportunities in other renewables

Key assets in North East:

- Energy
 - Skills and technology base from oil and gas
 - Subsea technology with academic links
 - Power management (Integral)
 - Geology – geothermal, mine water
 - Storage reservoirs (ex oil and gas)
 - Academic research base (e.g. Durham Energy Institute)
 - Offshore Renewable Energy (ORE) Catapult
 - Smart grid management
 - Geography – port and coastal facilities

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A clean growth future through energy and environmental assets (cont.)

Key assets in North East (cont.):

- Environmental
 - Rivers, coastline and ports
 - High quality and reliable water supply for households and commercial users
 - Expertise in Building Information Management
 - UK leading science and research in allied subjects including agri-tech
 - High performing utilities sector
 - Critical mass of public agencies interested in innovating in relation to natural assets

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A clean growth future through energy and environmental asset (cont.)

Key opportunities:

- Need to decarbonise economy, with increasing demand for solutions that help individuals, businesses and government's achieve this
- Water increasingly valued as a resource
- Increasing demand for solutions to prevent or/and mitigate flooding and drought
- Changes in funding post-Brexit are likely to lead to changes in land use

Alignment with Industrial Strategy and other national priorities:

- Clean Growth Grand Challenge
- Offshore Wind Sector Deal
- BEIS Local Energy Programme
- 'Blue Economy' Strategy
- Environment Plan

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A clean growth future through energy and environmental assets (cont.)

Proposed objective:

- The North East will bring together our natural, research, science, testing and business assets to make a significant contribution to accelerating the decarbonisation of the global economy

Key programmes:

- Energy
- Water and natural assets

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A clean growth future through energy and environmental assets (cont.)

Energy programme:

- **Energy for Growth**
 - Work in partnership with cross-sector organisations across the North East and Tees Valley to develop **a world-leading offshore energy cluster**, and specifically deliver on the priorities of the Offshore Wind Sector Deal and other economic opportunities of national importance e.g. oil and gas decommissioning
 - Coordinate energy innovation through the **North East Energy Catalyst partnership** who will connect and mobilise the region's energy innovation and demonstration and delivery assets as an integrated ecosystem
 - Establish a **regional accelerator** function to deliver regional energy needs and clean growth targets, as well as national clean growth and energy policy at scale
- **Sustainable energy masterplan**
 - Create an **energy masterplan** for the North East LEP geography, to inform continuous and coordinated planning, decision making, and investment strategy across the energy system in the region

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A clean growth future through energy and environmental assets (cont.)

Water and natural assets programme:

- A diversified land economy
 - Create a new **National Centre for Rural Science and Innovation** based in the region
 - Co-ordinate ongoing **support for rural business** growth through the Rural Growth programme helping to ensure that the region can successfully navigate these challenges
- Growth through a focus on water and waste
 - Co-ordinate and strengthen a range of water innovation activities into a UK leading **water innovation programme**
 - Foster further collaboration between regional partners and Government agencies on flood risk management, with a particular focus on **mitigating risks to key employment and industrial locations in the North East**. This will include strategic use of the Government's regional flood levy to focus on key industrial areas
 - Bring together a range of partners across the region working on water management, decommissioning and recycling projects to established a **regional circular economy programme** to promote more efficiency in the use of regional resources and deliver new growth

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A clean growth future through energy and environmental assets (cont.)

How will we ensure North East residents benefit:

- Ensuring residents have skills to take up job opportunities created
- Ensuring employees displaced by move away from oil and gas are able to access roles in allied sectors
- Ensuring projects help reduce fuel poverty
- Creating new economic roles for former industrial towns through their energy, water and natural assets
- Trialing new approaches to community ownership of energy assets
- Ensuring access to natural environment is sustained and enhanced

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Transforming manufacturing: smarter, greener, global

Assessment of review of sectors, competencies and assets:

- Automotive manufacturing – North East is strong in high productivity manufacturing, electromobility and connected autonomous vehicles
- Chemicals manufacturing – North East has a well established base but is facing strong competition from larger clusters
- Pharmaceutical manufacturing – North East is strong in high productivity manufacturing, exploiting sharing of good practice between assembly and process manufacturing

Key assets in North East:

- Automotive manufacturing
 - High productivity manufacturing and links to process manufacturing
 - Electromobility
 - Power/grid management
 - Connected autonomous vehicles

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Transforming manufacturing: smarter, greener, global

