

Greater Lincolnshire LEP response to Industrial Strategy Green Paper

The Greater Lincolnshire LEP believes that our area has real potential to deliver sustainable growth. We want to help businesses across Greater Lincolnshire increase productivity and create new commercial and employment opportunities. We are working to increase the skill levels of people in our communities, giving them new career choices and allowing local businesses to recruit and train the talented employees they need to succeed.

Our [Strategic Economic Plan](#) was developed based on consultation with hundreds of businesses, local authorities and trade bodies. Essentially, this is our industrial strategy. It identifies our areas of strength as well as our development priorities in order to unlock significant potential across our area.

The priority sectors outlined in the Plan are:

- **Agri-food:** We are a significant contributor to the UK's supply of food as the nation's biggest arable and horticulture producer, as well as processing almost three quarters of the UK's seafood.
- **Engineering and manufacturing:** We have a strong manufacturing and engineering heritage with a sector that is now worth 1.9 billion. The industry is being revitalised with large global firms located in the area and the University of Lincoln responding to and creating new opportunities.
- **Low carbon sector growth:** The Humber estuary is fundamentally connected with at least 25% of the UK's energy production and is at the centre of an emerging £60bn offshore wind market.
- **Visitor economy:** The visitor economy is worth £1.9bn per annum to the Greater Lincolnshire economy, supporting over 39,000 jobs with long-term growth potential.
- **Health and care:** Our growing and ageing population and dispersed settlement pattern are driving opportunities for economic growth in Greater Lincolnshire's health and care sector. The sector currently employs 56,000 people and is worth £1.6bn per annum to our economy.
- **Ports and logistics:** The Ports of Immingham and Grimsby handled over 59m tonnes in 2014 making them the busiest in the UK.

Greater Lincolnshire has all the ingredients to act as the litmus test for the Government's aim of an economy that works for all. Where appropriate, this could include running pilot interventions to help support the evidence base as to what works. This is clearly the beginning of the conversation and an evolving agenda; we look forward to playing our part.

For further information about any of the points raised please contact:
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Key points

This response has been developed with input from across all Greater Lincolnshire authorities, the GLLEP Board and its sub-committees, including our Employment and Skills Board, the Growth Hub Board, the Innovation Council and the Food Board. Our key points are:

Overall strategy

1. The emphasis on change led from the ground up is a new opportunity for the development of structures and strategies that are genuinely owned by industry and localities, and thus have longevity.
2. The Industrial Strategy can only be successful if it is embraced across the whole of Government. Departments such as the DIT, the MoD and agencies such as the HCA have a valuable role to play.

Investing in science, research & innovation

3. The Higher Education Innovation Fund and Knowledge Transfer Partnerships should continue to be supported and be expanded as proposed.
4. The Research Partnerships Investment Fund (RPIF) should be expanded and the £10-£50million size restriction should be removed.
5. Innovate UK funding has been a particularly important driver for addressing the challenges of industry.
6. A successor programme to European Structural and Investment Funding should be developed which retains an explicit link with regional prosperity.
7. The feedback from businesses is that tax incentives have been more successful than grants at making investment in innovation attractive.

Developing skills

8. Alongside the new Technical Colleges, investment into Further Education is vital. As our own Area Review has highlighted, the Technical College model will not be appropriate in all areas.
9. Improving the Careers Advice available in the UK should be a key priority towards the goal of delivering an economy for all.
10. Despite the well documented issues for technical education in the UK, we should be careful to recognise that vocational and academic routes are increasingly blurred. Industry does not recognise the FE/HE divide and wants seamless progression.
11. Set alongside the focus on technical skills, it remains important for the system to deliver high-level skills and specifically graduates that are work-ready.
12. It is often the case that employers struggle to think beyond current vacancies when asked about their skills needs. To overcome this, we think there is value in the further development of sector-level conversations.
13. We support renewed emphasis on lifelong learning and look forward to playing an active role as this area develops.

Upgrading infrastructure

14. The industrial strategy should make a stronger connection to the Housing White Paper which was released at a similar time.
15. Connectivity into our ports is a key priority supporting export and it is welcomed that this was included in the recently published Midlands Engine strategy.
16. We need to develop a shared agenda with utility providers for growth. Improving the dialogue between providers and local authorities could go a long way towards resolving many of the issues without drawing on the public purse.
17. Given the rural and dispersed nature of our geography, investment in broadband and mobile infrastructure is a growing priority. We welcome the announcement in the Spring Budget of new investment in full-fibre broadband and 5G and would like to participate in the associated pilots.

Supporting businesses to start and grow

18. Barriers to businesses that have the potential to scale-up and achieve greater growth include:

- the need for capacity building and leadership development, including further support for peer-to-peer networks
- the funding gap supporting businesses to move from proof of concept and into market (beyond Technology Readiness Level 7)
- funding calls that are often tightly focused and framed around existing knowledge closing off access for newer and riskier ideas

Improving procurement

19. There is often a risk aversion affecting public procurement that should be reconsidered. It would be helpful to consider how to build in support for the process of development, testing, and sometimes failure and then reiteration of new approaches.

20. Current procurement strategies are focused too heavily on achieving cost savings. This should be balanced with a focus on local benefit/value. In many cases, these decisions are down to individual local authorities, but national Government can set the direction.

Encouraging trade and inward investment

21. When considering barriers to export, there would appear to be a common thread around mindset and confidence to move into this space. This is an issue that the planned Behavioural Insights Team work should pick up.

22. Export and inward investment is a clear priority within the Industrial Strategy and as such the Government should consider supporting further evidence gathering as to what works in this area.

