

Scrutiny Inquiry Panel - Future of Work in Southampton

Thursday, 18th October, 2018
at 6.00 pm

PLEASE NOTE TIME OF MEETING

Conference Rooms 3 & 4 - Civic Centre

This meeting is open to the public

Members

Councillor McEwing (Chair)
Councillor Fitzhenry (Vice-Chair)
Councillor Bogle
Councillor Coombs
Councillor Furnell
Councillor Guthrie
Councillor Laurent

Democratic Support Officer
Emily Goodwin
Tel. 023 8083 2302
Email: emily.goodwin@southampton.gov.uk

Contact

Scrutiny Manager
Mark Pirnie
Tel: 023 8083 3886
Email: mark.pirnie@southampton.gov.uk

PUBLIC INFORMATION

Role of Scrutiny Panel Inquiry – Future of Work in Southampton

The Overview and Scrutiny Management Committee have instructed the Scrutiny Panel to undertake an inquiry into the Future of Work in Southampton.

Purpose: To consider how Southampton can maximise the opportunities created by artificial intelligence, automation and technological changes whilst seeking to mitigate the potential disruption to the labour market.

Use of Social Media:- The Council supports the video or audio recording of meetings open to the public, for either live or subsequent broadcast. However, if, in the Chair's opinion, a person filming or recording a meeting or taking photographs is interrupting proceedings or causing a disturbance, under the Council's Standing Orders the person can be ordered to stop their activity, or to leave the meeting. By entering the meeting room you are consenting to being recorded and to the use of those images and recordings for broadcasting and or/training purposes. The meeting may be recorded by the press or members of the public. Any person or organisation filming, recording or broadcasting any meeting of the Council is responsible for any claims or other liability resulting from them doing so. Details of the Council's Guidance on the recording of meetings is available on the Council's website.

The [Southampton City Council Strategy \(2016-2020\)](#) is a key document and sets out the four key outcomes that make up our vision.

- Southampton has strong and sustainable economic growth
- Children and young people get a good start in life
- People in Southampton live safe, healthy, independent lives
- Southampton is an attractive modern City, where people are proud to live and work

Public Representations

At the discretion of the Chair, members of the public may address the meeting about any report on the agenda for the meeting in which they have a relevant interest.

Smoking policy – the Council operates a no-smoking policy in all civic buildings.

Mobile Telephones – please turn off your mobile telephone whilst in the meeting.

Fire Procedure – in the event of a fire or other emergency a continuous alarm will sound and you will be advised by Council officers what action to take.

Access – access is available for the disabled. Please contact the Democratic Support Officer who will help to make any necessary arrangements.

Dates of Meetings: Municipal Year

2018	2019
20 September	17 January
18 October	21 March
22 November	
20 December	

CONDUCT OF MEETING

TERMS OF REFERENCE

The general role and terms of reference of the Overview and Scrutiny Management Committee, together with those for all Scrutiny Panels, are set out in Part 2 (Article 6) of the Council's Constitution, and their particular roles are set out in Part 4 (Overview and Scrutiny Procedure Rules – paragraph 5) of the Constitution.

RULES OF PROCEDURE

The meeting is governed by the Council Procedure Rules and the Overview and Scrutiny Procedure Rules as set out in Part 4 of the Constitution.

BUSINESS TO BE DISCUSSED

Only those items listed on the attached agenda may be considered at this meeting.

QUORUM

The minimum number of appointed Members required to be in attendance to hold the meeting is 3.

DISCLOSURE OF INTERESTS

Members are required to disclose, in accordance with the Members' Code of Conduct, **both** the existence **and** nature of any "Disclosable Pecuniary Interest" or "Other Interest" they may have in relation to matters for consideration on this Agenda.

DISCLOSABLE PECUNIARY INTERESTS

A Member must regard himself or herself as having a Disclosable Pecuniary Interest in any matter that they or their spouse, partner, a person they are living with as husband or wife, or a person with whom they are living as if they were a civil partner in relation to:

(i) Any employment, office, trade, profession or vocation carried on for profit or gain.

(ii) Sponsorship:

Any payment or provision of any other financial benefit (other than from Southampton City Council) made or provided within the relevant period in respect of any expense incurred by you in carrying out duties as a member, or towards your election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.

(iii) Any contract which is made between you / your spouse etc (or a body in which the you / your spouse etc has a beneficial interest) and Southampton City Council under which goods or services are to be provided or works are to be executed, and which has not been fully discharged.

(iv) Any beneficial interest in land which is within the area of Southampton.

(v) Any license (held alone or jointly with others) to occupy land in the area of Southampton for a month or longer.

(vi) Any tenancy where (to your knowledge) the landlord is Southampton City Council and the tenant is a body in which you / your spouse etc has a beneficial interests.

(vii) Any beneficial interest in securities of a body where that body (to your knowledge) has a place of business or land in the area of Southampton, and either:

- a) the total nominal value for the securities exceeds £25,000 or one hundredth of the total issued share capital of that body, or

- b) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you / your spouse etc has a beneficial interest that exceeds one hundredth of the total issued share capital of that class.