Key assets in North East (cont.):

- Automotive manufacturing (cont.)
 - Nissan and supply chain ecosystem
 - Batteries, electrification
 - Clean growth challenge
 - Wider OEM footprint - Komatsu, Caterpillar etc and linkages to other related manufacturing sectors – e.g. rail which share supply chains – e.g. power trains, drives etc
 - Physical facilities – IAMP, CESAM
 - NEAA as strong widely accepted cluster leadership organisation
 - Digitalisation
 - East Coast port access
 - Automotive supplier base
 - Competitive/ mobile labour force within sector
 - Strong sub-cluster for heavy construction equipment
 - Test facilities – e.g. Nissan Test track and strong university expertise in relevant areas

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Transforming manufacturing: smarter, greener, global

Key assets in North East (cont.):

- Chemicals manufacturing
 - Manufacturing base
 - Strong cluster leadership organisation
 - Research base – academic, CPI and FC, KCMC/industry (P&G, AkzoNobel, Thomas Swan, etc.)
 - National Formulation Centre (CPI)
 - Scale up expertise
 - Materials expertise
 - Surface and interface science - linkages into offshore wind (paints) and digital (Ipad surfaces)
 - Sector Deals e.g. offshore wind

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Transforming manufacturing: smarter, greener, global

Key assets in North East (cont.):

- Pharmaceutical manufacturing
 - High productivity manufacturing and links to assembly manufacturing
 - Strong cluster animated by NEPIC (and First for Pharma)
 - Development capability (especially biologics)
 - National Formulation Centre (CPI)
 - Digitalisation expertise
 - Scale up expertise
 - Strengths in formulation and packaging
 - Manufacturing of APIs
 - New investment in cell and gene therapies
 - Opportunities in ultra high potency manufacturing and packaging

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Transforming manufacturing: smarter, greener, global (cont.)

Key opportunities:

- Manufacturing sector is important to North East economy (in terms of employment, GVA and exports) – need to build resilience and protect competitiveness to ensure it is able to overcome any challenges faced as result of Brexit and other global trends (e.g. changes in cost of raw materials, trade wars, etc.)
- At global level, manufacturing is being reshaped by digital technologies (Industry 4.0). Need to embed within North East manufacturing to remain competitive
- Increase awareness of environmental damage alongside focus on competitiveness is driving need for more sustainable methods of manufacturing to be developed

Alignment with Industrial Strategy and other national priorities:

- Clean Growth Grand Challenge
- Future of Mobility Grand Challenge
- Automotive Sector Deal
- Life Science Sector Deals

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Transforming manufacturing: smarter, greener, global (cont.)

Proposed objective:

We are proud of the North East's manufacturing culture. In a time of global economic change, our objective is to ensure that North East advanced manufacturing sectors are adapting and evolving to remain globally competitive by:

- Developing smarter ways of working, utilising capabilities and technologies to drive new products and processes
- Developing more sustainable products and processes
- Sustaining and growing our position in global markets

Key programmes:

- Smarter and sustainable
- Global

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Transforming manufacturing: smarter, greener, global (cont.)

Smarter and sustainable programme:

- Develop the North East's reputation and role as a hub for excellence in UK advanced manufacturing by:
 - Supporting the delivery of the **Centre for Sustainable Advanced Manufacturing** to provides an open access facility to facilitate sponsored and collaborative innovation in advanced manufacturing process
 - Delivering a North East and Tees Valley **Made Smarter** programme, focusing on leadership, communication, direct support for digital adoption in businesses and innovation delivering enhanced business productivity
 - Hosting a number of **national innovation and demonstrator projects** in core areas of strength, supported by the National Productivity Investment Fund and other UK resources (e.g. Driving the Electric Revolution, smart packaging)
 - Supporting key **regional hubs, demonstrators and innovation delivery partnerships** that will allow the transformation in advanced manufacturing

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Transforming manufacturing: smarter, greener, global (cont.)

Global programme:

- Consider a proposal to create a digitally enabled **Free Trade Zone** for the North East, which positions the region as a competitive location for new trade and investment activity
- Develop with partners and Department for International Trade (DIT) an **integrated 10 year trade, export and inward investment strategy** which aligns national, regional and locally resourced capacity
- Develop through the North East Growth Hub, **enhanced trade facilitation services** which can support existing businesses trading in Europe

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Transforming manufacturing: smarter, greener, global (cont.)

