

A quick guide to the Industrial Strategy

November 2017

Metro — Dynamics

Introduction

Five foundations for Government's vision for a transformed economy (10)

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

Grand Challenges set to put the UK at the forefront of industries of the future: (10)

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

For each Grand Challenge, Government will ask leading figures from industry and academia to act as expert advisors, led by a 'Business Champion'. Working alongside ministers, these figures will be responsible for engaging a diverse range of industry voices and raising the profile of the challenge, and will be appointed in early 2018. (32)

Government will ensure it will use all tools at its disposal, including regulations, funding and Sector Deals. (32)

Where appropriate, teams will develop 'missions' to tackle the Grand Challenges. They involve tackling specific problems, such as reducing carbon emissions by a given percentage over a specific year period (32)

Key policies: (11)

Ideas

- Raise total research and development (R&D) investment to 2.4 per cent of GDP by 2027
- Increase the rate of R&D tax credit to 12%
- Invest £725m in new Industrial Strategy Challenge Fund programmes to capture the value of innovation

People

- Establish a technical education system that rivals the best in the world to stand alongside our world-class higher education system
- Invest an additional £406m in maths, digital and technical education, helping to address the shortage of science, technology, engineering and maths (STEM) skills
- Create a new National Retraining Scheme that supports people to re-skill, beginning with a £64m investment for digital and construction training

Infrastructure

- Increase the National Productivity Investment Fund to £31bn, supporting investments in transport, housing and digital infrastructure
- Support electric vehicles through £400m charging infrastructure investment and an extra £100m to extend the plug-in car grant
- Boost our digital infrastructure with over £1bn of public investment, including £176m for 5G and £200m for local areas to encourage roll out of full fibre networks

Business environment

- Launch and roll-out Sector Deals – partnerships between government and industry aiming to increase sector productivity. The first Sector Deals are in life sciences, construction, artificial intelligence and the automotive sector
- Drive over £20bn of investment in innovative and high potential businesses, including through establishing a new £2.5bn Investment Fund, incubated in the British Business Bank
- Launch a review of the actions that could be most effective in improving the productivity and growth of small and medium-sized businesses, including how to address what has been called the ‘long tail’ of lower productivity firms

Places

- Agree Local Industrial Strategies that build on local strengths and deliver on economic opportunities
- Create a new Transforming Cities fund that will provide £1.7bn for intracity transport. This will fund projects that drive productivity by improving connections within city regions
- Provide £42m to pilot a Teacher Development Premium. This will test the impact of a £1000 budget for high-quality professional development for teachers working in areas that have fallen behind

An independent Industrial Strategy Council will assess progress and make recommendations to Government. (11)

Ideas

- Both government and private sector need to invest more in R+D, and become better at commercializing new products/ideas. (65-6)
- An increased share of GDP is to be allocated to R+D funding, to be invested strategically in technologies and ideas closer to market to drive UK competitiveness. (67)

Policies (68-73)

- Further £725m investment in a second wave of the industrial strategy challenge programme (responding to climate change, automation, etc.)
- £300m investment in world-class talent over next three years in priority areas aligned with industrial strategy.
- Government will work with UKRI to develop a new competitive Strategic Priorities Fund, which builds on the vision of a ‘common fund’ set out in Sir Paul Nurse’s review. This will support high quality R&D priorities which would otherwise be missed – multidisciplinary and inter-disciplinary programmes identified by researchers and businesses at the cutting edge of research and innovation. Further details set out in due course.
- The government will increase the rate of the R&D expenditure credit for large businesses from 11 per cent to 12 per cent from 1 January 2018.
- Innovate UK will pilot new ways of financing innovation:
 - £50m Innovation Loans pilot over the next two years to target the most promising projects in viable businesses on the cusp of commercialisation, but not yet ready to access loans from commercial lenders
 - an Investment Accelerator pilot to bring in seed equity alongside grant funding by matching the most innovative early stage businesses with investors.
 - Government is creating UK Research and Innovation, which will invest around £8bn per annum by 2020 in the highest-quality research and innovation across the UK.
- Government is launching a new competitive £115m Strength in Places Fund to support areas to build on their science and innovation strengths and develop stronger local networks. The fund will support collaborative programmes based on research and innovation excellence in places right across the UK which can demonstrate a strong impact on local productivity and enhance collaboration between universities, research organisations, businesses, local government and Local Enterprise Partnerships in England and relevant agencies in the devolved nations. (85)

Science and Innovation Audit Themes (86):