Other Interests

A Member must regard himself or herself as having an ‘Other Interest’ in any membership of, or occupation of a position of general control or management in:

Any body to which they have been appointed or nominated by Southampton City Council

Any public authority or body exercising functions of a public nature

Any body directed to charitable purposes

Any body whose principal purpose includes the influence of public opinion or policy

Principles of Decision Making

All decisions of the Council will be made in accordance with the following principles:-

- proportionality (i.e. the action must be proportionate to the desired outcome);
- due consultation and the taking of professional advice from officers;
- respect for human rights;
- a presumption in favour of openness, accountability and transparency;
- setting out what options have been considered;
- setting out reasons for the decision; and
- clarity of aims and desired outcomes.

In exercising discretion, the decision maker must:

- understand the law that regulates the decision making power and gives effect to it. The decision-maker must direct itself properly in law;
- take into account all relevant matters (those matters which the law requires the authority as a matter of legal obligation to take into account);
- leave out of account irrelevant considerations;
- act for a proper purpose, exercising its powers for the public good;
- not reach a decision which no authority acting reasonably could reach, (also known as the “rationality” or “taking leave of your senses” principle);
- comply with the rule that local government finance is to be conducted on an annual basis. Save to the extent authorised by Parliament, ‘live now, pay later’ and forward funding are unlawful; and
- act with procedural propriety in accordance with the rules of fairness.

AGENDA

1 APOLOGIES AND CHANGES IN PANEL MEMBERSHIP (IF ANY)

To note any changes in membership of the Panel made in accordance with Council Procedure Rule 4.3.

2 DISCLOSURE OF PERSONAL AND PECUNIARY INTERESTS

In accordance with the Localism Act 2011, and the Council's Code of Conduct, Members to disclose any personal or pecuniary interests in any matter included on the agenda for this meeting.

3 DECLARATIONS OF SCRUTINY INTEREST

Members are invited to declare any prior participation in any decision taken by a Committee, Sub-Committee, or Panel of the Council on the agenda and being scrutinised at this meeting.

4 DECLARATION OF PARTY POLITICAL WHIP

Members are invited to declare the application of any party political whip on any matter on the agenda and being scrutinised at this meeting.

5 STATEMENT FROM THE CHAIR

6 MINUTES OF THE PREVIOUS MEETING (INCLUDING MATTERS ARISING) (Pages 1 - 2)

To approve and sign as a correct record the Minutes of the meeting held on 20 September 2018 and to deal with any matters arising.

7 THE FUTURE OF WORK IN SOUTHAMPTON - THE POLICY FRAMEWORK SUPPORTING THE GROWTH OF THE AI AND DATA DRIVEN ECONOMY (Pages 3 - 46)

Report of the Service Director, Legal and Governance, requesting that the Panel consider the comments made by the invited guests and use the information provided as evidence in the review.

Wednesday, 10 October 2018

Service Director, Legal and Governance

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Agenda Item 6

SCRUTINY INQUIRY PANEL - FUTURE OF WORK IN SOUTHAMPTON MINUTES OF THE MEETING HELD ON 20 SEPTEMBER 2018

Present: Councillors Bogle, Fitzhenry, Furnell, Guthrie, Laurent and McEwing

Apologies: Councillor Coombs

1. **ELECTION OF CHAIR AND VICE-CHAIR**

RESOLVED that:

- (i) Councillor McEwing be elected as Chair for the Municipal Year 2018/19; and
- (ii) Councillor Fitzhenry be elected as Vice-Chair for the Municipal Year 2018/19.

2. **INQUIRY TERMS OF REFERENCE**

The Panel received and noted the report of the Service Director, Legal and Governance recommending that the Panel note the terms of reference and discuss, amend and approve a final version of the outline inquiry project plan

3. **THE FUTURE OF WORK IN SOUTHAMPTON - INTRODUCTION, BACKGROUND AND CONTEXT**

The Panel considered the report of the Service Director, Legal and Governance requesting that the Panel consider the comments made by the Leader and invited guests and use the information provided as evidence in the review.

Councillor Hammond (leader of the Council) and Andrew Carter (Chief Executive – Centre for Cities) were in attendance and, with the consent of the Chair, addressed the meeting.

The Leader welcomed the inquiry and broadly set out how the Council's current position it was noted that:

- according to a recent research by CBRE Southampton had placed within the top 5 super clusters of Tech Cities;
- the development of technology in the work place would drastically alter the range of jobs within the job market;
- the City Council was already taking steps to raise awareness of future opportunities by hosting a special events such as the "Get-Inspired event" at the Guildhall in November and that the Council was actively encouraging start up businesses to remain and grow in Southampton, by investing the Council's resources into a co-working space for creative, digital and knowledge based businesses; and
- there was a need to look and challenge existing thinking around education and learning in order to compete globally and to 'future proof' the City's lifelong learning needs.

