

GM LOCAL ENTERPRISE PARTNERSHIP BOARD



SUBJECT: Innovate North

DATE: 18 September 2017

FROM: Simon Nokes, GMCA

PURPOSE OF REPORT

To inform the GM LEP of discussions with Northern partners and InnovateUK to develop a framework to support innovation across the north of England.

RECOMMENDATIONS:

The GM LEP is asked to:

- i) Endorse the work to date to develop a framework to support innovation in the Northern Powerhouse – “Innovate North”;
- ii) Agree that the focus should be on rationalizing the evidence base, bringing innovation leaders together, raising the North’s profile internationally in this space, and putting in place a set of innovation competitions; and
- iii) Agree that short submission to the Autumn Budget should be sent to the Chancellor from northern LEP chairs outlining this proposed work along the outlines of the draft provided in the annex.

BACKGROUND

1. Productivity continues to remain one of the key challenges for the North of England, to enable it to more strongly contribute to economic growth within the UK, and ensure more effective public services. Innovation is widely recognised as one of the key drivers of productivity. The UK itself underperforms on a basket of innovation metrics compared with more leading economies, and within the UK context the North as a whole underperforms against UK averages.
2. It is clear that companies which innovate grow faster than those which do not, and that there are opportunities for both process/ product improvements to raise productivity within companies, alongside the creation of smarter e-innovation to respond to rapidly changing markets. Similar improvements are available to the public sector to deliver new approaches and offer better value.

Innovation at the local level

3. Action to strengthen the focus on innovation is already underway through the adoption/ revision of strategic economic plans (SEPs) in each of the eleven LEPs

across the North. This includes substantial work by the universities to invest in research and support science commercialisation; as well as work undertaken by Growth Hubs to engage local businesses.

4. However, joint work over the last 18 months at officer level has created a context within which there is now a chance to examine how partners can more effectively cooperate on driving innovation at the cross-regional spatial level - looking to identify opportunities at this larger spatial scale, and to complement the development of existing Northern bodies dedicated to transport, health innovation, and the tech sector. This also recognises the broader landscape shaped by devolution and central government's place-based growth agenda, including the creation of Combined Authorities and Metro Mayors.

Recent activity

5. The first report of the business-led Northern Powerhouse Partnership (NPP), chaired by George Osborne and published in February, highlighted the opportunity for action in the North in this area. It recommended that employers and civic leaders be brought together to develop a Productivity and Innovation Strategy which would analyse what could and should be done at the appropriate spatial level to raise productivity.
6. The NPP report also argued that strong cooperation will ensure that stakeholders can better understand where collectively a focus or prioritisation of activity around science and innovation can achieve the greatest productivity gains for all – in turn supporting investment so the North can be genuinely world class in key areas. Essentially any such collective activity needs to be business-facing – to ensure it address the barriers most critical to the private sector.
7. This aims to build on previous collaborative models which have strengthened the profile and delivery of innovation across the North (including The Northern Way), as well as adoption of recommendations from discussions and think-tanks. It draws on the analysis made by the Northern Powerhouse Independent Economic Review (NPIER) commissioned by Transport for the North (TfN) which highlighted the gains to be achieved through a set of Prime Capabilities alongside a significant science and knowledge base.

“Innovate North”

8. There is now an opportunity for LEPs to engage pro-actively with, and lead, this work by cooperating together across individual LEP geographies at a “Northern Powerhouse” level. It has been suggested that without effective action at the Northern level then there is a potential risk that the region will fall further behind in terms of productivity gains, and may also face the prospect of less visibility in public policy environments given the development of the Midlands Engine (which has gained some recent traction in this area); as well as in global investment and talent markets in a highly competitive international environment.

9. Officers from the eleven LEPs across the North have already been meeting to share thinking and best practice. This was initially intended as a way to understand complementarity in the undertaking of Science and Innovation Audits (SIAs) with central government, which are aimed at helping to provide a better understanding of specific science assets and research excellence, and how these strengths can be better commercialised in order to drive innovation. It has evolved subsequently to engage a wider set of national and regional partners - including InnovateUK, the N8 Research Partnership, and the BEIS Smart Specialisation Hub.
10. More broadly, such an approach presents an opportunity to better align local, regional and national action in the context of national Industrial Strategy objectives, the Northern LEP Strategic Economic Plans, and Northern assets and priorities.