Global programme (cont.):

- Strengthened support for clusters and supply chains
 - Develop the current and future competitiveness of the North East's 'areas of strength' and 'foundations'
 - Develop more resilient clusters through **supporting diversification** into new sectors/supply chains and markets
 - Support the development of **industry lead, accredited cluster organisations** for each of the North East's areas of strength
 - Enhance the coordination, coherence and collaboration across the North East's key clusters through the **creation of overarching cluster coordination**
 - **Utilise the North-East clusters to facilitate trade** through international cluster-to-cluster trade links
 - Work with the DIT to identify and secure opportunities to host **large scale investments** that will enhance cluster competitiveness

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Transforming manufacturing: smarter, greener, global (cont.)

How will we ensure North East residents benefit:

- Ensuring residents have skills to take up job opportunities created
- Ensuring employees displaced by increasing automation and adoption of other digital technologies are able to access roles in allied sectors

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Innovating in health at a time of demographic change

Assessment of review of sectors, competencies and assets:

- North East has strengths across life sciences ecosystem

Key assets in North East:

- NHS trusts – scale and strong track record in clinical trials
- Expertise across range of clinical areas – including cancer, diabetes and novel therapies
- Existing specialisms make North East well placed in relation to ageing
- NICA plus NICD combination
- Global digital exemplars
- Smart packaging/printable electronics/ health photonics
- Academic base (Newcastle, Durham)

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Innovating in health at a time of demographic change (cont.)

Key opportunities:

- Population growth, ageing populations in advanced economies and increasing wealth are driving demand for health innovation
- New treatments including cell and gene therapies, biologics and photonics and new manufacturing processes are opening up new, personalised treatments

Alignment with Industrial Strategy and other national priorities:

- Life Science Sector Deals
- Ageing Society Grand Challenge

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Innovating in health at a time of demographic change (cont.)

Proposed objective:

- The North East has strengthened its UK leading translation environment to facilitate continuous improvement in healthcare delivery and advanced manufacturing both within the region and beyond. It will have applied its science and research strengths to position the North East as the leading hub for responding to global ageing

Key programmes:

- Applying clinical research to improve health
- Strengthening North East pharmaceuticals
- Leading on ageing

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Innovating in health at a time of demographic change (cont.)

Applying clinical research to improve health programme:

- A comprehensive translation environment from research to delivery
 - Support strong regional and national coordination to further **develop the translation eco-system** in the North East
 - Build on strengths in research and NHS, **grow and enhance clinical trials**, including through the Great North Care Record
 - Work with partners and national agencies to identify opportunities to **create hubs and networks that can commercialise research and deliver of new leading-edge technologies** including diagnostics, novel treatments, personalised medicine, photonics

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Innovating in health at a time of demographic change (cont.)

Strengthening North East pharmaceuticals programme:

- Supporting innovation and productivity through North East pharmaceuticals
 - Support development and delivery of collaborative proposals to develop North East as a host for UK innovation programmes on ***smart packaging and smart delivery of medicines and ultra-high potency manufacturing***
 - Focus on the pharmaceutical sector within the Supply Chain North East programme aiming to further ***strengthen the supply chain within the region***
 - Support the ***development and accreditation of key cluster networks*** to ensure that there is strong industry engagement in taking opportunities for North East growth

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Innovating in health at a time of demographic change (cont.)

Leading on ageing programme:

- Leading the global response to ageing
 - Support the delivery of the ***National Innovation Centre for Ageing***, providing a UK hub for regional, national and international work on the response to ageing and as a leading hub for the delivery of the ageing grand challenge
 - Develop a ***North East Cluster for Healthy Ageing and Independent Living (NE CHAIN)*** around the National Innovation Centre for Ageing which will mobilise regional partners in the development of a North East in a Living Laboratory for the response to ageing

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Innovating in health at a time of demographic change (cont.)

How will we ensure North East residents benefit:

- Ensuring approaches are targeted towards improving health of North East residents – with health outcomes below the national average and poor health being a major barrier to improved productivity performance

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Driving digital and knowledge-based services

Assessment of review of sectors, competencies and assets:

- Digital – Strengths especially where digital intersects with other regional strengths – e.g. manufacturing and health
- Financial, professional and business services – Major employer with potential to grow in niche areas

Key assets in North East:

- Digital
 - NICD
 - Digital manufacturing
 - PROTO
 - Sunderland Software City and Digital Catapult North East and Tees Valley
 - Broad industry base – corporates including Sage, as well as SMEs and start ups
 - HMRC and DWP digital functions
 - Data centres and the North Atlantic Loop
 - Satellite applications catapult

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Driving digital and knowledge-based services (cont.)

