

CABINET



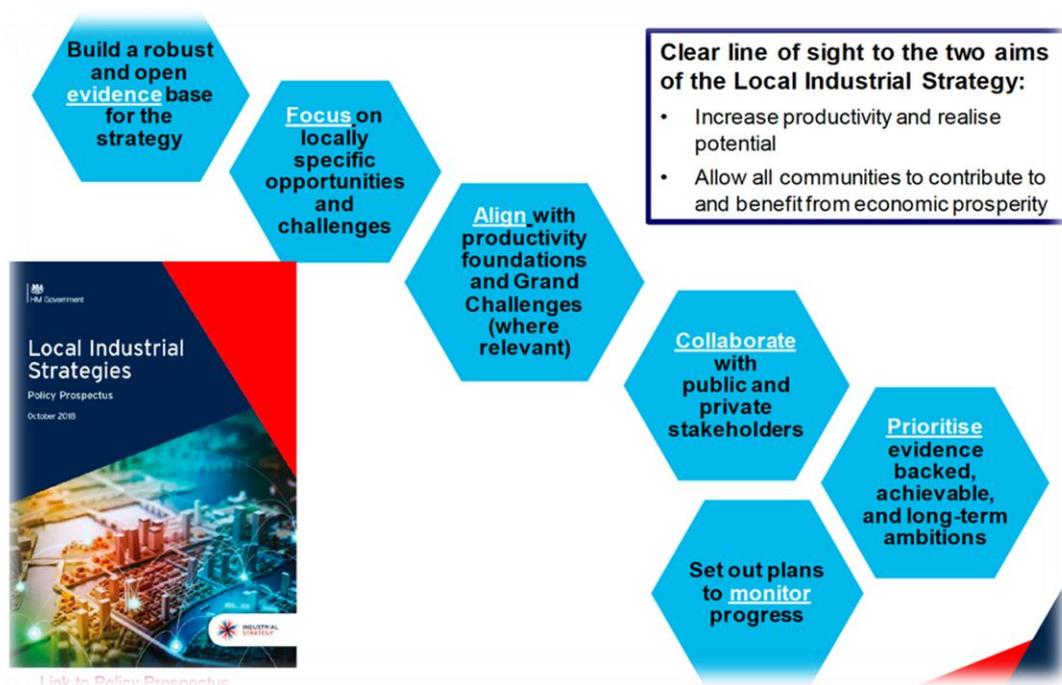
Report subject	The Local Industrial Strategy for Dorset
Meeting date	20 December 2019
Status	Public Report
Executive summary	This report summaries the development and content of the Dorset Local Industrial Strategy (LIS). It provides members with an overview of work co-ordinated by the Dorset Local Enterprise Partnership (LEP) in close collaboration with BCP Council. Members are asked to support this strategy.
Recommendations	(a) That BCP Council supports the Dorset Local Industrial Strategy. (b) That any minor changes requested by Government (in early 2020) are delegated to the Dorset LEP Directors. (Cllr Slade and Cllr Howell). (c) That BCP Council seeks to support implementation of the Dorset LIS through appropriate alignment with its own Economic Strategy, due to be completed in 2Q 2020.
Reason for recommendations	Irrespective of the outcome of the 2019 General Election, it is critical that Dorset can articulate a clear, well-evidenced economic ambition to Central 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 Dorset Local Industrial Strategy with an aligned Council economic vision and plan, utilising the same economic analysis, will achieve this.
Portfolio Holder	Councillor Mark Howell (Deputy Leader and Portfolio Holder for Regeneration and Culture)
Corporate Director	Bill Cotton, Director of Regeneration and Economy
Contributors	Adrian Trevett, Head of Economic Development
Wards	All
Classification	For Decision

BACKGROUND

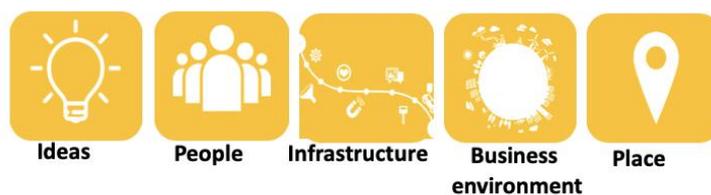
1. The Business Energy and Industrial Strategy Government Department (BEIS) asked all Local Enterprise Partnerships (LEPs) in England to lead local responses to the 2017 UK Modern Industrial Strategy ('Building a Britain Fit For The Future') with a 'Local Industrial Strategy' for each LEP area. These 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.
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.
3. In 2018 the Government announced a series of 3 'waves' over a 2 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.
4. The Dorset LEP Board, of which BCP Council has 2 Board Directors (the Leader and Portfolio Holder for Culture, Regeneration and Economy) 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.
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.

DEVELOPMENT OF THE DORSET LOCAL INDUSTRIAL STRATEGY

6. The LIS process was supported with clear guidance from the lead Government Department (BEIS). The following diagrams summarise this process and also 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



7. BCP Council 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 September with BCP Councillors, facilitated by the University of Southampton to support the development of the strategy.

