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**Industrial Strategy White Paper:
Building a Britain Fit for the Future**



Report of Ian Thompson, Corporate Director of Regeneration and Local Services

Purpose of the Report

- 1 To update members of the Economy and Enterprise Overview and Scrutiny Committee on the content of the [Industrial Strategy White Paper](#) which was published in November 2017.

Background

- 2 The Industrial Strategy Green Paper was subject to a consultation in early 2017 and Scrutiny received a paper summarising it in spring 2017. Durham County Council responded to this consultation with the main points being that the ambition to address imbalances in growth across the country were welcome but that the green paper's narrow focus on sectors and lack of investment could stifle growth and innovation. Furthermore, our response outlined the need for skills and education to be more strongly represented in the Strategy with more action by the Government to encourage smaller businesses to engage with the education sector.
- 3 The response also encouraged the Government to recognise the diversity of regions and local areas across the country and the need to help them to build on their strengths. We specifically asked for the government to empower County Councils with additional planning and compulsory purchase powers as well as funding packages tailored to local needs and opportunities. Unfortunately many of our comments were not taken on board.
- 4 The Industrial Strategy White Paper, published in November, is significantly different from the Green Paper with '*five foundations*' compared to the original '*10 pillars*'. The table below compares the framework of each (see Appendix 2 for more detail).

White Paper Foundations of Productivity	Green Paper 10 Pillars
Places Ideas People Infrastructure Business Environment	Growth across the whole country Local institutions Science, research and innovation World-leading sectors Skills Infrastructure Energy and clean growth Business starts and growth Trade and inward investment Procurement

Opportunities and Challenges

- 5 The Industrial Strategy is a flagship strategy for the Government which overlaps with a number of funding and governance issues. It reinforces the roles of Local Enterprise Partnerships (LEPs) and mayoral combined authorities and sets out the need for new *'Local Industrial Strategies'* which are to be led by LEPs or mayors. The Strategy commits to the establishment of an Industrial Strategy Council that will monitor and report on the Government's progress towards the Strategy's objectives and targets. It also outlines the intention for the Prime Minister to chair bi-annual meetings with LEP chairs and determines that all LEPs should establish Skills Advisory Boards to focus on post 16 technical education¹.
- 6 The Strategy is positioned to align the Northern Powerhouse Strategy, LEP Strategic Economic Plans, and local strategies. It is complemented by a number of initiatives and competitive funding streams, many of which have been in the pipeline for a number of years or have been announced in previous budgets. There is a commitment to developing a pilot Teacher Development Programme in the North East which is aimed at addressing poorer performance of schools compared to national averages. It outlines additional support to encourage the take-up of apprenticeships by young people and disadvantaged families. It also sets out the commitment to supporting more disabled people into employment by 2027 – which is a key challenge in County Durham. There are additional commitments to supporting the development of higher-level and technical skills, retraining, broadband, electric vehicles, and cities.

¹ The North East LEP currently has an Employment and Skills Board

- 7 In parts of the UK where economic performance lags European averages EU funding has been a crucial means of supporting growth and, whilst the Government outlined in their 2017 election manifesto that this would be replaced by a Shared Prosperity Fund, there are no details of this in the Industrial Strategy. In the Autumn Budget 2017, the Government committed to consulting on the Shared Prosperity Fund in 2018 but no further details have been released. However, it is expected that future funding will be aligned to Local Industrial Strategies.
- 8 Overall the Strategy lacks any analysis of the business challenges and opportunities relating to Brexit, which is a fundamental weakness. However, the Strategy set the groundwork for four sector deals that have been agreed (life sciences, construction, artificial intelligence, and automotive) and others that are in development (including creative, digital, nuclear and steel sectors). In each case the Government is working with a range of industry representatives and expect the deals and relationships to develop and evolve over time. As part of the deals, the Government is also packaging a range of investments which are designed to support the development of businesses, and the infrastructure they need, across the whole country.
- 9 Ordinarily the Government would consult on a White Paper, but there is no opportunity to respond to the Industrial Strategy. Similarly, there is a lack of transparency about how organisations and businesses – particularly those in poorer performing sectors and outside of cities – can work with the Government to develop deals and obtain support.