23. One of the export strengths of the UK economy is higher education. Concerns about controlling immigration must be balanced against ensuring that undue damage is not done to this sector.

Delivering affordable energy and clean growth

24. Energy security is a critical element of the Industrial Strategy. Energy costs for businesses greatly affect their ability to be competitive. Limiting energy costs, or at least making them manageable within a long-term strategy, will allow a greater certainty for investment and ultimately productivity.

Cultivating world-leading sectors

25. Whilst sector deals should be led by each sector, there is a clear role for Government to do some match-making in order to avoid unnecessary duplication.

26. We are working with businesses from our Food Board and colleagues from across the Midlands Engine to develop a Sector Deal proposal for Future Food Processing.

Driving growth across the whole country

27. If we want truly effective locally-led growth, we must support it with adequate core local council budgets. Within this, it would be timely to look again at the various formulae for distributing funding given that current mechanisms mean that there is often less investment per capita in rural areas.

28. The work to develop a post-Brexit/structural funding solution for regeneration investment is critical. We look forward to being involved as this policy develops.

Creating the right institutions to bring together sectors and places

29. Local Enterprise Partnerships are the mechanism in England for getting business, education, and political leaders together to prioritise action, set a clear strategy for growth and to join up investment in housing, infrastructure and skills.

Consultation question responses

Summary

1. Does this document identify the right areas of focus: extending our strengths; closing the gaps; and making the UK one of the most competitive places to start or grow a business?

We support the Green Paper's assessment of the issues to be addressed. The productivity gap is a central concern for the Greater Lincolnshire LEP with planned interventions already being supported through the Local Growth Fund. For example:

- Infrastructure improvements to create access to employment, recognising the importance of transport connectivity so people can access a wide range of job opportunities and have fulfilling careers.¹
- Investment in three Food Enterprise Zones, at Holbeach, Hemswell Cliff and Grimsby, to support the growth of food and farming businesses.
- Development of a new Skegness Countryside Business Park to support the growth of local business and develop year-round employment opportunities in the area.

The Industrial Strategy's ground-up approach – led and owned by industry and localities - is an important shift if we are to put in place structures and plans with longevity. The point made in the Green Paper that “it is important not to over-simplify the story” given the fact that productivity is uneven within regions as well as across the UK is central. This further emphasises the importance of local leadership to identify where the gaps are and what interventions are appropriate.

2. Are the 10 pillars suggested the right ones to tackle low productivity and unbalanced growth? If not, which areas are missing?

The 10 pillars rightfully recognise that supporting growth and productivity across the whole country is complex and it is right that the Government positions these as interlinked and mutually reinforcing. We would not wish to change the pillars, but would highlight the following cross cutting themes:

- Untapped potential: Looking across the pillars for areas with growth potential if we remove barriers.
- Delivering long-lasting change: The emphasis on change led from the ground up is a new opportunity for structures and strategies that are genuinely owned by industry and localities, and thus have longevity.
- Inclusive growth: As identified by the Inclusive Growth Commission,² this is broad-based, enabling the widest range of people and places to both contribute to and benefit from economic success.

3. Are the right central Government and local institutions in place to deliver an effective industrial strategy? If not, how should they be reformed? Are the types of measures to strengthen local institutions set out here and below the right ones?

The Industrial Strategy is being developed at a time of great change with an increasingly complex landscape for policy making and the delivery of interventions to support growth. Setting aside exit from the EU, the growing focus on local leadership changes the relationship between national Government and local institutions (both Governmental and non-Governmental). We therefore support the emphasis on partnership to deliver the Industrial Strategy. The Greater Lincolnshire LEP is a clear example of this,

¹ Localis, The making of an industrial strategy, 2017

² Inclusive Growth Commission, Making our economy work for everyone, 2017

drawing together business leaders from our key sectors as well as the area's local authorities and education institutions.

At national level, the Industrial Strategy can only be successful if it is embraced across the whole of Government. Government departments such as the Department for Investment and Trade, the Ministry of Defence (which has a large Royal Air Force presence in Greater Lincolnshire) and agencies such as the Homes and Communities Agency have a valuable role to play in supporting economic growth. Schools too are a vital component of the Industrial Strategy. When it is published later this year, we want to see a National Careers Strategy that provides reforms to ensure all young people receive the right kind of information, education and guidance to prepare them for the world of work, regardless of the next level of qualification that they aspire to.

Pillar one: Investing in science, research & innovation

5. What should be the priority areas for science, research and innovation investment?

The significant increase in R&D investment is strongly welcomed and supported, we believe that increasing the total pot in this way genuinely opens up opportunity to consider investment in new areas – including consideration of regional investment needs and an increased focus on later-stage, experimental development. Within this, we agree that:

- The Higher Education Innovation Fund and Knowledge Transfer Partnerships should continue to be supported and be expanded as proposed. These initiatives are an important part of the local provision supporting new business and innovation.
- The Research Partnerships Investment Fund (RPIF) should be expanded and the £10-£50million size restriction should be removed as it has previously excluded potentially high-impact bids involving smaller businesses not in a position to match that level.

Innovate UK funding has been a particularly important driver for addressing the challenges of industry. As an addition to their funding portfolio, the Industrial Strategy Challenge Fund (ISCF) could be an important mechanism to pump-prime new technologies from early stage through to commercialisation. As the Fund is developed, it will be important to identify ways of connecting investment to locally identified sector strengths and priorities. The Science and Innovation Audits should be used as the evidence base for best targeting these investments.