- 1 Edinburgh and South East Scotland City Region**
Digital technology and Data-Driven Innovation
- 2 Sheffield City Region and Lancashire**
High value manufacturing
- 3 Greater Manchester and East Cheshire**
Health Innovation and Advanced Materials
- 4 Midlands Engine**
Advanced Manufacturing; Digital Technologies and Data; and Systems Integration
- 5 South West England and South East Wales**
Advanced Engineering and Digital Innovation
- 6 Enabling Technologies in Scotland's Central Belt**
High value manufacturing
- 7 Bioeconomy of the North of England**
Agri-tech and industrial biotechnology
- 8 East of England**
Life sciences and agri-tech
- 9 Innovation South**
Digital enabling technologies
- 10 Leeds City Region**
Medical technology
- 11 Liverpool City Region+**
Infection; Materials Chemistry; and High Performance Computing
- 12 OffShore Renewable Energy**
Offshore energy and sustainable ocean technologies
- 13 Oxfordshire Transformative Technologies**
Quantum computers; autonomous vehicles; digital health; and space and satellites
- 14 Cyber Resilience Alliance**
Cybersecurity
- 15 Maximising the Marine Economy of the Highlands & Islands**
Aquaculture, wave and tidal energy and marine biotechnology
- 16 North West Nuclear Arc Consortium**
New nuclear technology
- 17 North West Coastal Arc Eco-Innovation Partnership**
Low carbon energy and eco-innovation
- 18 Northern Powerhouse Chemicals and Processing Science**
Chemicals
- 19 Northern Powerhouse in Health Research**
Medical
- 20 The South Wales Crucible**
Steel innovation; smart manufacturing; health informatics; and agri-tech
- 21 Upstream Space**
Space infrastructure and technology
- 22 Precision Medicine Innovation in Scotland**
Precision medicine
- 23 Applied Digital Technologies**
Digital capability
- 24 Sustainable Airports**
- 25 The Knowledge Quarter**
Biomedical; heritage; digital publishing; and data science

People

Skills/training/education policies.

- £72m Opportunity Areas programme will support areas of acute disadvantage through interventions in 12 areas. They will benefit from support from national businesses, the Education Endowment Foundation and the Careers Enterprise Company, co-ordinated by local Partnership Boards. (113)
- Government will devolve the adult education budget to mayoral areas in 2019. (114)
- Skills Advisory Panels are to be set up and rolled out shortly. They will be integrated into Mayoral Combined Authorities and LEPs to inform the analysis that feeds into Local Industrial Strategies. Skills Advisory Panels will produce rigorous analysis of the current and future supply and demand for skills and help areas form a clearer understanding of their skills requirements. They will have real, meaningful influence over the provision of education and training for those over the age of 16, and work with Mayoral Combined Authorities and LEPs to establish the best way to ensure that influence is effective, and to inform careers advice and guidance. (114)
- Government will provide £34m to expand innovative construction training programmes across the country, including a programme in the West Midlands, focused on supporting the country's housing needs and building upon existing good practice. (119)

Infrastructure

- To support the delivery of the Midlands Connect Strategy, the government will provide £2m to develop options to address key constraints on the Coventry–Leamington rail corridor, and £4m for congestion measures. (231)
- Government's 'Rebalancing Toolkit' will mean that no decisions on significant investments are taken without due consideration being given to the impact of investments on local growth. (233)

On funding

- Cost-benefit analysis will remain central to decision making, complemented by Government's approach to strategic programme design, which uses broad-based assessment techniques that reflect the full potential for infrastructure to support local economies. (137)
- Transport for the North will become a statutory body in April 2018, and the government will continue to work with Midlands Connect and England's Economic Heartland to improve prioritisation of local projects as they work towards statutory status. (138)

Data

- The UK has high quality geospatial data, much of it held by public bodies. In order to make the most of this, Government will establish a new Geospatial Commission to provide strategic oversight of the various public bodies that hold this data. (157)

- To boost the digital economy, the government will work with Ordnance Survey (OS) and the new Commission, by May 2018, to establish how to open up freely OS MasterMap data to UK-based small businesses in particular, under an Open Government Licence or through an alternative mechanism. £80m allocated to support this work. (159)

Business Environment

Commitments: (179-80)

- Establishing a new £2.5bn investment fund incubated in the British Business Bank to be floated or sold once it has established a sufficient track record.
- Significantly expanding the support that innovative knowledge-intensive businesses can receive through the Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCTs) while introducing a test to reduce the scope for and redirect low risk investments, together unlocking over £7bn of new investment.
- Seeding a series of private sector fund of funds of scale, with a first wave of investment of up to £500m, delivered through the British Business Bank, unlocking double this investment in private capital. Up to two further waves will be launched, attracting a total of up to £4bn of investment.
- Ensure all businesses have access to a local Growth Hub to increase diffusion of best practice. (182)

To boost supply chains, government will: (183)

- Launch a new Supply Chain Competitiveness programme that will target areas where key businesses need to improve to match the best in Europe and beyond.
- Encourage industry leaders and the best performing sectors to improve further by adopting best practice as exemplified by the automotive sector. The automotive sector intends to commit to increasing local content to 50 per cent by 2022, from 44 per cent, as part of their proposed Automotive Sector Deal.

