

Date of Meeting: 10 December 2019

Portfolio Holder: Cllr. G. Suttle, Economic Growth and Skills

Local Member(s): All Councillors

Executive Director: John Sellgren, Executive Director of Place

Executive Summary:

The Government published the UK Modern Industrial Strategy in November 2017, and subsequently asked all Local Enterprise Partnerships (LEP) to produce Local Industrial Strategies (LIS) for their areas. These are to be long-term, based on clear evidence and aligned to the national strategy. They must identify local strengths and challenges, future opportunities and actions needed to boost productivity, earning power and competitiveness. Whilst LEPs produce the draft LIS, the final document is published by the Government to an established template.

Dorset Council and Bournemouth, Christchurch & Poole Council have been closely involved in the development of the LIS, through membership of the Dorset LEP Board (Cllrs Spencer Flower and Gary Suttle), various workshops and focus groups, officer involvement in a virtual LIS Team, and development of the evidence base. This activity has sought to achieve alignment of policy and priorities to present a robust, coherent and co-ordinated position for Dorset within a rather uncertain and changing national and international context.

The draft LIS focuses on improving productivity, in-line with the national priority. It also highlights the need for inclusive growth to ensure that an increase in prosperity is felt across Dorset and especially in areas where issues of low social mobility and deprivation are evident. Economic growth must also respect and build upon the environmental assets which are vital to the future wellbeing of Dorset.

The model for growth proposed by the LIS envisages a collaborative cluster approach rather than a traditional sector or place approach, underpinned by existing supply chains. There are few 'prime' companies or concentrated industries in Dorset, but there are clusters of deep experience and specialisation, especially in new technologies and high value sectors. This approach will enable increased collaboration and synergy between sectors crucial to the economic prosperity of Dorset, including advanced engineering and manufacturing, agritech and aquaculture, social care and health and the visitor economy.

The LIS works through the five foundations of productivity (see paragraph 2.1) articulating support for the clusters and a wider programme of activity to improve productivity and prosperity across Dorset. Key issues in the LIS, which resonate with the Council's emerging priorities, include tackling climate change, talent attraction and retention unlocking Dorset's cultural assets and the creativity of its people, provision of digital and transportation infrastructure and shaping place for sustainable economic growth.

The Dorset LEP Board seeking endorsement from both Councils for the draft LIS. This will then be worked up in more detail and approved by the LIS Steering Group before being submitted to Government before Christmas.

Equalities Impact Assessment:

The LIS has a prosperity focus for both communities of interest and place across Dorset. The final LIS will need to pass a rigorous test with Central Government, of which an adherence to equality and diversity considerations will be paramount. A full EIA will be undertaken for any specific initiatives or investments that are aligned to the Dorset Local Industrial Strategy.

Budget:

There are no specific financial implications within this report and LIS. Any individual investment decisions linked to the LIS will come back to Cabinet as appropriate.

Risk Assessment:

Having considered the risks associated with this decision, the level of risk has been identified as:

Current Risk: LOW

Residual Risk: LOW

Climate implications:

There are no specific climate change implications at this stage. Any individual investments or initiatives requiring Cabinet decision linked to the LIS will come back as appropriate with a detailed environmental assessment. It should be noted that the LIS has 'tackling climate change' as a priority.

Other Implications:

NA

Recommendation:

1. That Cabinet endorses the draft Local Industrial Strategy for Dorset
2. That this Council's agreement to any minor changes requested by Government (in early 2020) are delegated to the Leader in consultation with the Portfolio Holder for Economic Growth and Skills
3. That Dorset Council seeks to support implementation of the Dorset LIS through appropriate alignment with its own Economic Growth Strategy, due to be presented to Cabinet in Spring 2020

Reason for Recommendation:

It is critical that Dorset can articulate a clear, well-evidenced economic ambition to Government, whilst also giving confidence to local business and future private investors. It is important that, when required, Dorset can move at pace to respond to both public and private investment opportunities. A Local Industrial Strategy for Dorset with an aligned Council economic growth strategy and action plan, utilising the same economic analysis, will enable sustainable economic growth and prosperity for Dorset.