A successor programme to European Structural and Investment Funding should be developed which retains an explicit link with regional prosperity. Projects should be subject to competitive bidding, evidence-based, delivered by local partners, and carefully evaluated against the objectives of the Industrial Strategy. ESIF is an essential complement to research funding. It draws businesses into high-value activities with Universities and attracts additional investment in innovation from the private sector. The UK has been a significant net contributor to ESIF. While we received £1.672 billion in ERDF and ESF income in 2014/15, this represents a fraction (3.2%) of the total sum distributed across the EU, and only 29 per cent of what the UK paid in. Structural spending can therefore be maintained at present levels at a reduced cost.

6. Which challenge areas should the Industrial Challenge Strategy Fund focus on to drive maximum economic impact?

We need an approach that takes into account the strengths of the UK, regional specialisations, likely pathways to future technological development and the post-Brexit environment. It is essential that the ICSF

does not focus solely on already very high technology sectors (e.g. aerospace), but addresses other major sectors – including services, which account for the bulk of the UK economy. A key principle should be addressing productivity challenges and associated labour market restrictions.

Within Greater Lincolnshire, our research and innovation priorities mirror our regional strengths and concerns including:

- Health and care: for example, the National Centre for Rural Health and Care is being developed to respond to the increasing recognition of the challenges facing those both providing and receiving health and care in rural settings (see below).
- Agri-food and food production: for example, the National Centre for Food Manufacturing has a nationally leading portfolio of applied food engineering research and innovation projects. This includes ongoing collaborative R&D, funded by both industry and Innovate UK, exceeds of £12m over the last 2 years. The Humber Seafood Institute also supports research and product innovation in the food manufacturing sector and offers high quality chemical, environmental, and microbiological laboratories, refrigeration facilities, and product development kitchens.
- Manufacturing and engineering: for example, the University of Lincoln and Siemens School of Engineering, which is achieving a global reputation for research excellence and its innovative, pro-active approach to engagement with business.

Alongside new developments, it is worth restating the fundamentals of the UK system that should be preserved:

- 1) The dual support system for funding enables the balancing of nationally defined research priorities and the flexibility for institutions to develop their areas of strength - including in new and high-risk areas, across the spectrum of research activities.
- 2) Funding excellence wherever it exists, remains the proven route for driving competitiveness and overall quality across the system.

The new office for UK Research and Innovation (UKRI) will play a critical role to ensure the continuation of these principles alongside a greater ability to consider regional investment needs. The Innovate UK model for regional representation has been an important development to support this and we should consider how further this approach might be utilised.

7. What else can the UK do to create an environment that supports the commercialisation of ideas?

The ISCF may also be an opportunity to close the current gap for funding between proof-of concept and commercialisation. Our Innovation Council recently highlighted this as a barrier to bringing new innovation to market.

The feedback from businesses at our recent Growth Hub Conference was that tax incentives have been more successful at making investment in innovation attractive to business. They see a quicker financial benefit through a tax reduction than through the lengthy grant process.

8. How can we best support the next generation of research leaders and entrepreneurs?

More support should be provided for innovative models of integration between entrepreneurs and Universities. This could include: support to help businesses navigate the help available from Universities and other innovation advisers, bridging support for University development projects (spin-outs and start-ups),

industrial fellowships supporting cross-placements between academia and industry and the removal of taxation barriers to companies locating on campus.

Postgraduate researchers are essential to the future capability of the UK's research and innovation system. Moves in recent years towards the concentration of funding within postgraduate training support³ risk excluding many excellent experienced researchers and research units from nurturing future talent. This will have serious consequences for access to research and innovation across our regions. New models of PhD training delivered by multiple partners are evolving that enable students, researchers and industry to forge new connections and innovate. Funding needs to keep up with these developments to support a future supply of research leaders who are able to connect into industry and innovate.

9. How can we best support research and innovation strengths in local areas?

Ensuring complementarity with local economic strengths and needs is a key criterion in assessing calls on all innovation and some research funding. Levers could include providing regional credits to spend on research and innovation funding against national coordinated programmes or providing long-term core funding for regional research and innovation initiatives on the 40% core, 40% competitive, 20% business model adopted by the Catapults.

Smart specialisation will continue to be important here. Enabling regions to focus on their strengths, can boost innovation and increase the impact of research investment, preventing unnecessary duplication across the system as a whole.

Greater Lincolnshire solutions: The National Centre for Rural Health and Care

The Centre is being developed to respond to the challenges facing those both providing and receiving health and care in rural settings. The Centre will focus on facilitating, scaling up and supporting the adoption of new technologies. These activities target the market failure in rural health settings meaning that common problems faced by the health and care sector such as access to healthcare facilities and the availability of support to enable people to live independently are more acute.

The scope for adoption of these technologies on a global scale, where in many countries the demand for rural health solutions is more pronounced, is massive. In England, the fact that only a quarter of people live in rural areas means that there is too little focus on the scale and opportunity for such technological development.

Bringing together the Academic Health Science Network and the Institute of Health at the University of Lincoln the National Centre for Rural Health and Care will address this deficit by providing:

- a development team able to identify the commercial opportunities around the development of technology that addresses rural health and care challenges
- a research team to help develop, refine and fine tune innovations
- a series of contacts to enable the piloting of the technologies in rural settings
- business advice and support to scale up and embed the technologies in England and to promote their adoption more widely

³ University Alliance, Evolve, Connect, Succeed, 2015

Pillar two: Developing skills

11. Do you agree with the different elements of the vision for the new technical education system set out here? Are there further lessons from other countries' systems?