Key assets in North East (cont.):

- Digital (cont.)
 - Digital design expertise (Northumbria University)
 - R&D institutions – focus on computer science, high speed computing, data analytics, design
 - Interaction with other specialisms creating additional opportunities – fintech, agtech
- Financial, professional and business services
 - Major employer with 19,000 enterprises and 47,000 jobs in North East. Has recovered well since 2008 recession
 - North East is a low cost location for back office operations
 - Range of specialist services linked to industries concentrated in North East

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Driving digital and knowledge-based services (cont.)

Key opportunities:

- Increasing demand for digital products and services, with digital sector playing increasingly important role in facilitating productivity growth in other sectors (for example, digital transformation of financial and business services)
- North East niche services – e.g. specialist consultancy, fintech and building information modelling (BIM) – experiencing growth
- Knowledge-intensive business services are increasingly important within economy and tradeable services are key to productivity growth – potential to use of digital and niche sectors to address North East under-representation

Alignment with Industrial Strategy and other national priorities:

- AI and Data Economy Grand Challenge
- Ageing Society Grand Challenge
- Artificial Intelligence Sector Deal
- Creative Industries Sector Deal

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Driving digital and knowledge-based services (cont.)

Proposed objective:

- Further acceleration of our fast growing and dynamic digital economy and utilising our digital expertise to develop niche business services such as fintech and BIM and transform our growing financial, professional and business service sector

Key programmes:

- Data economy
- Creative production and application
- Knowledge-based services

Note:

- Approaches to improving digital infrastructure, improving digital skills, embedding digital technologies, etc. are set out under the relevant foundation

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Driving digital and knowledge-based services (cont.)

Data economy programme:

- Become a UK hub for the data economy
 - Maximise impact of the National Innovation Centre for Data
 - Develop a regional data-led growth strategy
 - Create and promote market opportunities for the region, e.g. trade and inward investment
 - Develop local demonstrators, showcase best practice in data-led business growth and data security across sectors
 - Strengthen partnerships with UK lead assets, including the Satellite Applications and Digital Catapult Hubs, to drive cluster growth in the North East economy

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Driving digital and knowledge-based services (cont.)

Creative production and application programme:

- Encourage creative production and application within the North East
 - Strengthen relationships between creativity and innovation to identify new collaborative opportunities across sectors (for example VR initially produced for gaming is now being applied in other industries)
 - Promote and highlight best practice and success stories to raise the national profile of early stage tech start-ups with investors
 - Work with partners to develop a programme that supports the birth rate and sustained growth of creative and tech start-ups to encourage new product and service development
 - Enable cross sectoral collaboration and R&D/business partnerships

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Driving digital and knowledge-based services (cont.)

Knowledge-based services programme:

- Develop a strategic approach to growth in knowledge intensive business services through co-ordination, communication and networking
- Deliver support for sub-sectors where the North East has distinctive strengths including fintech and specialist consultancies

How will we ensure North East residents benefit:

- Growth in digital and knowledge-based services will create a large number of high skilled jobs – need to ensure residents are developing the skills and attributes that will enable them to access these opportunities
- A diverse digital economy will bring forward new products and services that will benefit our residents

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Improving the North East's productivity performance

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Improving the North East's productivity performance

Industrial Strategy identifies five foundations of productivity – ideas, people, infrastructure, business environment and place

- Important that LIS sets out priorities for North East under each foundation, reflecting our specific strengths and weaknesses

Strong alignment between foundations and the programmes of delivery set out in the North East Strategic Economic Plan

Approach draws on:

- Our Economy - annual report on performance of North East economy
- Review of North East productivity performance and what underpins this
- Broader evidence base on what works in improving productivity
- Discussion with local partners – through established groups and *ad-hoc*
- Feedback from 14 February workshop and 16 July LIS Summit

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North East productivity performance

