

REPORT TO: Executive Board

DATE: 18 January 2018

REPORTING OFFICER: Strategic Director Enterprise Community & Resources

PORTFOLIO: Economic Development

SUBJECT: Industrial Strategy White Paper

WARDS: Borough Wide

1.0 PURPOSE OF THE REPORT

1.1 The purpose of this report is to update Members on the publication of the Government's Industrial Strategy White Paper and to set out some potential implications and opportunities for Halton. The report also considers the impact on the Liverpool City Region and beyond. A link to the Strategy can be found at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/664572/industrial-strategy-white-paper-print-ready-version.pdf

This is a 200+ page document but there is a summary provided on pages 10-15.

2.0 RECOMMENDATION: That

- 1) Members agree to the Industrial Strategy being used to inform Halton's future regeneration activities; and**
- 2) Members agree to the Council working with the Combined Authority to ensure that a future Liverpool City Region Local Industrial Strategy reflects the Borough's regeneration priorities and opportunities.**

3.0 SUPPORTING INFORMATION

- 3.1 The Government's industrial strategy White Paper, '*Building a Britain fit for the future*', was published on 27th November 2017. The 256 page document examines the UK's strengths and weaknesses, and considers the role of government in boosting the UK economy, improving productivity, embracing technology and using public procurement initiatives and the regulatory environment to support business.
- 3.2 The White Paper has been produced following extensive engagement by government with interested parties, in response to the Green Paper that was formally launched at Sci-Tech Daresbury

in January 2017. The Green Paper was considered by the Council's Employment, Learning and Skills and Community Policy and Performance Board 20 February 2017.

- 3.3 The White Paper is a significant document because it sets the agenda for government economic policy over the period of the current Parliament and beyond.
- 3.4 The document is also significant in that it confirms a notable shift in government thinking about the economy. This is a notable transition away from the laissez-faire 'let the market decide' approach taken by recent governments, towards a more structured interventionist approach to the economy. This change is because an industrial strategy is a critical component of the government's planning for post-Brexit Britain, as leaving the European Union requires making long-term decisions about Britain's economic future and supporting business sectors that may be adversely affected by the transition.
- 3.5 With the aim of making the UK the world's most innovative nation by 2030, the Government has committed to investing a further £725 million over the next 3 years in the Industrial Strategy Challenge Fund (ISCF) to respond to some of the greatest global challenges and the opportunities faced by the UK. This will include £170 million to transform the construction sector and help create affordable places to live and work that are safer, healthier and use less energy, and up to £210 million to improve early diagnosis of illnesses.
- 3.6 The Government has previously committed £1 billion to the first wave of Industrial Strategy Challenge Fund projects, including investing £246 million in next generation battery technology and £86 million in robotics hubs across the UK.
- 3.7 There will be an increase in the level of investment in Research & Development rising from 1.7% to 2.4% of GDP by 2027. This could mean around £80 billion of additional investment in advanced technology during the next decade.
- 3.8 The White Paper also confirms Government will be pressing ahead with a series of Sector Deals, with construction, life sciences, automotive and artificial intelligence the first to benefit from these new strategic and long-term partnerships with government, backed by private sector co-investment. Work will continue with other sectors.
- 3.9 In the strategy, the Government has identified four 'Grand Challenges'. These are global trends that will shape the rapidly changing future and which the UK must embrace to ensure we harness all the opportunities they bring. The four are:
 - artificial intelligence – to put the UK at the forefront of the artificial intelligence and data revolution

- clean growth – maximise the advantages for UK industry from the global shift to clean energy & growth
- ageing society – harness the power of innovation to help meet the needs of an ageing population
- future of mobility – to become a world leader in the way people, goods and services move.

3.10 **Five foundations**

The White Paper focuses on five ‘foundations’ of productivity; - ideas, people, infrastructure, business environment and places. Each foundation is supported by a range of policies designed to provide businesses with reassurance that the UK will continue to have a competitive edge.

3.11 **Ideas**

The White Paper notes that the UK needs to get better at turning new ideas into commercial products and services and so into increased productivity. The government and the private sector need to invest more in research and development (R&D).

- Raising total research and development (R&D) investment to 2.4 per cent of GDP by 2027
- Increasing the rate of R&D tax credit to 12 per cent
- Investing £725 million in new Industrial Strategy Challenge Fund programmes.

