

REPORT OF: **HOUSING, HEALTH AND ECONOMIC DEVELOPMENT
SERVICES MANAGER**

TO: **SPECIAL BUDGET EXECUTIVE**

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INDUSTRIAL STRATEGY

PURPOSE OF REPORT

To inform Members of the Government's White Paper entitled 'Industrial Strategy: Building a Britain fit for the future' and the implications for Pendle.

RECOMMENDATION

- (1) To note the Government's White Paper entitled 'Industrial Strategy: Building a Britain fit for the future' and the implications for Pendle.
- (2) To agree to receive further reports as appropriate as the policies and programmes identified in the Strategy are developed further.

REASON FOR RECOMMENDATIONS

To keep Members informed of Government Strategy.

ISSUE

1. In November 2017 the Government launched their White Paper 'Industrial Strategy: Building a Britain fit for the future'. The Industrial Strategy sets out a long term plan to boost the productivity and earning power of people throughout the UK. It sets out how the Government will help businesses create better, higher-paying jobs in every part of the UK with investment in the skills, industries and infrastructure of the future.
2. The Strategy identifies four Grand Challenges which need to be tackled to put the UK at the forefront of the industries of the future:

▪ **Artificial Intelligence (AI) and Data-Driven Economy**

Artificial intelligence and machine learning are general purpose technologies already starting to transform the global economy. They can be seen as new industries in their own right, but they are also transforming business models across many sectors as they deploy vast datasets to identify better ways of doing complex tasks – from helping doctors diagnose medical conditions more effectively to allowing people to communicate across the globe using instantaneous speech recognition and translation software.

Embedding AI across the UK will create thousands of good quality jobs and drive economic growth. By one estimate, AI could add £232bn to the UK economy by 2030.

▪ **Clean Growth**

The Paris Agreement of 2015 commits countries to revolutionising power, transport, heating and cooling, industrial processes and agriculture.

The UK has been at the forefront of encouraging the world to move towards clean growth. Government are determined to play a leading role in providing the technologies, innovations, goods and services of this future. This includes supporting our strong automotive, aerospace and construction industries to increase their share of global markets as they shift to clean energy sources and efficient new materials. Government want UK businesses to lead the development of new markets in areas such as smart energy systems and the ‘bio-economy’ – the use of renewable biological resources from land and sea to produce food, materials and energy.

▪ **Future of Mobility**

We are on the verge of a profound change in how we move people, goods and services around our towns, cities and countryside. This is driven by extraordinary innovation in engineering, technology and business models. Significant investments are being made in the electrification and automation of road vehicles, in the modernisation of rail services to deliver higher capacity, speed and connectivity, and in the development of autonomous aerial and marine transport. New market entrants and new business models, such as ride-hailing services, ride sharing and ‘mobility as a service’, are challenging our assumptions about how we travel.

Government will build on the innovative work already underway to look across the road transport system for opportunities to improve customers’ experience, drive efficiency and enable people to move around more freely.

▪ **Ageing Society**

One in three children born in the UK today can expect to live to 100. The prospect of longer lives will require people to plan their careers and retirement differently. Ageing populations will create new demands for technologies, products and services, including new care technologies, new housing models and innovative savings products for retirement.

Innovation in age-related products and services can make a significant difference to UK productivity and individuals’ wellbeing, and will find a growing global market. Ageing also presents significant challenges to the economy, including greater caring

demands on those of working age and increased health and social care costs. Without action, an ageing population could reduce the size of our workforce and lead to lower productivity.

3. To tackle these Grand Challenges the Strategy sets out five foundations of productivity and a series of policies relating to each of these foundations:

Ideas: the world's most innovative economy

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

People: good jobs and greater earning power for all

- 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: a major upgrade to the UK's 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: the best place to start and grow a business

- 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: prosperous communities across the UK

- 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 region
- 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