GVA per job
£44,700

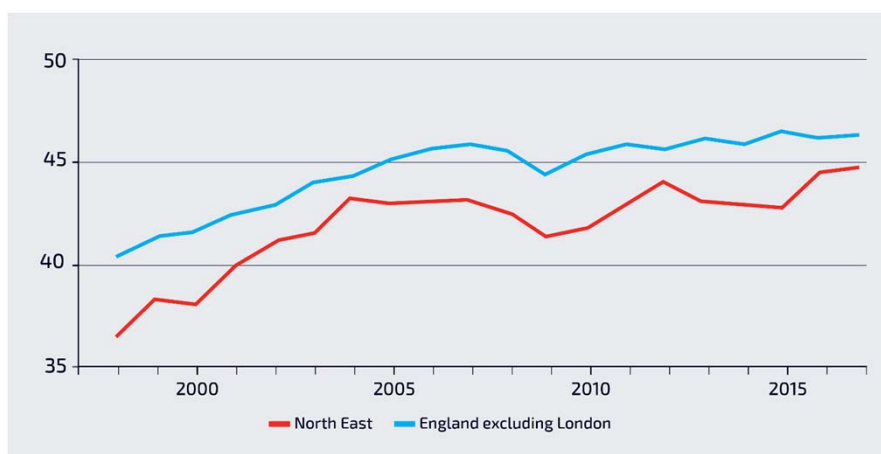
3.8% below
England excluding London

0.5% below
North of England

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GVA per job (£000s), North East and England excluding London, 1998 to 2017



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What underpins productivity performance?

Evidence shows key drivers of productivity include

- Investment – public and private
- Innovation
- Skills
- Competition and enterprise

Two characteristics common in regions that have narrowed productivity gaps

- Access to well-functioning cities, with good links between cities and rural areas
- Strong reliance on tradeable sectors

Reducing gaps in productivity between regions whilst also delivering employment growth requires

- Strategically diversifying regional economies
- Identifying and building on local strengths
- Integrating action across actors and policies

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What underpins North East productivity (under)performance?

- Low levels of investment – across both public and private sectors
 - Lowest projected central and local government investment in infrastructure of English regions and lower than national investment in public transport
- Low levels of innovation across North East
 - Fewer businesses innovation active, lower R&D expenditure across business, higher education and government sectors, fewer employed in science, research, engineering and technology roles, etc.
- Lower qualifications profile and some mismatch between skills demand and supply
 - 11% more individuals with no qualifications and 13% fewer with degree level qualifications
- Size and dynamism of business base
 - If performance was same as England excluding London would have 50% more businesses and business birth rate would be 50% higher
 - Lack of management and leadership skills
 - Lack of growth ambition

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What underpins North East productivity (under)performance?

Whilst not productivity issue, other key issue facing North East is:

- Fewer employment opportunities than England excluding London (gap of 10%), resulting in lower economic activity and employment and higher unemployment

Other areas face similar issues – key issue underpinning focus on 'rebalancing' economy

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Priorities for action identified at review of productivity workshop (14 February)

How can business support policy address low levels of entrepreneurship and low levels of innovation, productivity and exporting within our SME base?

How can the North East grow a distinctive, future-orientated and high productivity knowledge intensive business services sector?

How can we use the North East's global companies to deliver higher productivity across our business base?

How can the North East develop its demonstrator offer?

How can the North East's universities help deliver improved productivity for the region?

How could the development of a fusion skills framework help the North East improve productivity and inclusion?

How can we accelerate future infrastructure investment to deliver productivity improvements for the North East?

Industrial Strategy



Common themes emerging from LIS Summit workshops (16 July)

Build better business support ecosystems that considers a cross sector approach

Build a more effective skills system that meets the needs of region

Make better use of our anchor institutions

Develop and maximise local supply chains

Position the North East to act as a test bed and demonstrator

Develop a place-based approach

Continue to build on our evidence base and be evidence-led

Develop a strong brand and narrative for the North East

Industrial Strategy



Ideas

Industrial strategy vision: To become the world's most innovative economy

Key issues in North East:

- The North East has relatively low levels of innovation compared to England excluding London with:
 - Fewer business reporting they are innovation active
 - Lower expenditure on research and development (R&D)
 - Businesses accounting for a lower proportion of R&D expenditure
- Research strengths of universities
- Presence of demonstrator facilities
- Excellent environment for clinical trials – with significant activity already (e.g. cancer, novel therapies, etc.) Future opportunities in relation to ageing

Industrial Strategy



Ideas (cont.)