3.12 **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 £406 million 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 £64 million investment for digital and construction training

3.13 **Infrastructure**

- increase the National Productivity Investment Fund to £31 billion, supporting investments in transport, housing and digital infrastructure

- support electric vehicles through £400 million charging infrastructure investment and an extra £100 million to extend the plug-in car grant
- boost our digital infrastructure with over £1 billion of public investment, including £176 million for 5G and £200 million for local areas to encourage roll out of full-fibre networks.
- 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 £20 billion of investment in innovative and high potential businesses, including through establishing a new £2.5 billion Investment Fund, incubated in the British Business Bank.
- launch a review of the actions that could be most effective in improving productivity and growth of small and medium-sized businesses, including how to address what has been called the ‘long tail’ of lower productivity firms

3.14 Business Environment

- Launch and roll-out of ‘Sector Deals’
- Drive over £20 billion of investment in innovative and high potential businesses, including through establishing a new £2.5 billion Investment Fund, incubated in the British Business Bank
- A review of actions to improve productivity.

3.15 Places

- agree local industrial strategies that build on local strengths and deliver on economic opportunities
- create a new transforming cities fund that will provide £1.7 billion for intra-city transport; this will fund projects that drive productivity by improving connections within city regions
- provide £42 million to pilot a Teacher Development Premium; this will test the impact of a £1,000 budget for high-quality professional development for teachers working in areas that have fallen behind

To ensure that the Government is held to account on its progress in meeting the ambitions set out in the strategy, an Independent Industrial Strategy Council will be launched in 2018 to make recommendations to government on how it measures success.

The strategy has three recurring themes. Firstly, skills shortages feature prominently-particularly shortages in science, technology,

engineering and maths, compared to other developed countries. Secondly, a key issue is the extraordinarily high degree of regional imbalance in the UK's economy and how devolved authorities will be vital in delivering elements of the economic strategy to address this, and thirdly, low levels of productivity. This document considers how a post Brexit Britain can reverse the UK's long-term problems associated with low productivity. In general, the UK has an underlying weakness, in that we produce less for every hour we work than our competitors

3.16 What does the Industrial Strategy mean for Halton?

Potentially, as a key component of the Government's industrial strategy is based on advanced computing, robotics and data, Halton businesses could benefit from the strategy and the initiatives associated with it. The industry sector with the largest proportion of employees in Halton is the Professional, Scientific and Technical sector (16% of all employees).

- 3.17 In particular, Sci –Tech Daresbury could be a major beneficiary, being one of only two national Science and Innovation campuses in the UK. It has established an international reputation and is recognised nationally as one of the major investment opportunities for innovation and science in the UK. It is renowned for its capabilities in 'Big Science' which enables Daresbury to compete more effectively with the other national campus at Hartwell, and the 'Golden Triangle' of Oxford, Cambridge and London. The Heath, and Manor Park should also benefit, given that they host a number of advanced engineering and manufacturing businesses offering high value products and services and already attract highly paid and skilled people.
- 3.18 The emphasis on infrastructure is a hugely important step forward, too. Halton Council will need to ensure the Borough receives a fair share of the £1.7billion Intra –City transport fund and the new £400m Charging Infrastructure Investment Fund. In addition, provision must also be made to ensure that this Council matches the central government commitment, making 25 per cent of all cars in the central government department fleet are ultra-low emission by 2022.
- 3.19 The White Paper contains many references to the role of devolved authorities in being partners in delivering elements of the economic strategy. It is, therefore, important that the Council engages effectively within the City Region, to ensure that the interests of Halton people and business are considered. The Government is keen to ensure that the strategy makes connections and that capacity exist in local areas to link educational institutions with the needs of the labour market. It is proposed to devolve the adult education budget to mayoral areas in 2019. This will help Mayors to ensure learners can gain the skills that local businesses need.

