

## Industrial Strategy White Paper

As expected, the 10 “pillars” from the Green Paper have become “**5 foundations**” of productivity:

**Ideas:** the world’s most innovative 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.

### Key policies include:

#### 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 per cent
- ▶ 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 intra-city 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

**We will ensure our Industrial Strategy will endure by creating an independent Industrial Strategy Council that will assess our progress and make recommendations to the government.**

Cutting across these foundations, the government has identified four **Grand Challenges** for the economy of the future that the Industrial Strategy will prioritise:

1. **AI & Data economy**
2. **Clean Growth**
3. **Future of mobility**
4. **Ageing society**

Each Grand Challenge identifies 4 priority areas for early action. A “Challenge Team” of external advisors, led by a business champion, will be appointed in 2018. Those teams will develop more detailed plans for meeting these challenges, including setting specific missions where appropriate.

### Key new announcements

#### **Ideas**

- Target for *total* R&D spending of 2.4% of GDP by 2027, and 3% in the longer term.
- As a first step, govt will increase *public* spending on R&D by £2.3bn in 2021-22
- A new competitive £115m Strength in Places R&D Fund, to support the development of local research strengths (i.e. a Place Fund)
- £725m from the NPIF for the second wave of the Industrial Strategy Challenge Fund:
  - Transforming Construction, up to £170m
  - Prospering from the Energy Revolution, amount unknown
  - Transforming Food Production
  - Audience of the Future (VR, etc), up to £33m
  - Data for early diagnosis, up to £210m
  - Healthy Ageing, amount unknown
- £300m more for research talent, including £45m for PhDs in AI
- A new competitive “Strategic Priorities Fund” for cross-cutting research, amount unknown
- Higher Education Innovation Fund, which incentivises business and University collaboration, to be increased to £250m p.a. by 2020-21
- £50m innovation loans pilot
- Reforms to the Research Excellence Framework (weighting for impact increased from 20% to 25%), and a new Knowledge Exchange Framework to be introduced. Will affect Uni funding.
- A new Government Office for AI will be established, with an initial focus on 6 sectors including Agri-Tech
- Met Office and other govt labs to be tasked with supporting local economic growth
- Some Catapult centres to be placed on an improvement programme following govt review
- Environmental Science in Exeter is name-checked as a strength

## People

- Reiteration of Budget announcements on Maths, Computing & Construction skills
- Public consultation on T-Levels before the end of the year
- Review of Level 4&5 education to be launched
- Adult skills budget to be devolved to mayoral authorities in 2019
- A comprehensive careers strategy to be published shortly
- Emphasising the role of Skills Advisory Panels
- £40m pilot for a Teacher Development Premium, to provide £1000 for high quality premium teacher training in areas of the country that have been left behind
- Will publish plans shortly to see 1 million more disabled people in work by 2027

## Infrastructure

- Reiteration of Budget announcements on:
  - £176m 5G trials and testbeds
  - £200m Local Full Fibres Network Fund
  - £400m Charging Infrastructure Fund (o/w £200m public money)
  - £100m plug in car grant
  - £220m Clean Air Fund
  - £1.7bn Transforming Cities Fund
  - £1bn of discounted PWLB lending
  - Housing package
- A “Rebalancing Toolkit” to be used for transport spending. Business case methodologies will be adjusted to give weight to regional economic rebalancing, as currently high productivity areas win most of the money.
- £50m to support the development of commercial space flights from UK space ports
- Govt Review of the telecoms market and investment in digital infrastructure, including competition issues, to be published Summer 2018
- Govt will publish a “Statement of Strategic Priorities” for fixed & mobile connectivity in 2018
- £80m to make more Ordnance Survey data freely available
- A new industrial energy efficiency fund to be launched, consultation in 2018

## Business Environment

- Reiteration of Budget announcement of a new £2.5bn fund within the British Business Bank, improving access to finance for SMEs
- A number of sector deals have been announced. These aren't terribly exciting and appear to have little money attached to them:
  1. **Life Sciences**, including new regional Digital Innovation Hubs
  2. **Automotive**
  3. **Artificial Intelligence**

#### 4. **Construction**, including Budget announcement on skills

- There are some sector deals in advanced discussions but are yet to be agreed:
  - **Creative Industries**, including a competition for 8 regional research clusters
  - **Nuclear**
  - **Digitalisation of Industry**
- Criteria have been set for any further sector deals. Govt says it expects to proceed with further discussions with some sectors in the New Year, but the messaging appears to be managing expectations about the number of further deals “Sector Deals are not required for every sector”
- Explicit recognition of Future Sectors, and how govt can support these as well as incumbents
- Govt review of how to improve productivity in SMEs, to report in Autumn 2018
- A new Supply Chain Competitiveness Programme, no amount announced
- A new Business Basics Programme, involving local areas, to encourage SMEs to adopt new technologies and business practices. No amount announced.
- 9 new UK trade commissioners, who will be asked to develop a regional trade plan covering exports and inward investment
- Export support to be intensified for scale up candidates, working with Growth Hubs
- A new Food & Drink Sector Council to be established
- Govt intends to act on the recommendations of the Taylor Review of modern working practice
- Social care sector mentioned – need to adopt new technology and business practices
- ‘Transforming food production: from farm to fork’ programme will put the UK at the forefront of advanced sustainable agriculture.
- Funding for Growth Hubs will be continued.

### **Place**

- Local Industrial Strategies to be agreed between govt and local areas. First wave to be agreed by March 2019
- Review of LEPs roles and responsibilities to conclude in early 2018
- Additional resources (core funding?) will be made available to those LEPs that embrace reform
- Shared Prosperity Fund to go to consultation next year, no extra details
- Encouraging regional collaboration in some contexts: specific mention of the SW Rural Productivity Commission and HotSW’s work with Cumbria on the Nuclear sector deal.
- Recognition of the need for flexibility below the LEP level as well e.g. town deals

### **What’s not in the Industrial Strategy?**

- Very little said about **Brexit**. The elephant in the room?

- Similarly, few indications about further **devolution deals**
- **Rural** barely features as a theme, with only a few references to agri tech opportunities.