Proposed objective: To become a high productivity, high employment economy with:

- A culture of innovation, where businesses, universities and others are engaging in and collaborating on innovation activities that will improve productivity

Priorities:

- Further develop the North East's **test, demonstrator and incubator/grow-on space offer** to ensure that ideas can grow into viable products, services and processes and there are facilities for the businesses taking these forward to start and grow
- Establish model for **Innovation Delivery Partnerships** which will bring together partners (academic, business, test and demonstration facilities and others) in specific capability areas to bring to market new products, services, processes and business models
- Develop an **Innovation Business Growth Programme** to support businesses to innovate (to sit within Growth Hub 2.0, discussed in 'Business Environment' foundation)
- Establish an endorsed framework to promote the use of and participation in **open innovation** challenges by businesses and others in the North East
- Develop a programme of activities to ensure that the North East is maximising productivity gains from its **universities**, building on the work of Northern Accelerator

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Ideas (cont.)

How will we ensure North East residents benefit:

- Encourage programme of open innovation challenges that focus on issues and challenges faced by North East residents and businesses
- A number of Innovation Delivery Partnership will have a social dimension, such as addressing fuel poverty and delivering health improvement

Industrial Strategy

People

Industrial strategy vision: Good jobs and greater earning power for all

Key issues in North East:

- Fewer employment opportunities per head than England excluding London
- Demand for high-skilled and non-routine service workers is rising, whilst demand for low-skilled and routine/semi-routine services workers is falling
- Lower qualifications profile with more individuals having no qualifications and fewer with high level qualifications (degree level or above)
- Firms in the North East report more difficulties in recruiting professional and skilled trade workers than the national average
- Whilst the economic inactivity rate and the unemployment rate have fallen they remain above the England excluding London rates
- Average (median) wages are only 88% of the English average
- Difficulties in attracting workers from other UK regions

Industrial Strategy



INDUSTRIAL
STRATEGY

North East
Local Enterprise Partnership

People (cont.)

Proposed objectives: To become a high productivity, high employment economy with:

- A highly skilled population, with the focus on ensuring the region has the skills needed by employers to be productive and to enable greater entrepreneurship, business ambition and innovation
- An effective and inclusive labour market, where individuals are able to build careers and where they can access the support they need to move into and progress within employment

Priorities:

- **Invest in the skills of the North East workforce**, with focus on:
 - Ensuring through the Skills Advisory Panel that provision meets the region's needs
 - Delivering fusion and digital skills
 - Ensuring good quality careers information, advice and guidance is available and everyone understands the routes and opportunities available
 - Reducing disparities in educational outcomes and improving transitions
 - Attracting and retaining good quality teaching staff

Industrial Strategy



INDUSTRIAL
STRATEGY

North East
Local Enterprise Partnership

People (cont.)

Priorities (cont.):

- **Improving living standards and ensure inclusion** through:
 - Improving adult basic skills, including digital
 - Developing a fusion skills framework to ensure individuals' full skills and competencies are recognised by employers
 - Ensuring long-term holistic support is available of those with specific needs, including disabilities and health conditions
 - Supporting individuals and employers to ensure the 50+ workforce is retained and their contribution is maximised
 - Supporting progression from low pay
 - Encouraging employers to adopt good employment practices
 - Working across partners to respond to economic shocks

Industrial Strategy



People (cont.)

Digital priorities:

- Make digital skills improvement accessible to all citizens of the region, regardless of age, career, stage or background to build an inclusive and resilient labour market
- Develop digital skills across all levels of education, from primary through secondary, FE, HE and beyond
- Enable businesses to respond to digital skills needs for long term impact on job creation and retention at scale

Industrial Strategy



People (cont.)

How will we ensure North East residents benefit:

- Skills provision and holistic support will help enable to access employment opportunities in North East
- Focus on adult basic skills, digital skills and fusion skills will help ensure skills being developed are applicable across a wide range of sectors and occupations, improving resilience
- Support will be in place for those being displaced by economic shocks and older workers that need to retrain
- Focus on reducing disparities in educational outcomes and improving transitions will benefit young people that are most at risk of becoming NEET
- Employers will be encouraged to adopt good employment practices

Industrial Strategy



Infrastructure

Industrial strategy vision: A major upgrade to the UK's infrastructure

Key issues in North East:

- Department for Transport has identified the North East (along with the South West) as the region most in need of better infrastructure (rail stations, airports and major road junctions)
- Strong growth in demand projected for rail and air transport
- Need to upgrade transport links to London and other parts of the North
- Transport connectivity is good within the urban core but connectivity in more remote rural areas is a challenge
- Investment in reclaiming and upgrading brownfield port and riverside industrial sites and river frontages is costly and slow, putting the region at a competitive disadvantage in retaining and securing new investment

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Infrastructure (cont.)