Appendices: none

Background Papers:

Local Industrial Strategy for Dorset summary:

https://www.dorsetlep.co.uk/userfiles/files/LIS/Dorset%20LEP_Local%20Industrial%20Strategy_initial%20highlights_Oct%2019.pdf

Evidence base:

<https://www.dorsetlep.co.uk/userfiles/files/Dorset%20LEP%20powerpoint%20template%20-%20Sept%20version.pdf>

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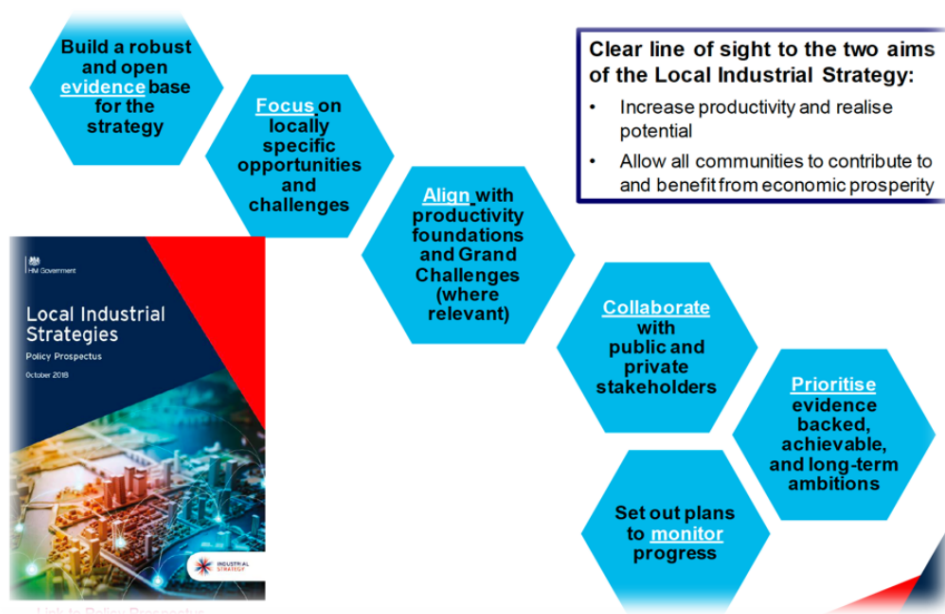
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1. Background

- 1.1 The Business Energy and Industrial Strategy Government Department (BEIS) asked all Local Enterprise Partnerships (LEPs) in England to lead local responses to the 2017 UK Modern Industrial Strategy (*Building a Britain Fit for The Future*) with a 'Local Industrial Strategy' for each LEP area. These strategies will establish new ways of working between national and local leaders in both the public and private sectors. Universities, colleges and other local institutions will be key, as will an approach that is responsive to both local and global market conditions to provide greater long-term certainty.
- 1.2 The Government requested that Local Industrial Strategies should be long-term, based on clear evidence, and aligned to the national Industrial Strategy. They must identify local strengths and challenges, future opportunities and the actions needed to boost productivity, earning power and competitiveness.
- 1.3 In 2018 the Government announced a series of three 'waves' over a two-year period during which LEPs across the country would be invited to submit responses. Wave 1 included Mayoral Combined Authorities, Wave 2 targeted 8 LEPs, and Wave 3 all remaining LEP areas. Dorset was asked to produce its LIS in Wave 3 – with a final deadline of March 2020.
- 1.4 The Dorset LEP Board, on which Dorset Council has two Board Directors (Cllrs. Spencer Flower and Gary Suttle) agreed that Dorset should aim to submit its strategy by the end of 2019 at the latest, thus ensuring it was one of the first to submit. It was agreed that this would also allow sufficient time to develop an implementation plan linked to the LIS by the end of the Wave 3 period (i.e. March 2020). This was felt important to put Dorset in the strongest position possible to be ready with a suite of LIS investments once new Government funds were in place post deadline of the national LIS process. These funds are anticipated to include the replacement to previous EU funds and other funding streams routed through LEPs (such as the Local Growth Fund). In the last 5 years Dorset has had some £250m funds invested via the Dorset LEP.
- 1.5 Since this process went live, the 2019 General Election has been announced. There remains a clear steer from Whitehall officials that the LIS process should continue. It is felt that whatever the results of the Election, a clear, evidenced-based economic plan for the whole Dorset area, that aligns with our own Council priorities, will ensure that we are best-placed to engage with a future Government on local economic priorities and investment.