DELIVERING THE STRATEGY

4. Further work will be needed over the coming months to develop the various policies and funding programmes that have been identified in the Strategy. It is intended that these policies and programmes will be delivered through a variety of agencies and organisations at national or regional level. For example:
 - In order to capture more value from ideas and innovations and to join up funding for science, research and innovation Government are creating UK Research and Innovation. This new organisation will bring together the seven research councils, Innovate UK and the funding element of the Higher Education Funding Council for England (HEFCE), UK Research and Innovation. It will invest around £8bn per annum by 2020 in research and innovation across the UK, including the new £725m Industrial Challenge Fund
 - The new £2.5bn Investment Fund, will be channeled through the British Business Bank, a government-owned business development bank dedicated to making finance markets work better for smaller businesses.
5. The Strategy sees Mayoral Combined Authorities, or Local Enterprise Partnerships (LEPs) where Mayoral Combined Authorities don't exist, as key local delivery agents for 'Places: prosperous communities across the UK'. Significant resources are being given to Mayoral Combined Authorities, such as a £243m allocation to Greater Manchester over four years as part of the Transforming Cities Fund. This funding will provide Greater Manchester with the flexibility to make strategic decisions on the priority transport projects, and help to improve connectivity and reduce congestion in the region. As Lancashire does not have a Combined Authority the Lancashire LEP will have a key role in delivery.
6. The Government will work in partnership with places to develop Local Industrial Strategies. Places in England with a Mayoral Combined Authority will have a single strategy led by the mayor and supported by Local Enterprise Partnerships. For parts of the country without a mayor, the development of the strategy will be led by the Local Enterprise Partnership. The first strategies will be agreed by March 2019 and Government will prioritise areas with the potential to drive wider regional growth, focusing on clusters of expertise and centres of economic activity. It is not clear whether local areas will have the opportunity to influence that prioritisation exercise.
7. A National Audit Office report in 2016 highlighted that there is varying performance by LEPs across the country so during 2018 there will be a review of the roles and responsibilities of LEPs. The Government will propose reforms to leadership, governance, accountability, financial reporting and geographical boundaries. Government will make additional financial resources available to Local Enterprise Partnerships that demonstrate ambitious levels of reform following the review. It is not clear at this stage what opportunities there will be for individual local authorities to feed into this process.

8. The Government have also recognised the need to have policy flexibility below the regional or LEP level. This could be to support innovation in economic clusters or to ensure that inner city boroughs, or small towns and their rural hinterlands, are able to contribute to, and benefit from, wider economic growth. The Government will consider approaches with towns on how the government, local councils, LEPs and businesses can work together to deliver growth in that area.

IMPLICATIONS OF THE STRATEGY FOR PENDLE

9. Many of the problems that the policies seek to tackle are prevalent in Pendle, such as low levels of productivity and innovation, poor educational attainment, poor transport and digital infrastructure. However, implementation of the policies will almost exclusively be by national agencies, Combined Authorities or LEPs and there is little mention of local authorities.
10. It will be essential for Pendle to work closely with the Lancashire LEP to ensure that Pendle's priorities are reflected in the development of local Industrial Strategies and to benefit from any funding opportunities that may arise, either from the LEP directly or Lancashire wide bids into national programmes. Prior to the development of a local Industrial Strategy for Lancashire there will be a review of the Lancashire LEP. There will hopefully be an opportunity for all local authorities in Lancashire and our business partners in Pendle to input into the review of the LEP to ensure that openness and accountability is achieved.
11. Government are working with a range of local partners to explore new approaches, including on a pilot Town Deal with Grimsby. (<https://www.nelincs.gov.uk/wp-content/uploads/2017/07/Greater-Grimsby-Prospectus.pdf>). There may be opportunities for Pendle to work with other Pennine Lancashire authorities to develop a form of Town Deal. Early discussions are taking place amongst the authorities to explore this further.
12. As policies in the Strategy are developed further we will need to look at how we respond to the new policy framework in the development and review of Pendle strategies. For instance, our Jobs & Growth Strategy will need to reflect the Industrial Strategy and any emerging Lancashire Industrial Strategy. We will update our strategy over the coming months and have agreement that the Local Government Association (LGA) will support us with this.
13. The move towards electric vehicles could impact on our Planning policies around electric charging points. The development of smart home technologies to support the ageing population could impact on our housing policies towards supported housing.
14. Further reports will be brought to the Executive, as appropriate, as the policies and programmes are developed further by Government.

IMPLICATIONS

Policy: The Government's policy approach will need to be incorporated into our future strategies, such as the Jobs & Growth Strategy.

Financial: None directly arising from this report

Legal: None directly arising from this report

Risk Management: None directly arising from this report

Health and Safety: None directly arising from this report

Sustainability: None directly arising from this report

Community Safety: None directly arising from this report

Equality and Diversity: None directly arising from this report

LIST OF BACKGROUND PAPERS

Government White Paper 'Industrial Strategy – Building a Britain fit for the Future'

<https://www.gov.uk/government/publications/industrial-strategy-building-a-britain-fit-for-the-future>