Proposed objective: To become a high productivity, high employment economy with:

- Transport, digital and environmental infrastructure in place that supports productivity across all sectors, connects communities within the region and connects the region nationally and internationally

Priorities:

- Transport
 - Upgrade **East Coast Mainline** to facilitate economic growth, including by enabling links to HS2
 - Improve connectivity across the region and with other regions through **One Network Programme**, including improving road and rail connectivity, improving links to airport, employment, education and training sites and delivering a future mobility eco system
 - Delivering **Transforming Cities Fund** priorities for the region

Industrial Strategy



Infrastructure (cont.)

Priorities (cont.):

- Digital
 - Ensure the whole of the region benefits from the highest possible standard of **digital infrastructure and connectivity**
- Green infrastructure
 - Develop a **major rivers and estuaries sustainable infrastructure programme** to improve the resilience and competitiveness of key employment and housing sites in relation to flooding and drought, attract and safeguard investment into these sites and embed green/blue infrastructure in economic development approach
 - Adopt a 10 year **environmental infrastructure strategy** to increase biodiversity, enhance our natural environment and provide recreational opportunities for residents and tourists

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Infrastructure (cont.)

Priorities (cont.):

- Key sites and premises
 - Accelerate investment in **key sites and premises**, with focus on tackling under supply of Grade A office and industrial space and tackling issues raised by increasing the amount of brownfield and town centre availability and need for 'change of use'

Digital priorities:

- Achieve full roll out of superfast and ultrafast broadband
- Promote and exploit direct international connectivity and data storage to secure inward investment and growth
- Make use of investments into digital hubs, networks and infrastructure to demonstrate how businesses can benefit from digital technologies

Industrial Strategy



Infrastructure (cont.)

How will we ensure North East residents benefit:

- Improving transport connectivity across the region, with particular focus on improving linkages between residential areas and key employment sites and improving rural-urban connectivity
- Connecting residents to rest of the UK and the world
- Securing funding to ensure future digital infrastructure is rolled-out to all communities
- Upgrading transport system to help reduce congestion and encourage greener infrastructure will have environmental and health benefits for regions
- Environmental infrastructure strategy will help safeguard North East environmental assets for all residents

Industrial Strategy



Business environment

Industrial strategy vision: To become the best place to start and grow a business

Key issues in North East:

- Fewer businesses per head than England excluding London and fewer business births and deaths
- Whilst proportion of businesses scaling is close to national rate, the smaller business base means that the number of scaleups per head is low
- Whilst value of goods exports is high, a smaller proportion of businesses are exporting and service exports are low
- North East is highly dependent on foreign-owned businesses
- There is evidence that a lack of management practices may be constraining factor for North East businesses

Industrial Strategy



Business environment (cont.)

Proposed objective: To become a high productivity, high employment economy with:

- A culture of entrepreneurship and business ambition, characterised by the region having more businesses, higher levels of business start up, more businesses growing and more businesses trading internationally

Priorities:

- Continue development of a strategic and integrated business support eco-system including:
 - **Growth Hub 2.0** to support productivity improvements in North East businesses (by improving leadership and management capabilities and supporting businesses to adopt practices that will help improve productivity performance) and ensuring the economy continues to create 'better jobs' (by supporting business start-up and growth)
 - A long-term **internationalisation strategy** to develop and strengthen trade and investment relationships with key markets for our areas of strategic importance
 - Supporting rural businesses to grow through **Rural Growth Network 2.0**, including support to build organisational and leadership capacity and providing funding to improve premises, facilities, machinery and technology

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Business environment (cont.)

Priorities (cont.):

- Ensure North East businesses are able to access finance by developing a new **business finance programme** and strengthening supply of private finance
- Maintain a strategy to enable **early response and management of economic shocks** to mitigate risks, reduce negative impacts, including through the development of a transitional support programme

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Business environment (cont.)