2. Development of the Local Industrial Strategy for Dorset

- 2.1 The LIS process was supported with clear guidance from the lead Government Department (BEIS). The following diagrams summarise this process and the areas of focus each LIS must target (i.e. 5 drivers of productivity and potentially address one or more of the identified Grand Challenges):



5 foundations of productivity



4 grand challenges



- 2.2 Dorset and Bournemouth, Christchurch & Poole Councils representatives have been engaged throughout the strategy development process, including membership of the LIS Steering Group and officer operational group. Regular reports have also been given to the LEP Board. A workshop was held on 12th July with Dorset Councillors, facilitated by the University of Southampton to support the development of the strategy and there has been direct engagement with the Council's Economic Growth Executive Advisory Panel.
- 2.3 A significant evidence base was produced to underpin the economic analysis for the LIS. This can be found [here](#). Dorset Council officers supported with contributions to this evidence – and the final evidence pack has also been used to support development of the Council's own Economic Growth Strategy.

- 2.4 The Dorset LEP, Council Officers and the Dorset Chamber of Commerce have engaged a wide variety of stakeholders from across Dorset into the LIS development process. Examples of engagement include two on-line consultations, the Dorset Coastal Communities Forum, a Dorset-wide small business survey (with over 250 responses), over 30 one to one business meetings (particular with some of the larger Dorset-based businesses), the Dorset Local Nature Partnership and strategic local stakeholders including Portland Port and Kingston Maurward College.
- 2.5 Utilising existing strategies which remain fit for purpose has been an important part of evidence development.
- 2.6 The analysis of the evidence base (both quantitative and qualitative) has been tested with Government officials and with an Independent Challenge Panel set-up by the Dorset LEP, which has a membership including nationally-regarded economists.

3. **Headlines of the Local Industrial Strategy for Dorset**

- 3.1 This response to the Local Industrial Strategy provides the first opportunity to articulate the shared economic ambitions of the whole Dorset area since local government reorganisation in April 2019.
- 3.2 The strategy is focused towards productivity and prosperity. These are national priorities – and chime with Dorset’s economic ambitions.
- 3.3 The overarching vision: *Dorset: Living better, performing better and naturally collaborative.*