The analysis of the challenge for technical education fits very well with the experience in Greater Lincolnshire. A central issue from our perspective is around improving communication between employers, schools and colleges, and those that give advice to students (hence the development of our Specialist Skills Advisers initiative, see below).

We support the emphasis on employer engagement to develop the new technical routes as there will be a need to balance the delivery of a clearer system with one that is adequately responsive to local needs. It will also be important to ensure that these routes do not close down future options for the students undertaking them if they decide to change tracks. We would like greater clarity on the transferability of skills across separate T level routes, and a clear progression route for technical skills such as food scientists or food engineers within our agri-food industry. Alongside investment in the new Technical Colleges, investment into Further Education is vital. As our own Area Review has highlighted, the Technical College model will not be appropriate in all areas.

Improving the Careers Advice available in the UK should be a key priority towards the goal of delivering an economy for all. There are two issues to solve here; one is around the provision on offer. The other is about equipping Careers Advisers so that they are well placed to provide in-depth information, advice and guidance about all the options available and how these link to future career opportunities.

Despite the well documented issues for technical education in the UK, we should be careful to recognise that vocational and academic routes are increasingly blurred with Universities delivering employer-led degrees and degree apprenticeships, for example. Industry does not recognise the FE/HE divide and wants seamless progression. Set alongside the focus on technical skills, it remains important for the system to deliver high-level skills and specifically graduates that are work-ready. Analysis of current skills gaps and projected skills needs across Greater Lincolnshire demonstrates that this continues to be a priority. That said, it will only be resolved if there are sufficient young people in the pipeline (at level 3, leaving the FE sector).

13. What skills shortages do we have or expect to have, in particular sectors or local areas, and how can we link the skills needs of industry to skills provision by educational institutions in local areas?

The Greater Lincolnshire LEP Employer Survey, conducted in 2014, measured responses to 70 questions from over 1500 businesses locally. The survey found the following:

- 28% of professional and 23% of managerial/director/senior vacancies were hard to fill; more than any other occupation
- The main reasons given for struggling to fill posts were lack of applicants with working experience/life skills (39%), with required qualification/skills (37%)

Other recurring issues picked up through the GLLEP's ongoing work with employers include the importance of work placements to ensure work readiness, the difficulty of navigating the skills system and of engaging with providers – particularly for SMEs. Our agri-food, tourism, manufacturing and logistics industries are also reporting concerns about filling vacancies post-Brexit due to the impact on migrant labour.

It is often the case that employers struggle to think beyond current vacancies when asked about their skills needs. Unless we develop strong mechanisms to encourage a longer-term approach, we are in danger of

creating a system that is not adequately future proofed. To overcome this, we think there is value in the further development of sector-level conversations. This could create critical mass and overcome the difficulties in connecting with SMEs that may not have the capacity to engage. At a sector level, it may also be easier to generate a longer-term view about skills needs, as is the case with the long established Industry Boards in Germany. The Sector Deals may provide one route to this, with the advantage of being sector owned, the hope is that they would have greater longevity than organisations set up by Government. Our Specialist Skills Adviser programme in Greater Lincolnshire is also seeking to tackle this issue.

14. How can we enable and encourage people to retrain and upskill throughout their working lives, particularly in places where industries are changing or declining? Are there particular sectors where this could be appropriate?

A number of sectors face significant skills gaps/shortages, in part as a result of an ageing workforce. We have been involved in a number of schemes locally to drive interest, notably our Workplace Learning Advocates pilot, which has now been adopted as a national scheme. The challenge to ensure our current workforce, and future workforce, are inspired and prepared to take on the skilled roles of our ageing workforce cannot be underestimated. Within this lifelong learning, it will be critical to make sure our full potential is being utilised. We therefore fully support the renewed emphasis on it and the recent Spring Budget announcements for lifelong learning pilots. We look forward to playing an active role as policy in this area develops.

Greater Lincolnshire solutions: Specialist Skills Advisers

The Specialist Skills Adviser programme is designed as an impartial project, employing a network of full time or part time specialist skills advisers to work with individual or groups of employers. They will provide a link to, or help navigate the skills/qualifications system so that provision better meets the needs of employers, or so that new provision can be developed. It is a support programme that overcomes barriers rather than merely a brokerage programme. The Advisers will:

- carry out face to face liaison with employers; diagnostic/skills for growth-needs analysis; helping employers articulate their skills needs
- be the first port of call for employers who don't have an existing relationship with local training providers/Colleges
- translate employer skills needs to providers and help them develop, test and launch new training
- support employers to consider their future pipeline of talent
- collate information and report to the LEP about persistent gaps in training
- work closely with Colleges and providers locally to understand the current offer, and support better collaboration between providers/Colleges
- establish new, employer-led skills hubs if relevant so that employers can work together to arrange, buy, or pilot the training they need

Pillar three: Upgrading infrastructure

15. Are there further actions we could take to support private investment in infrastructure?

Greater Lincolnshire businesses tell us that they struggle to recruit or to attract individuals to the area and the housing plans within our Strategic Economic Plan are central to this. The Industrial Strategy should make a stronger connection to the Housing White Paper which was released at a similar time. The connection between housing supply, growth and productivity should be more explicit. There are clear issues for encouraging private investment associated with this:

- There is a role to de-risk private investment in infrastructure at the onset by guaranteeing housing sales. The Homes and Communities Agency has started to work this way with its Accelerated Construction programme. A guarantee that Government would buy back units which don't sell could go a long way to increasing supplier confidence, particularly in areas that need to diversify their offer such as Gainsborough.
- In areas of low land values, like much of Greater Lincolnshire, development gain will never be enough to justify major infrastructure investment, even though there is significant demand for housing. So we need continued access to growth funds to gap fund priority schemes.
- A significant issue is that the costs of the necessary infrastructure (roads, schools, health, etc.) fall to the developer. Utilities providers cannot advise about the costs of providing utilities to development sites (and therefore ensure that they include the relevant costs in their business planning processes) until they have detailed planning proposals as costs can vary significantly up until that point. Our Water Plan responds to this issue by building collaborative approaches to water management through multi-stakeholder groups for co-investment.