Digital priorities:

- Ensure businesses across the North East are adopting digital technologies
 - Informing and enabling business leaders and decision makers to increase digital adoption across sectors
 - Enabling businesses to improve systems and processes to lead to increased uptake of digital adoption and transformation
 - Upskilling workforce in digital applications and processes
 - Building competitive advantage by utilising leading technologies and digital processes
 - Hosting innovative businesses in the region that are leading the way in digital transformation

Industrial Strategy



Business environment (cont.)

How will we ensure North East residents benefit:

- An increase in business starts and business growth will deliver additional jobs for the region
- Business support services will help safeguard jobs within existing firms
- Business support services (including leadership and management programmes) will be available to social enterprises, helping improve the quality of services provided by this sector
- Early response and management of economic shocks will include support to redeploy workers

Industrial Strategy



Places

Industrial strategy vision: To have prosperous communities across the UK

Key issues in North East:

- Industrial structure varies across North East
- Economic outcomes (e.g. employment/unemployment, wage levels, etc.) varies across North East
- Important to strengthen relationships between places. For example, connecting places with complementary assets to each other or connecting people to higher productivity opportunities
- Review of North East sectors, competencies and assets identified need for more effective approach to promoting the region:
 - As a tourism destination
 - To potential investors and workers

Industrial Strategy



Places (cont.)

Key issues in North East (cont.):

- Review North East sectors, competencies and assets identified range of assets in cultural and visitor economy:
 - Scenic location, heritage
 - Distinct North East regional identity
 - Venues and attractions
 - Airport – European links
 - Rail links to London (but perceptions of distance need to be challenged)
 - AR/VR which can be applied to the sector (link to digital cluster)
- Track record in hosting major sporting events plus key sporting infrastructure also important asset

Industrial Strategy



Places (cont.)

Proposed objective: To become a high productivity, high employment economy with:

- All communities contributing to and benefiting from the improvements in productivity including through improved connections between different communities across the North East

Priorities:

- Develop a **spatial vision and investment programme** for the North East
- Develop a range of strategies and programmes to ensure **productive places** and improved living standards across region including:
 - Position the North East as an exemplar in rural innovation and rural-urban collaboration
 - Develop a regional plan and prioritised set of interventions to strengthen our towns
 - Strengthen connectivity between places

Industrial Strategy



Places (cont.)

Priorities (cont.):

- Enhancing our **place competitiveness** including:
 - Develop a North East Tourism Action Zone
 - Develop a promotional campaign to promote the North East
 - Make best use of our cultural, tourism and natural assets and, where appropriate, invest in new assets

Digital priorities:

- Digital infrastructure will form a key part of the spatial vision and investment plan for the North East
- Need to ensure all communities across the North East are benefiting from investment in digital infrastructure
- Need to ensure all communities across the North East are able to develop their digital skills
- Build digital adoption and transformation into approaches to rural innovation
- Build digital adoption and transformation into approach to developing tourism sector

Industrial Strategy



Places (cont.)

How will we ensure North East residents benefit:

- Spatial vision and investment programme will be used to help ensure areas across the North East have a clear role in the region's economic future
- Activities to strengthen town centres will tackle issues faced by some communities in relation to access to services and quality of life
- Investment in cultural, tourism and environmental assets will benefit quality of life for residents – but need consideration of how to ensure they are able to access these assets

Industrial Strategy



LIS delivery

Industrial Strategy

LIS delivery

Need to ensure that actions are developed and delivered transparently, with visibility and accountability built into the delivery framework

North East LEP Board will have overall responsibility for delivery of LIS at regional level

Propose using existing LEP governance structures (including Investment Board and Business Growth, Employment and Skills and Innovation Advisory Boards) to ensure delivery of LIS priorities

- Already established and highly rated by government
- Involve partners from across region – including political representation from North of Tyne Combined Authority and North East Combined Authority on each board
- Closely align to foundations (e.g. business environment/business growth; people/employment and skills; infrastructure/investment; ideas/innovation)
- To develop a structure to oversee place foundation – options include establishing place board, broadening remit of investment board to 'infrastructure and place' or setting up series of task and finish groups (given diverse nature of priorities set out under this foundation)

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LIS delivery (cont.)

LEP also has working groups under three of its areas of strategic importance (energy, health and life sciences and digital)

- Recommend using these as starting point for working groups for
 - Digital cross-cutting theme
 - North East strengths and opportunities – clean growth future, transforming manufacturing and health innovation

Once detail about future funding mechanisms is clearer we will review:

- Terms of reference of each board
- Membership of each board and working group

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