Government will support businesses to access international markets and drive up exports by: (183-4)

- Undertaking a review of export strategy, reporting in spring 2018, centred on:
 - better support for medium and larger businesses to access new markets and export more
 - identifying smaller businesses with the potential to succeed and grow as exporters
 - better signposting to online and local sources of information, and access to finance.
 - working with the private sector to ensure all business receive high quality export advice

- Strengthening government-government relationships to realise new export opportunities.
- Establishing a network of nine UK Trade Commissioners, each developing a regional trade plan covering export promotion, investment and trade policy.
- Building on the new UK Export Finance (UKEF) initiatives, which work with partner banks to help businesses fulfil overseas contracts.
- Piloting intensive export growth support for potential scale-ups and particularly ambitious medium sized businesses. This includes co-investment to access commercial export support services, with each eligible business offered a grant on a 50:50 match funded basis. Government will work with Local Enterprise Partnership Growth Hubs to ensure joined up and easily accessible export and business growth advice. (186)
- Government will support Local Enterprise Partnerships in translating and co-ordinating regulatory frameworks that focus on local business needs, simplifying the way regulation is delivered. To ensure a fair landscape for business, Government will go further on reforming business rates. On top of the major reforms to business rates announced at Budget 2016, worth approximately £9bn by the end of this Parliament, Government will improve the fairness of the system and provide a further £2.3bn of support to businesses over the next five years. (188)

Sector Deals

Government is announcing Sector Deals with life sciences, construction, artificial intelligence and the automotive sector, with the creative industries, industrial digitalisation, nuclear and a number of other sectors in advanced discussions.

- Instructions for sectors producing deal proposals: (207-11)
 - Is there clear leadership from the sector?
 - Does the sector deal represent the breadth of the sector?
 - Does the proposal include a rigorous analysis of the comparative strengths and weaknesses of the sector?
 - Will the specific proposals have an impact of productivity, earning power, or the availability of good work?
 - Can the specific proposals be delivered?
 - Is there a clear offer from the sector?

Places

Local Industrial Strategies

- Will help identify priorities to improve skills, increase innovation and enhance infrastructure and business growth. This will guide the use of local funding streams and any spending from national schemes. (220)