16. How can local infrastructure needs be incorporated within national UK infrastructure policy most effectively?

Local Enterprise Partnerships are working with local authorities, National Rail, Highways England and other partners to identify the necessary infrastructure to support economic growth and direct investment towards the provision of that infrastructure. We are doing this in a way that is genuinely strategic and based on what businesses need in our places.

Some infrastructure planning must be done on a national basis, but the constraints of our infrastructure are felt locally as well as nationally. Nationally, we need to correct years of underinvestment. New thinking is required to making good our antiquated infrastructure. The most effective infrastructure projects are those that contribute to a national need, but also support the needs of local business, communities and labour markets. Within Greater Lincolnshire, our infrastructure priorities are:

- **Road and rail:** our Strategic Economic Plan identifies a number of priorities for upgrading our road and rail infrastructure. Many of these are already being addressed through Growth Deal investment. Continued implementation of these upgrades will be vital to ensure that our wider ambitions for growth and productivity in the region are met. Connectivity into our ports is a key priority supporting export and it is welcomed that this was included in the recently published Midlands Engine strategy. The coverage of transport services should also be considered here.
- **Utilities:** our biggest challenge is power. Supply into the region is limited and some major power users in the city are asked each year to shut down for two weeks to allow for servicing (so as not to affect domestic users). Western Power & County Council are already involved in a project to tackle some of the problems, but the requirement for a new high voltage line is unlikely to be met because of cost.

Water supply is also a key issue, not least because of the strength of our agri-food sector. The LEP has a sub-board specifically focused on this issue and has delivered a water management approach that has national recognition. The LEP is also currently running a Utility Study focused on future proofing the capacity of utility infrastructure. We need to develop a shared agenda with utility providers for growth. Improving the dialogue between providers and local authorities could go a long way towards resolving many of the issues without drawing on the public purse.

- **Broadband and mobile connectivity:** given the rural and dispersed nature of our geography, investment in broadband is a growing priority. We welcome the announcement in the Spring Budget of new investment in full-fibre broadband and 5G and would like to participate in the associated pilots.

Greater Lincolnshire solutions: Transport Knowledge Hub

Following a LEP Network transport event held earlier this year, a Working Group of LEP colleagues, the LEP Network and Local Partnerships met to discuss the creation of a Transport Knowledge Hub to support LEPs with growth initiatives. The primary objective of the Transport Knowledge Hub will be to give local decision makers the information and tools they need to make transport capital investments that will drive local economic growth and jobs. The Hub will provide:

- guidance on the prioritisation and delivery of investments
- guidance on aspects of delivery such as procurement, risk management and managing contingencies
- case study material providing examples of programmes that work in practice

The Hub will be hosted and administered by Local Partnerships, with initial funding provided by Greener Journeys. Supported by a dedicated Board, the Transport Knowledge Hub will support the Industrial Strategy and its ten pillars for driving growth in several ways:

- **Developing skills:** it will be a central point for the latest transport policy information/best practice, sharing learning through working groups
- **Upgrading infrastructure:** it will measure the impact of transport investment and how it affects future performance of our road networks, business connectivity, environmental concerns and accessibility.
- **Driving growth across the whole country:** investing in key transport infrastructure projects will encourage growth. It will also capture how national investment has helped collectively transform local sustainable transport provision.
- **Creating the right institutions to bring together sectors and places:** it will be a dedicated structure to help advise local and national decision makers on transport.

Pillar four: Supporting businesses to start and grow

18. What are the most important causes of lower rates of fixed capital investment in the UK compared to other countries, and how can they be addressed?

Perceptions of risk (around Brexit, international trade, the still relatively fragile state of the economy) appear to be heightened at the moment, but there are also structural reasons that cause our lower rate of fixed capital investment. The lack of tax breaks and a slow and complex planning system in the UK can make it hard to justify investment in many commercial buildings. The role of the business banking industry is also important to look at. There is a mismatch here given that banks typically invest in short-term, high growth

return and yet most SME growth tends to be long-term and low growth – yet they are still very valid routes for creating jobs and wealth.

20. Given public sector investment already accounts for a large share of equity deals in some regions, how can we best catalyse uptake of equity capital outside the South East?

Targeted activities, such as Venture Capitalist networks and local business angels are often effective ways of supporting the commercialisation of new companies and product.

The Midlands Engine Investment Fund should act as a great catalyst to “force” fund managers to look for investment opportunities in Greater Lincolnshire. This will have a double effect of both driving up their awareness of what Greater Lincolnshire has to offer by way of excellent growth businesses, and also raise awareness amongst our business owners that there are funds available.

21. How can we drive the adoption of new funding opportunities like crowdfunding across the country?

Businesses need training on what can be funded through the crowd, which platform suits which type of business/sector/funding requirement and how to develop a crowdfunding campaign (including the subtle nuances of platform “algorithms” that make sure that the plans appear on the first page). The Lincolnshire Investment Network is currently doing some work on this, but there is room for further support.