A Framework for Innovation

11. The proposed Innovation North framework attached identifies 3 areas of intended collaborative innovation-related action accordingly: (a) case-making; (b) grand challenge competitions; (c) leadership and coordination.
12. **Case-making** will involve an inter-related series of distinct task & finish projects: smart specialisation based cross-analysis of SIAs, Strategic Economic Plans, and gaps; associated FDI narrative (in time for the International Business Festival and Great Exhibition of the North); Northern grand challenge identification; OECD 10-year review and refresh of 2008 analysis, with a particular eye on the post-Brexit context. Estimated total cost is £200,000.
13. **Northern Innovation Competitions** – to target “grand challenges” under each of the four Northern Prime Capabilities (Advanced Manufacturing, Digital, Health Innovation, Energy), and complementing the wider national industrial strategy challenge fund – are central to our ambitions. These would catalyse the delivery of new responses by industry, and, crucially, would both proactively and extensively engage small and medium-sized enterprises, and focus on addressing genuine market demand/ opportunities as opposed to “technology-push”. This would require £5-£10million per competition (with matched private investment) to have critical mass.
14. **Leadership and coordination:** the potential establishment of an Innovation North Board, comprising the (ideally private sector) Chairs of local Innovation Boards where they exist, representatives from the remaining LEP areas where they do not, together with Innovate UK (on behalf of UKRI as a whole), DIT, N8/Universities UK, industry bodies (e.g. North West Business Leadership Team and North East Chamber), plus representatives from other pan-North bodies given the cross-cutting nature of innovation. The Board’s role would be strategic prioritisation, advocacy, and oversight of the competitions and other collaborative programmes. To these ends, it would require a coordination function and modest discretionary budget. Estimated cost per annum: £700,000.

Next Steps

15. Work is under way to refine the proposed actions in terms of impacts and potential costings. Discussions are also being held with a wider set of partners including Universities UK.
16. The Autumn Budget offers a good opportunity to demonstrate that key partners across the North are working more closely together to identify actions around innovation that are best undertaken at a regional level drawing together both local and national priorities. InnovateUK has therefore suggested that Northern stakeholders send a joint submission into the Budget to specifically highlight this work. The deadline for submissions to Treasury is 22 September. A joint submission led by the LEPs describing a future collaborative, multi-level approach would send a strong signal to Ministers and demonstrate the potential for delivering a genuinely strategic response to the Industrial Strategy and potential funding opportunities (such as the Industrial Strategy Challenge Fund). For clarity this will not replace separate submissions by GM or individual LEPs. A potential draft is attached in the annex.

8. RECOMMENDATIONS

See the front of the report.

Annex

Rt. Hon. Philip Hammond, MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London
SW1A 5PP

Xx September 2017

Dear Chancellor,

Autumn Budget: Innovate North

1. We very much welcomed your 4 September statements that “Boosting productivity in the North is at the very heart of the government’s ambition to build an economy that works for everyone” and that “As we prepare to leave the European Union it is even more important that we support the Northern Powerhouse to reach its full potential”.
2. Clearly, innovation is widely acknowledged as a key driver of productivity, while the evidence suggests that businesses who innovate grow faster than those who do not; and yet the UK as a whole underperforms on key innovation metrics compared with other major economies, while the North of England underperforms against UK averages.
3. Against this backdrop, and in advance of the Autumn Budget, we are keen to share our proposals for the collaborative “Innovation North” work underway across the North of England to foster innovation and productivity by seeking to maximise the commercialisation and social application of our excellent, and in some cases world-leading, science and industry base.
4. Linked to the capabilities identified through the 2016 Northern Powerhouse Independent Economic Review, and building on evidential foundations such as the government-commissioned Science & Innovation Audits, and local Strategic Economic Plans, this is a unique attempt to tackle this issue at scale, led by the 11 Local Enterprise Partnerships (LEPs) with the direct support of Innovate UK (aided by the BEIS Smart Specialisation Hub), and in partnership with key Northern HEIs via the N8 Research Partnership.
5. The guiding principle of this joint work over the last 12 months has been to identify innovation-related opportunities and activities able to redress the critical productivity challenge that are best undertaken at pan-Northern, rather than local or national levels, and based on collaboration rather than competition. It is also in recognition of the real world footprints across the North of key businesses such as Unilever, Proctor and Gamble, Sage and Siemens and the growth potential in our vibrant SME communities.
6. Amid an increasingly competitive global environment and the potential threat of falling further behind in terms of productivity gains, securing global investment, fostering innovation delivery and attracting/retaining talent, this approach seeks to align local, regional and national action in order to maximise impact within the context of the Industrial Strategy objectives.
7. The proposed Innovation North framework attached identifies 3 initial areas of intended collaborative innovation-related action accordingly: (a) case-making; (b) grand challenge competitions; (c) leadership and coordination. In the longer term

we will work together to identify a programme of genuinely transformational innovation focused investments.

8. Case-making will involve an inter-related series of distinct task & finish projects: smart specialisation based cross-analysis of SIAs, Strategic Economic Plans, and gaps; associated FDI narrative (in time for the International Business Festival and Great Exhibition of the North); Northern grand challenge identification; OECD 10-year review and refresh of 2008 analysis, with a particular eye on the post-Brexit context. Estimated total cost is £500,000.
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11. We trust that these proposals may be of interest, and would welcome detailed dialogue plus the opportunity to work with you and your officials in order to examine how the Government can support this important work to develop and deliver a long-term strategy, with subordinate actions, to maximise the economic and productivity growth potential of our exceptional innovation assets and capabilities for local, Northern and national good.
12. We are also copying this letter to the Rt. Hon. Greg Clarke, Secretary of State for Business, Energy and Industrial Strategy, and look forward to hearing from you at your earliest convenience.

Yours sincerely

[NORTHERN LEP CHAIR SIGNATURES HERE]