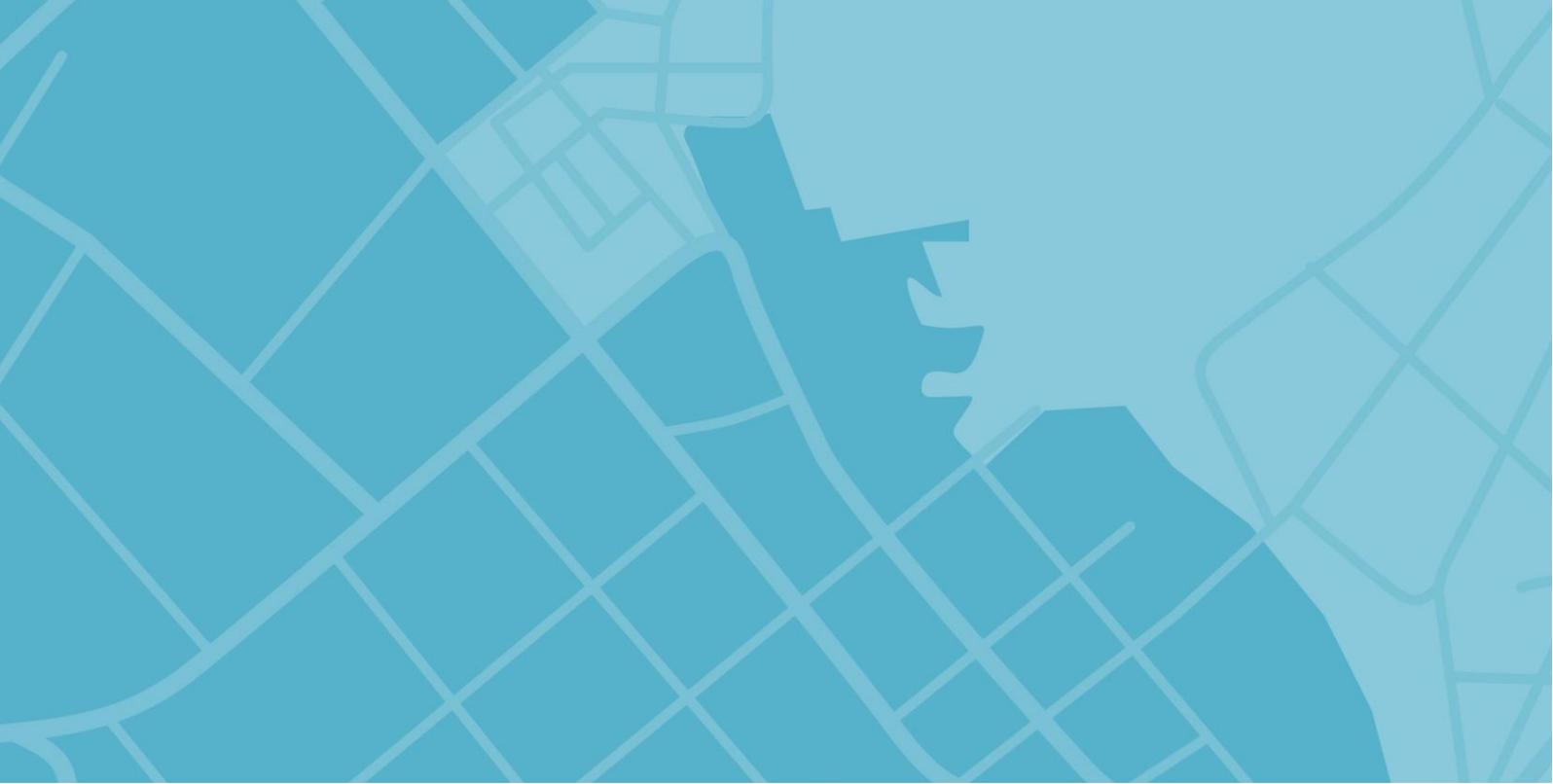
- They will be long-term, evidence-based, and aligned to the national Industrial Strategy. They will identify local strengths and challenges, future opportunities and the action needed to boost productivity, earning power and competitiveness. This might include addressing skills issues, improving infrastructure, harnessing the potential of world-class science and innovation, supporting new high-value businesses, or identifying leading sectors to inform the development of deals. (220)
- The first ones will be agreed by March 2019, prioritizing areas with potential to drive wider regional growth. (221)
- For parts of the country without a mayor, the development of the strategy will be led by the Local Enterprise Partnership. (221)

Local leadership

- The government will make available to Mayoral Combined Authorities a £12m fund for 2018/19 and 2019/20 to boost the new mayors' capacity and resources. (222)
- Government has announced a deepening of the devolution deal with the West Midlands Combined Authority, which includes £6m for a housing delivery taskforce, £5m for a construction skills training scheme and a £250m allocation from the Transforming Cities Fund to be spent on local intra-city transport priorities. (222)
- From next year, the Prime Minister will chair a biannual 'Council of Local Enterprise Partnership Chairs'. This will provide an opportunity for Local Enterprise Partnership leaders to inform national policy decisions. (223)
- Feedback suggests that the performance of LEPs has varied, therefore government is reviewing the roles and responsibilities of LEPs and will bring forward reforms to leadership, governance, accountability, financial reporting and geographical boundaries. Government will agree and implement appropriate structures for holding LEPs to account. (223)
- Government will work with Local Enterprise Partnerships to set out a more clearly defined set of activities and objectives in early 2018. (223)
- Government will make additional financial resources available to LEPs following a review of overlapping LEP geographies to ensure it is clear who is responsible for driving growth in areas. (223)
- Government will work with local partners to develop a portfolio of High Potential Opportunities around strategic supply chain gaps, places and clusters that are attractive to investors and have economic potential, but which are not widely understood by businesses that do have sufficient market information. (227)
- Government will ensure that local areas continue to receive flexible funding for their local needs, and following the UK's departure from the European Union, Government will launch the UK Shared Prosperity Fund. (228)
- Additional 100% business rates retention pilots will begin in April 2018. (228)
- Government will work with Mayoral Combined Authorities and Local Enterprise Partnerships across all areas of England to establish Skills Advisory Panels. These will

enable mayors and Local Enterprise Partnerships to support employers, education providers and local government in identifying current and future local skills needs shaping the provision and funding of post-age 16 education and training and careers guidance. (230)

- Government backs economic growth corridors across devolved nations, including support for further cross-border working between North Wales and Cheshire and Warrington, and an interest in how proposals for a mid-Wales growth deal could take account of the same. This is in addition to the benefits for the Bristol-Cardiff-Newport area that will arise from the abolition of tolls across the Severn Bridge by the end of 2018. (237)



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