22. What are the barriers faced by those businesses that have the potential to scale-up and achieve greater growth, and how can we address these barriers?

The Business Lincolnshire Growth Hub offers a wide range of support for businesses of all shapes and sizes. The Hub provides an important platform on which to build peer to peer networks and to help identify and support fast growing firms or those with the potential to grow.

The LEP’s Innovation Council draws together high-growth and innovative companies to consider ways of encouraging innovation within SMEs and start-ups. They have highlighted the following issues:

- the need for capacity building and leadership development, including further support for peer-to-peer networks
- the funding gap supporting businesses to move from proof of concept and into market (beyond Technology Readiness level 7)
- funding calls are often tightly focused and framed around existing knowledge rather closing off access for newer and riskier ideas

In addition, businesses often report that they have skills gaps when actually they aren’t referring to workforce training needs. The support that they need is to help develop better recruitment strategies. This aspect is included in our Specialist Skills Advisers programme (see above).

Case Study: Moving from proof of concept into market (Metis Aerospace Ltd)

Many companies involved in development can find funding through several R&D initiatives to develop their ideas if deemed suitable and worth the financial assistance. This funding will take developments to Technology Readiness Level 6/7 where a prototype product is produced and demonstrated.

Metis Aerospace Ltd, a Lincolnshire aerospace and defence company did this in 2015 with their Hyperion signal detection system, but once the prototype reached this stage, funding support was not available to turn the prototype into a commercial product.

Tony Burnell, the company's CEO: "If you don't have cash reserves internally, you can borrow from the banks if you have security (many start-up SME's don't). If not, you may be able to borrow from a limited funding source once you have convinced them you are viable with a successful business plan (they prefer to then secure using personal guarantees) - this is what we did get the ball rolling. Alternatively, you would need to find the rest of the funding through either VC/Angels or selling out the product or high risk loans at high cost with further personal security. VC and Business Angels tend to want high returns and a portion of the company, which means they are keen on certain sectors that they are in and understand. They often take 6-9 months to get on board once if you are lucky to find the right one first time. They will spend 3-4 month conducting Due Diligence alone."

Tony concludes: "Many think that the highest cost is in development, however, this is often not the case. Going from TRL 6/7 (prototype) to market can often cost 5 times that of initial development with first run manufacturing and marketing. I am sure that many viable business developments fail to move forward due to this problem."

Pillar five: Improving procurement

23. Are there further steps that the Government can take to support innovation through public procurement?

Our Innovation Council has highlighted that there is often a risk aversion affecting public procurement that should be reconsidered if innovation is to be supported more fully. It would be helpful to consider how to build in support for the process of development, testing, and sometimes failure and then reiteration of new approaches.

There is also an issue around support for SMEs who sometimes fail risk procedures as they do not have the necessary scale. For example, a registered social landlord (RSL) that we are working with has recently let a build contract to a small and trusted local family building firm which submitted a tender considerably lower than any others received. The site is being built out swiftly to high standards. The RSL would like to be able to use the company for some of their larger sites, but as a small company their credit rating fails the RLS's risk procedures for bigger contracts.

24. What further steps can be taken to use public procurement to drive the industrial strategy in areas where Government is the main client?

The issue of procurement cuts across Industrial Strategy priorities. Across all of these, there is a need for better join up between national and local procurement strategies. For example, on skills, we have a number of examples where contracts such as for unemployment support or work-based learning have been purchased through a national procurement contract. This has then affected the ability of local businesses to effectively engage. Current procurement strategies are also too focused on achieving cost savings. This should be balanced with a focus on local benefit/value. In many cases, these decisions are down to individual local authorities but national Government can set the direction.

Pillar six: Encouraging trade and inward investment

25. What can the Government do to improve our support for firms wanting to start exporting? What can the Government do to improve support for firms in increasing their exports?

It is helpful to consider the issue of encouraging export in relation to specific geographies and sectors and we support the regional approach of the Department for International Trade; this should continue and be further supported. Export and inward investment is also a clear priority for the Midlands Engine and should be a key part of the developing strategy. Alongside this, there should be a strong recognition of the need for port and airport policies to align with overall ambitions for increased international trade.

Business Lincolnshire Growth Hub, developed and managed by the LEP is a central resource for businesses seeking to grow and develop – including export. Our experience of delivering export support across the region demonstrates just how complex the issues are as to why many businesses currently choose not to go down this route. Our Economic Survey work found that only 13 per cent of Greater Lincolnshire businesses export, with a further three per cent considering doing so in the future. This is despite significant strengths in key exporting industries such as agri-food and manufacturing (as noted above).

Of those businesses not currently exporting, just under a quarter responded that they were unsure if there would be demand for their product. Nine per cent said they did not have the time, hinting at the complexity and difficulty of the exporting process. Five per cent said they were unsure of the process. There would appear to be a common thread around mindset and confidence to move into this space. This is an issue that the planned Behavioural Insights Team work ought to pick up. The Greater Lincolnshire LEP is keen to be involved in this project to further build on our export potential.

Export and inward investment is a clear priority within the Industrial Strategy and as such the Government should consider supporting further evidence gathering as to what works in this area – particularly in relation to SMEs. This could be part of the existing [What Works network](#) that is already considering a range of other issues. This should build in existing and emerging knowledge, for example from within DIT, findings from the proposed Behavioural Insights Team work, the DIT Midlands Engine research currently underway and local pilots such as the one outlined below.