Conclusion

- 10 The Industrial Strategy provides a number opportunities for County Durham and the North East to obtain funding and support economic growth, which are likely to broaden in coming years. However, the strategy is rigid in terms of its '*one size fits all*' approach to the governance of economic growth across England.
- 11 There may be opportunities for Durham County Council to shape forthcoming Government policies and financial packages – perhaps most significantly the Shared Prosperity Fund – which could have a major impact on how economic growth is supported in the future. This Fund is likely to be aligned to Local Industrial Strategies, therefore it is vital that Durham County Council maintains a strong role within the region and continues to raise its national profile.

Next Steps

- 12 In response to the Strategy, the North East LEP is aiming to be amongst the first area in the Country to develop a Local Industrial Strategy.

- 13 County Durham Economic Partnership is working with regional and national representatives to evaluate the options for the new Shared Prosperity Fund. Durham County Council is involved in discussions with national bodies such as the County Council's Network, the Local Government Association, the New Local Government Network, and the Industrial Coalfields Alliance and the to lobby the Government on the new fund and associated issues.
- 14 Durham County Council will continue to monitor the Government's approaches to growth and devolution to evaluate and report relevant opportunities.

Recommendation

- 15 That the members of the Economy and Enterprise Overview and Scrutiny Committee note the content of the Industrial Strategy White Paper and opportunities for County Durham.

Appendix 1: Implications

Finance – None.

Staffing – None.

Risk – None.

Equality and Diversity / Public Sector Equality Duty – None.

Accommodation – None.

Crime and Disorder – None.

Human Rights – None.

Consultation – There is no consultation on the White Paper.

Procurement – None.

Disability Issues – None.

Legal Implications – None.

Appendix 2: Summary of the Industrial Strategy

Foundations	Actions
<p>Ideas <i>The world's most innovative economy</i></p>	<ul style="list-style-type: none"> • Raise R&D investment to 2.4 per cent of GDP by 2027 • Increase the rate of R&D tax credit to 12% from 2018 • £725m Industrial Strategy Challenge Fund (2nd wave) to address four Grand Challenges: <ul style="list-style-type: none"> ○ Artificial intelligence & big data ○ Clean growth ○ Future mobility (people, goods, services) ○ Ageing society
<p>People <i>Good jobs and greater earning power for all</i></p>	<ul style="list-style-type: none"> • A new technical education system (after full consultation) • £406m for maths, digital and technical education to address the shortage of STEM skills • £64m National Retraining Scheme focusing on national skills priorities e.g. digital and construction training
<p>Infrastructure <i>A major upgrade to the UK's infrastructure</i></p>	<ul style="list-style-type: none"> • Increase the National Productivity Investment Fund to £31bn for transport, housing and digital infrastructure • £400m for electric car charging infrastructure and an extra £100m to extend the grant scheme for plug-in cars • £1bn for digital infrastructure including £176m for 5G and £200m to ensure 10m properties have full fibre coverage
<p>Places <i>Prosperous communities across the UK</i></p>	<ul style="list-style-type: none"> • Local Industrial Strategies (led by Mayors or LEPs where there is no mayor) – the first will be agreed by March 2019 • £1.7bn Transforming Cities fund to improve connectivity, reduce congestion, and new mobility technology in cities. • £42m Teacher Development Premium pilot; £1,000 budget for teacher development in areas that have fallen behind
<p>Business environment <i>The best place to start and grow a business</i></p>	<ul style="list-style-type: none"> • 4 Sector Deals in life sciences, construction, artificial intelligence, and automotive. Three further sector deals are in 'advanced discussions' including creative industries, industrial digitisation, and nuclear and are also understood to be in consultation with the steel sector. • £20bn+ for innovative businesses, including £2.5bn business Investment Fund in the British Business Bank • Measures to improve the productivity and growth of SMEs