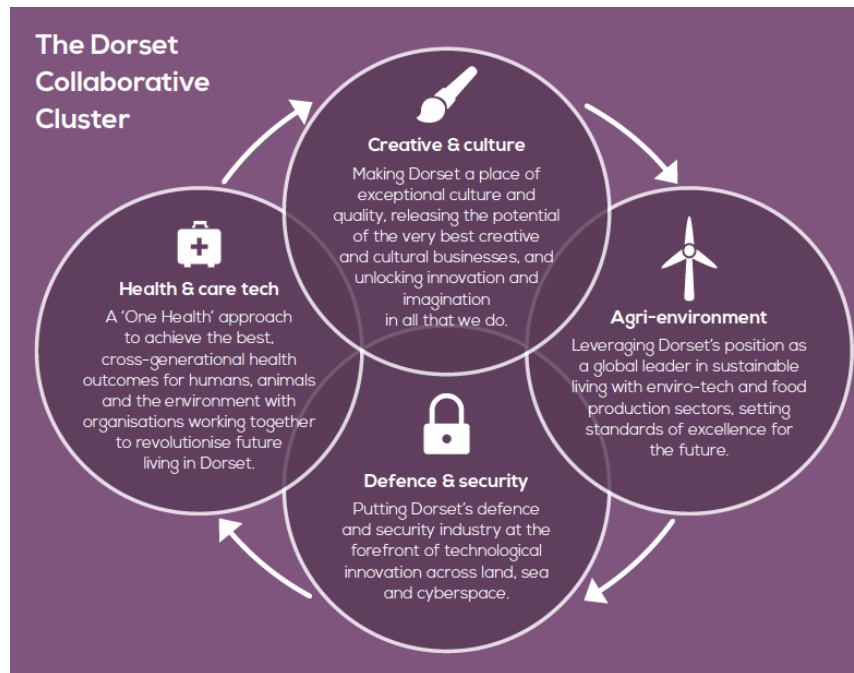
4. **Strengths and weakness**

- 4.1 As well as outlining the many economic strengths and opportunities of Dorset’s economy, the strategy also addresses areas of weakness.
- 4.2 Key strengths include a strong asset base, such as the outstanding quality of the environment; significant research strengths in local higher education institutions; ports and airport. Also, key sector strengths, including advanced manufacturing and engineering, financial and professional services, agri-environment sectors, tourism and creative industry related sectors.
- 4.3 Dorset does not have clear, dominant industrial anchors but does have a healthy spread of activities that give it resilience. Economic success for Dorset is about integration of techniques and talent across a range of activities that can inform the wider economy.
- 4.4 Areas of weakness and challenge are shown in the detail of the analysis of the comprehensive evidence base. Future demographics is an area that has really ‘stood out’ in the analysis and will have significant consequences for Dorset’s labour market. Whilst this is a national issue (and an identified ‘grand challenge’) it is the pace and scale of which this will impact on Dorset that is so significant:
 - Dorset has the oldest population and lowest proportion of under 50’s, anywhere in the UK.
 - By 2040 we will have a dependency ratio of 1 (that’s one person working for every person of pensionable age).
 - We are facing a potential vacancy replacement of half our current workforce in the next 15 years.
 - The cost of care in Dorset is double the national average.

- 4.5 In relation to overall productivity more broadly:
- Productivity in the DLEP area is below average and the gap to the UK average remains persistent (the 'output gap').
 - Growth has been relatively weak in overall terms (although excluding London and Greater South East the differences are not that marked).
 - Indications are that the gap between areas within the DLEP area have been gradually widening. In particular, sparsely populated rural areas tend to be associated with lower productivity levels.
 - Research suggests that differences in firm-level productivity – rather than industrial structure – mostly explains the differences at a regional level.

5. **A Collaborative Cluster**

- 5.1 Whilst there are few 'prime' companies or concentrated industries in Dorset, there are clusters of deep expertise and specialisation, especially in key new technologies and high value sectors (supply) and in aspects of social living (demand).
- 5.2 These cluster specialisations offer the prospect of a productive transformation: a cross-fertilisation of ideas, capacity and development. These specialisations also respond to the UK Industrial Grand Challenges – including ageing (health), AI and data (security/creative) and clean growth (agri-env).
- 5.3 The Dorset industrial model within the LIS envisages a 'collaborative cluster' approach rather than a traditional sector or place approach, underpinned by existing supply chains. This allows us to recognise the collaborative capabilities and significant synergies in the integration/cross-fertilisation of ideas between businesses, technologies and the workforce. It means a focus on productivity-based outcomes rather than inputs, with these bolstered by a range of themes, including:
- Building a new perception of the Dorset brand based on real, ethical change in connectivity, competence and cohesion.
 - Driving innovation through technology and skills, and close industry-public-academic working that bolsters co-operation across several new, resilient clusters and their supply chains (both within Dorset and in collaboration with others).
 - Focusing on catalytic change and dissemination that addresses issues of ageing, inclusive growth and the preservation and enhancement of natural capital.
- 5.4 The following diagram shows this across the four areas of collaboration:



- 5.5 Underpinned by a strong and productive supply chain, including advanced manufacturing & engineering, professional & financial services and an effective cutting-edge digital infrastructure.
- 5.6 Focusing on activity to support areas of opportunity (for business of all size) that will have real impact on the potential for productivity growth and lead to improved prosperity.
6. **Overarching local ambitions**
- 6.1 In the wide engagement undertaken for the LIS, there were two local issues which stood out as important elements for Dorset's future vision. These issues came through engagement with business (all sizes), communities of place, stakeholder organisations and across the inter-generational discussions which formed an early part of consultation. These were:
- Climate change: That any Dorset-wide economic plan must tackle the implications of climate change 'head-on' and that a proactive approach to environmental 'net gain' should be undertaken with any future development. Linked to this, unlocking the economic value of Dorset's natural capital – and thinking more innovatively about the better utilisation of our environment in areas such as tourism and health.
 - Unlocking Dorset's cultural assets and the creativity of its people and linking these opportunities more directly to the local economy. For example, the opportunity of more innovation across business sectors through the cross-fertilisation of creativity skills and science and engineering. Perhaps what came out most strongly was the importance of Dorset's cultural assets being used to better promote the place and enhance quality of living for all current and future residents.
- 6.2 'Talent attraction and retention' are big themes in the Dorset LIS. A skilled and positive labour market are critical factors of success. As well as the more obvious economic opportunities articulated in the LIS, such as the areas of emerging specialisation in the four clusters and supply chain, the quality of the Dorset environment (and ways of living to enhance this environment) as well as a cultural 'excellence' programme attractive to a wider variety of communities (age, wealth, taste) will underpin any talent attraction programme – and encourage more people to stay in Dorset to pursue a great career *and* quality of life.

7. Foundations of productivity

7.1 The LIS works through each of the 5 foundations¹ to articulate how we can support both the identified clusters and a wider programme of activity to improve overall productivity and prosperity for Dorset.

7.2 Two of the foundations, namely place and infrastructure, have a particular resonance with Council leadership and priorities. The Place agenda particularly aligns to the Council's emerging Economic Growth Strategy, reflecting priorities including coastal communities, strategic growth areas and disadvantaged communities. Infrastructure has a very clear set of priorities emerging in the main from the identified schemes for road and rail taken forward through the joint Local Transport Plan and Sub-National Transport Body. Ambitions around the use of green transport and full fibre connectivity, full digital coverage and use of mobile technologies are also at the forefront of the infrastructure ambition within the LIS.

7.3 The people foundation is arguably the most fundamental area of activity that will impact on Dorset's future economy. *Demographic change is impacting on the strength of the Dorset labour market:*

- Our employers are increasingly suffering from skills shortages and inability to recruit - we have a talent shortage, especially in tech-based roles.
- Dorset has an ageing workforce with forthcoming loss of skills and expertise.
- The impact of technological advancement into traditional roles within the workplace will increase.
- There is a scarcity of availability of high quality & bespoke skills.

7.4 Our focus in the LIS is to work towards a smarter and more productive workforce that produces more with fewer resources by:

- By delivering demand-led skills and education programmes as part of the Dorset Collaborative Cluster and replacement labour demand in priority skills such as IT, professional, technical, STEAM² and health
- Unlocking, retaining and attracting talent. Ensuring all communities in Dorset can play an active part in the economy by unlocking talent and ambition to inspire people into great careers. Showcasing the region outside of Dorset as the natural place to excel within our educational and business communities.
- Utilising technology (automation & digitisation) to benefit all careers. By working with business leaders, education and research institutions to understand and develop new ways of working.

8. Implication for Dorset Council

8.1 The draft LIS has been produced with input from Councillors and officers of the Council, and as such aligns to a significant degree with the emerging priorities in the draft Council Plan and Economic Growth Strategy. The emphasis upon inclusive growth and proactive approach to environmental net gain are to be welcomed.

8.2 The means to achieve increased productivity, with investment in skills development, infrastructure and cluster collaboration complement the Council's emerging economic growth strategy and recognise the important enabling and delivery roles that the Council will play in securing sustainable economic growth.

¹ Ideas, people, infrastructure, business environment and place.

² Science, Technology, Engineering, Arts & Mathematics

- 8.3 Whilst there is a sound evidence base and logic chain behind the LIS, it will need to convince Government of the merit in investing resources in Dorset to increase productivity and prosperity. It will need to capture the attention of Government and highlight the opportunities and challenges pertinent to the area, in a way which perhaps does not come through sufficiently with the current documents.
- 8.4 It is therefore considered appropriate that Cabinet endorses the draft LIS at this stage, and that Councillors and officers continue to engage in the development process to ensure the continued strategic alignment with the Council's own emerging priorities.