Greater Lincolnshire solutions: International Trade project

This project was designed to support SMEs to make their first steps towards export. It is still early days, but the signs are positive and businesses are accessing the support available. The pilot will have important implications nationally. It is due to conclude in September 2018.

In addition to existing support funded via the DIT core contract, the International Trade project will put in place additional marketing activity and export taster sessions that will target businesses that could export but don't, encouraging them to explore their export potential and evaluate bottom line benefits that international trade could deliver which include increased innovation and new product development, increased resilience, increased staff retention and increased profitability.

SMEs can access services free of charge but will need to provide 50 per cent match funding to access the Export Co investment grant of £1,000-£5,000. The grant can be used for support such as language and cultural awareness, legal advice around international commercial agreements and international marketing and branding including website internationalisation.

GLLEP Outputs for the project are:

- 312 enterprises receiving 12 hours + support, 108 enterprises receiving grants, 284 enterprises receiving non-financial support
- 98 Jobs Created, 8 new enterprises supported
- Private investment matching public support to enterprises.

One of the export strengths of the UK economy is higher education. The sector already accounts for £13.6bn of export earnings, spread across all parts of the UK. This includes the direct sale of higher education to overseas students through tuition fees, and the indirect benefits to UK businesses from the spending of those students while they are temporarily in the UK. There are also number of soft power benefits including opening links for future export in other sectors. Therefore, it is critical that concerns about controlling immigration are balanced against ensuring that undue damage is not done to this important UK export success story - particularly when evidence shows that international students are not a key factor within the overall public concern about controlling immigration.⁴

Pillar seven: Delivering affordable energy and clean growth

27. What are the most important steps the Government should take to limit energy costs over the long-term?

Energy security is a critical element of the industrial strategy. Energy costs for business greatly affect their ability to be competitive. Limiting energy costs, or at least making them manageable within a long-term strategy, will allow a greater certainty for investment and ultimately productivity.

First, we should consider the provision of infrastructure, which will improve the quality and reach across Greater Lincolnshire. At present, energy infrastructure provision can be a mixed bag, and there seems to be a disconnect between future employment land provision, and the ability to have a viable energy options available at the point of investment. Ageing infrastructure issues, or having infrastructure in the wrong place (at the wrong time) to provide cost effective solutions to industry, can make or break investment decisions. Better integrated planning at a LEP level will help to make energy an easier investment component to deal with, with better understanding of how energy can be an ally of industry in achieving their aims. Instead of one that can seem an impediment at times.

Second, supporting local energy initiatives, that will augment national mainstream infrastructure, both on the supply and demand side in Greater Lincolnshire, could provide the required diversity of approach in a largely rural area. The delivery of local energy networks could provide a more localised/specialised solution to both infrastructure and on-going energy costs to a rural area.

28. How can we move towards a position in which energy is supplied by competitive markets without the requirement for on-going subsidy?

The Greater Lincolnshire LEP is in a strong position to facilitate national policy, and make sure that it is fit for local purpose. Part of this could include encouraging the private sector to engage with local energy models. This could include new ones, and work with existing delivery models to succeed. At a Greater Lincolnshire LEP level, utilising emerging local closed networks, with other more innovative solutions could provide a mechanism for joint ventures.

⁴ Universities UK, International students and the UK immigration debate, 2014

29. How can the Government, business and researchers work together to develop the competitive opportunities from innovation in energy and our existing industrial strengths?

It is vitally important to incubate innovative industries to capitalise, not only on reducing fossil fuel dependency, but also developing further wind and solar technologies. To support this, the LEP is looking at how best to support emerging markets around energy storage, carbon capture, anaerobic digestion/biomass innovation, and hydrogen and fuel cell technologies. To help with this aspiration, we will need to support local industry to access innovation funds relevant to the energy, infrastructure and low carbon sectors.

30. How can the Government support businesses in realising cost savings through greater resource and energy efficiency?

The LEP supports the resource BusinessLincolnshire.com, which is a comprehensive business resource open to all. It could be a very important component to disseminating information around the issues of resource and energy efficiency. It already promotes the work in this area carried out through ERDF and EAFRD projects, as well as other local projects in the LEP area. In addition, the continuation of funding programmes to replace both ERDF and EAFRD will be pivotal in being able to carry on the vital work in this area. Post-Brexit improving access to this type of funding will be crucial if we are to improve productivity.

Pillar eight: Cultivating world-leading sectors

31. How can the Government and industry help sectors come together to identify the opportunities for a ‘sector deal’ to address – especially where industries are fragmented or not well defined?

We support the proposal for ground up sector deals. This approach has the advantage of creating something that is sector owned, with a chance of longevity. It also allows flexibility for local areas and sectors to self-define what the important issues are and how best to organise – in much the same way that LEPs have developed. However, there is a clear role for Government, who will have an overview of activity across the UK to respond to this call, to do some match-making in order to avoid unnecessary duplication and create stronger, potentially UK-wide deals in the longer-term.

For example, Greater Lincolnshire would wish to be involved in any deals relating to our priority sectors (Agri-food, Engineering and manufacturing, low-carbon, visitor economy and health and care), but we do not have good visibility at the moment to know where there is activity to develop a deal. Where we are actively developing a proposition, see below, we see value in joining up with conversations elsewhere.

Sector Deal proposal for Future Food Processing

The opportunity

- The Food Chain, from field to fork, is the UK’s largest manufacturing sector (16 per cent of UK manufacturing) with sales of over £200billion, over £108bn of GVA and supports 3.8million jobs. 90 per cent of the food chain’s GVA is beyond the farm gate.
- Globally, the sector has sales in excess of £7trillion, five times larger than the automotive sector. Consumer food sales are growing at a compound six per cent per annum.
- The export potential lies both in growing food exports, which exceeded £20billion for the first time in 2016, and the growth in global demand for agricultural and food technology in which the UK is a World leader.