8. A significant evidence base was produced to underpin the economic analysis for the LIS. This can be found [here](#). BCP Council officers supported with contributions to this evidence – and the final evidence pack is also being used to support development of the Council's own Economic Strategy.
9. The Dorset LEP, Council Officers and the Dorset Chamber of Commerce have sought to engage 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, over 30 one to one business meetings (particular with some of the larger BCP-based businesses), sector groups (including Dorset Engineering and Manufacturing Cluster), the BCP Cultural Enquiry, the Dorset Local Nature Partnership and strategic local stakeholders including Bournemouth University, Bournemouth and Poole College and Bournemouth Airport.
10. Utilising existing strategies which remain fit for purpose has been an important part of evidence development.
11. 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.

THE DORSET LOCAL INDUSTRIAL STRATEGY – HEADLINES

12. This response to the Local Industrial Strategy has given us the first opportunity to articulate the shared economic ambitions of the whole Dorset area since local government reorganisation in April 2019.
13. The strategy is focused towards productivity and prosperity. These are national priorities – and chime with Dorset's economic ambitions.
14. The overarching vision: Dorset: Living better, performing better and naturally collaborative.

Strengths and weakness

15. As well as outlining the many economic strengths and opportunities of Dorset's economy, the strategy also addresses areas of weakness.
16. 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.
17. 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.

18. 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 sufficient consequences on 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:
 - a. Dorset has the oldest population and lowest proportion of under 50's, anywhere in the UK.
 - b. By 2040 we will have a dependency ratio of 1 (that's one person working for every person of pensionable age).
 - c. We are facing a potential vacancy replacement of half our current workforce in the next 15 years.
 - d. The cost of care in Dorset is double the national average.
19. In relation to overall productivity more broadly:
 - a. Productivity in the DLEP area is below average and the gap to the UK average remains persistent (the 'output gap').
 - b. Growth has been relatively weak in overall terms (although excluding London and Greater South East the differences are not that marked).
 - c. 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.
 - d. Research suggests that differences in firm-level productivity – rather than industrial structure – mostly explains the differences at a regional level.

A Collaborative Cluster

20. 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).
21. 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).
22. 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, such as:
 - a. Building a new perception of the Dorset brand based on real, ethical change in connectivity, competence and cohesion.
 - b. 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).
- c. Focusing on catalytic change and dissemination that addresses issues of ageing, inclusive growth and the preservation and enhancement of natural capital.
23. The diagram in Appendix 1 shows this across the four areas of collaboration:
 - a. Creative & culture (including tourism)
 - b. Agri-environment
 - c. Health & care tech
 - d. Defence & security
 24. Underpinned by a strong and productive supply chain, including advanced manufacturing & engineering, professional & financial services and an effective cutting-edge digital infrastructure.
 25. Focusing on activity to support areas of opportunity (for business of all sizes) that will have real impact on the potential for productivity growth and lead to improved prosperity.

Overarching local ambitions

26. 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, communities of place, stakeholder organisations and across the inter-generational discussions which formed an early part of consultation. These were:
 - a. 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.
 - b. 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.
27. '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.

Foundations of productivity

28. The LIS works through each of the 5 foundations to articulate how we can support both the identified clusters and a wider programme of activity to improve overall productivity and prosperity for Dorset.
29. 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 Development Strategy, reflecting priorities including regeneration of a coastal/seaside community, 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.
30. 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:
 - a. Our employers are increasingly suffering from skills shortages and inability to recruit - we have a talent shortage, especially in tech based roles.
 - b. Dorset has an ageing workforce with forthcoming loss of skills and expertise.
 - c. The impact of technological advancement into traditional roles within the workplace will increase.
 - d. There is a scarcity of availability of high quality & bespoke skills.
31. Our focus in the LIS is to work towards a smarter and more productive workforce that produces more with fewer resources by:
 - a. 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, STEAM¹ and health
 - b. 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.
 - c. 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.

¹ Science, Technology, Engineering, Arts & Mathematics

CONCLUSION

BCP and Dorset Councils have worked closely with the LEP and it is recommended that BCP Council:

32. Supports the Dorset Local Industrial Strategy.
33. Agree that any minor changes requested by Government (in early 2020) are delegated to the Dorset LEP Directors (Cllr Slade and Cllr Howell).
34. Seeks to support implementation of the Dorset LIS through appropriate alignment with its own Economic Strategy, due to be completed in 2Q 2020.

SUMMARY OF LEGAL IMPLICATIONS

35. There are no legal implications at this time. Any specific legal implications will be as a result of specific investments or initiatives that are linked to the LIS and will come as a separate report.

SUMMARY OF FINANCIAL IMPLICATIONS

36. There are no specific budget or financial implications at this time. Any specific financial implications will be as a result of specific investments or initiatives that are linked to the LIS and will come as a separate report.

SUMMARY OF RISK ASSESSMENT

37. There is a reputational risk from Dorset not submitting a Local Industrial Strategy to Central Government.
38. There are no specific risks to the Council associated with this report. Any individual investments or initiatives requiring Cabinet decision linked to the LIS will come back as appropriate with a detailed risk register.

SUMMARY OF ENVIRONMENTAL IMPACT

39. There are no specific environmental 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 and sustainability implications. It should be noted that the LIS has sustainability and supporting environmental-based opportunities as key priorities throughout.

SUMMARY OF EQUALITY IMPLICATIONS

40. The LIS itself 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.

Appendices

Appendix 1: Dorset Local Industrial Strategy on a page