- 3.20 Furthermore, as a Mayoral Combined Authority, it is anticipated that the Liverpool City Region will be in the first wave of areas being invited to complete a Local Industrial Strategy for completion by March 2019. The Local Industrial Strategy will be used to identify and allocate resources as set out in the Industrial Strategy Challenge Funding which was announced.
- 3.21 Work has already been undertaken in Liverpool City Region, to prepare for this. A report was published in October 2017 by the University of Liverpool's Heseltine Institute for Public Policy and Practice, commissioned by the TUC that sets out how Liverpool City Region can create new jobs, with decent pay and conditions, by using devolved powers to pursue a place-based and innovative industrial strategy.
- 3.22 Key to this local influence will be the introduction of Skills Advisory Panels, which will be rolled out shortly, and integrated, into Mayoral Combined Authorities and Local Enterprise Partnerships to inform the analysis that feeds into the Local Industrial Strategies.
- 3.23 Whilst the Paper does not indicate exactly how Local Industrial Strategies will be supported, resourced and implemented, the intention is to bring together local organisations, including businesses, education and local government to determine local growth priorities. 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 Local Enterprise Partnerships to establish the best way to ensure that influence is effective, and to inform careers advice and guidance. Skills Advisory Panel analysis will be structured around the 15 new technical education routes. As well as supporting the creation of new Institutes of Technology across all regions.
- 3.24 The plans to review Local Enterprise Partnerships is also an important opportunity for this Council to secure an even stronger partnership between business and public sector. It is essential that HBC play a full part in the review.
- 3.25 The White Paper states that investment decisions need to be more geographically balanced and include more local voices. It is important that there is a recognition in the City Region of this Councils' wide role in boosting productivity that ranges from civic leadership and plan-making to local infrastructure and public health. Indeed, the White Paper rightly includes an ageing society as one of its "Grand Challenges", and specifically indicates that preventing sick days and lost productivity due to poor health and lifestyle choices should be a priority for any industrial strategy. The Halton population dashboard shows that a reduction since 2010 of 3% in the 16-64 year old age group that comprises the bulk of the workforce resident in the Borough

and in keeping with the global and national trend, the population aged 65 plus has increased by 19% since 2010.

4.0 POLICY IMPLICATIONS

- 4.1 The Industrial Strategy White Paper presents a number of challenges and opportunities for Halton as set out above.
- 4.2 On the one hand, Halton has a strong 'economic' USP, in that it is the base for some of the world's most progressive science and innovation, as well as, advanced engineering and manufacturing companies.
- 4.3 The Borough has strong representation in the sectors likely to grow over the next 10-15 years.
- 4.4 On the other hand, as outlined in the Industrial Strategy, there are a number of barriers to productivity and weaknesses that need to be addressed.
- 4.5 For example, our strategy for the future needs to be based on attracting and retaining talented and skilled people in the Borough to supply those growth sectors. At the moment there are skills shortages in these areas.
- 4.6 Future economic growth in Halton will not be supported by local residents alone.

Globally, competition for young wealth creators is becoming intense and we need to be able to attract young, talented and skilled people to Halton by:

- Building more affordable and quality housing;
- Providing a strong cultural and leisure offer;
- Continuing to provide good transport links;
- Continue to provide great schools;
- Further investment in technological infrastructure.

- 4.7 A further barrier to productivity is the quality of business premises in the Borough. Some of our estates are dated and the expectations of employers and employees is much higher now compared with when some of these estates were established. Through the Mersey Gateway Regeneration Plan Plus we will consider how we can work with the private sector to reinvest in these areas. The availability of employment sites to respond to the Borough's forecasted economic growth is also a factor. The Mersey Gateway Regeneration Plan will play a pivotal role in ensuring that as much of the Mersey Gateway hand back land is brought back into use as quickly as possible.

5.0 FINANCIAL IMPLICATIONS

5.1 There are no further financial implications identified in this report.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 The Industrial Strategy has a number of implications for all the Council's priorities. This is because the Government has acknowledged that the UK's productivity lags behind other countries and to address this requires state intervention at all levels. The White Paper focuses on sectors that are already competitive and productive. Whilst sectors such as science and innovation are well represented in Halton and stand to benefit from the funding identified in the White Paper, nevertheless it extends to other areas and considers, for example, how health and social care, education and skills can contribute to driving productivity.

6.2 It is suggested that these themes will need to be reflected in the emerging (Corporate) Halton Plan.

7.0 RISK ANALYSIS

There are no immediate risks arising from the report.

8.0 EQUALITY AND DIVERSITY ISSUES

8.1 There are no Equality and Diversity issues arising from the report.

9.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

The link to the Government's Industrial Strategy Web Page is provided below:

<https://www.gov.uk/government/policies/industrial-strategy>