The challenge

A recent workshop hosted by the Midlands Engine and discussions at our Food Board have surfaced the following issues that a sector deal could helpfully focus on: productivity, automation and robotics; supply chain efficiency; changing consumer demand; export potential; infrastructure; and the future skills pipeline.

Developing a UK response, a sector deal

As a first step towards a national level sector deal, we are working through the Midlands Engine to draw together key multinationals, major UK food companies, technology suppliers and stakeholders. The Midlands engine area has 220,000 employees in its food chain from farm to factory gate and has a location quotient for food processing of over 1.5, making it the largest food processing cluster in the UK. We will also build on links south of our region where many of the key supply chains are based.

We are already working with LEPs from across the Midlands Engine area on the International Action plan for Food and Drink and are seeking to draw together leading Agri-food multinationals including Nestle, Pepsico, Mondelez, and Associated British Foods, Bakkavor, Tulip and G's with key organisations and Universities working in this space such as the Food and Drink Federation, University of Lincoln, Birmingham, Nottingham and Harper Adams. It will also be important to link to expertise in other industries e.g. automotive and aerospace, so that the food sector can learn from and apply technology already established elsewhere.

Pillar nine: Driving growth across the whole country

35. Do you agree the principles set out above are the right ones? If not what is missing?

If we want truly effective locally-led growth, we must support it. Core local council budgets in England were cut by 40 per cent in real terms over the last parliament. Coupled with pressures to spend budget on reactive issues, resources to support longer-term strategies have become increasingly scarce. For example, the National Audit Office has estimated that only six per cent of social policy spending across health, education, crime and justice can be regarded as 'early action'⁵. Within this, it would be timely to look again at the various formulae for distribution funding to local Government in line with the objective of creating an economy for all. Current mechanisms mean that there is often less investment per capita in rural areas.

To help with this issue, we should consider the role of local anchor institutions such as Universities, but also where there is scope for further resource sharing to develop the best solutions to local problems. This could include further extending the support that the 'what works' centre for local growth is able to provide, as suggested in the Green Paper.

The work to develop a post-Brexit/structural funding solution for regeneration investment is critical. Structural funding is an integral part of our investment capability as it stands, but there is room for improvement. We look forward to being actively engaged as this policy develops.

⁵ Inclusive Growth Commission, Making our economy work for everyone, 2017

36. What are the most important new approaches to raising skill levels in areas where they are lower? Where could investments in connectivity or innovation do most to help encourage growth across the country?

The Green Paper highlights the productivity gap for rural areas and focuses on four challenges:

- weaknesses in infrastructure and connectivity
- different qualification and skill levels
- lower levels of investment in research and development
- the role of institutional leadership

We deal with most of these issues in our responses against the previous pillars, but it is also important to pick up the way that these issues interconnect. As the example below demonstrates, there is a clear alignment between the development of skills to respond to technological change and innovation to ensure that sectors remain globally competitive.

This goes to the heart of the goal to create an economy for all – how do we increase productivity and global competitiveness without further widening the gap between those who benefit and interact with globalisation and technological change, and those who don't? As OECD highlights, in practice this might mean developing complementary structural policies aimed at helping workers to reallocate from lagging to more advanced industries.⁶

Greater Lincolnshire solutions: National Centre for Food Manufacturing

Strategically situated in South Lincolnshire, NCFM serves the UK's largest concentration of food business to advance innovation and skills. The sector is experiencing momentous change as the living wage and other drivers of cost inflation fuel the large-scale adoption of advanced technologies which requires ready access to higher level skills. While many major global food businesses are on the doorstep, few young people take advantage of the associated opportunities.

NCFM specialises in part-time FE and HE for the sector and is viewed as the national exemplar for its provision. NCFM has a seamless offer of employer designed and driven FE and HE from Level 2 to 6 embracing Apprenticeships, Higher and Degree Apprenticeships, Foundation Degrees and BSc (Hons) specifically designed to support career development in Technical/Quality, Manufacturing and Supply Chain Management and Food Engineering as key industry occupations. Delivery is a mix of block release and distance learning enabling employees from across the UK to readily access provision.

NCFM is at the forefront of innovation in applied, business partnered research with a focus on robotics and automation to aid productivity. Disseminating research via the Centre's students is fundamental to NCFM's philosophy and Apprentices are seen as Innovation Ambassadors, enthusiastically introducing new ideas and ways of working into their sponsoring businesses. Some 250 businesses support approximately 1800 employees on courses annually.

⁶ OECD, Moving up the value chain: Stating Competitive in the Global Economy, 2007

Pillar ten: Creating the right institutions to bring together sectors and places

37. Recognising the need for local initiative and leadership, how should we best work with local areas to create and strengthen key local institutions?

Unlike many other countries, the UK does not have a statutory role for business and education leaders locally. Local Enterprise Partnerships are the mechanism in England for getting business, education, and political leaders together to prioritise action, set a clear strategy for growth and to join up investment in housing, infrastructure and skills.

The lessons of LEPs are worth reinforcing: no set rules from Government, coalescing around functioning economic geographies, achieving a good public/private sector balance based on mutual respect, and having levers (i.e. investment) to make something happen. Each area will be different, and it is likely that each area will have different cultural behaviours. We welcome the Government's commitment to review the role of LEPs and help local places build capacity and will play our role to support this.