Andrew Carter delivered a presentation that introduced the findings from the Cities Outlook 2018 report that provides an in depth analysis on the future of work and raised the following points:

- that skill levels are one of the most important factors in determining economic outcomes for both individuals and for productivity and are fundamental to people's ability to adapt to the changing world of work. Noting that those cities with highly skilled and qualified employees would be able to respond more effectively to the opportunities for economic growth and take advantage of the potential prosperity that a technological revolution would bring;
- that supporting the growth in high skilled private sector occupations will require a greater emphasis on analytical and interpersonal skills in the future workforce of a city;
- that early year's education and extra curriculum activity were emphasised as being very important tools to enhance the development of the necessary skill set;
- that the introduction of new technology produced a rapidly changing work environment that showed that it was increasingly important requirement for people to continue to develop, learn and re-train throughout their working life is increasingly important.
- that In work training has declined across the UK by an average of 15% between 2004 and 2017. It was explained that in Southampton there had been a 12% reduction. It was noted that Bristol was a notable exception where there had been a 20% increase.
- that there were other factors that act as drivers that would impact on the ability of a city to see growth in new areas such as the cultural offering, attractiveness of the city centre and the ability of employers to access the appropriate skills in the workforce to contribute to the economic success of an area;
- that cities need to take advantage of any particular regional advantage it has but should not become too reliant on a particular sector or else risk becoming potentially side-lined; and
- that having economic development and skills together in the same division at the City Council gave Southampton an advantage when it came to the development of a strategy that would support the City adapt to a changing world.

RESOLVED that the presentations by the Leader and Andrew Carter be noted and used as evidence for the inquiry.

Agenda Item 7

DECISION-MAKER:	SCRUTINY INQUIRY PANEL				
SUBJECT:	THE FUTURE OF WORK IN SOUTHAMPTON – THE POLICY FRAMEWORK SUPPORTING THE GROWTH OF THE AI AND DATA DRIVEN ECONOMY				
DATE OF DECISION:	18 OCTOBER 2018				
REPORT OF:	SERVICE DIRECTOR – LEGAL AND GOVERNANCE				
<u>CONTACT DETAILS</u>					
AUTHOR:	Name: Mark Pirnie	Tel: 023 8083 3886			
	E-mail: Mark.pirnie@southampton.gov.uk				
Director	Name: Richard Ivory	Tel: 023 8083 2794			
	E-mail: Richard.ivory@southampton.gov.uk				
STATEMENT OF CONFIDENTIALITY					
None					
BRIEF SUMMARY					
In accordance with the inquiry plan, for the second meeting of 'The Future of Work in Southampton Inquiry', the Panel will be considering the national, regional and Southampton policy framework supporting the growth of the AI and data driven economy.					
RECOMMENDATIONS:					
	(i)	The Panel is recommended to consider the comments made by the invited guests and use the information provided as evidence in the review.			
REASONS FOR REPORT RECOMMENDATIONS					
1.	To enable the Panel to compile a file of evidence in order to formulate findings and recommendations at the end of the review process.				
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED					
2.	None				
DETAIL (Including consultation carried out)					
3.	At the inaugural meeting of the inquiry the Panel were provided with an insight into the UK jobs market in 2030 and the Executive's vision where Southampton is a global player in AI and new technologies.				
4.	At the second meeting the Panel will be considering the national, regional and local policy framework that is driving national and local objectives.				
5.	A number of guests have been invited to provide the Panel with an insight into the issues: <ul style="list-style-type: none"> • Tom Barnett - Founder & CEO of Chronotis, a pioneer in the field of Web Technology and the Chair of the University of Southampton's Web Science Institute (WSI) Advisory Board. He worked with the WSI and the Solent LEP to create and launch the Z21 Innovation Fund - a 				

	<p>£1m fund to back early stage spin outs from the University of Southampton. He works with a number of major projects across the South Coast to promote innovation and growth in the region.</p> <ul style="list-style-type: none"> • Anne-Marie Mountifield - Chief Executive of the Solent Local Enterprise Partnership an organisation which works collaboratively with partners across the 12 Solent Local councils, businesses, colleges and the Universities to help shape the region's future economic growth. Her role is to lead the Solent LEP towards its objective to make Solent a £30 billion economy by 2020, whilst working to deliver an investment plan for the area worth £1.51 billion over the same period. Anne-Marie is also a member of the University of Southampton's Web Science Institute Advisory Board. • Denise Edghill – Interim Director for Growth, Southampton City Council. Denise has a wide portfolio of responsibilities including economic development, employment skills and business engagement, regeneration, infrastructure and planning and cultural services. • Felicity Ridgway – Service Lead for Policy, Partnerships and Strategic Planning, Southampton City Council. Felicity, when wearing her partnerships hat, co-ordinates Southampton Connect, the overarching strategic partnership body in the city.
6.	Attached as Appendix 1 is a summary of key elements of the National Industrial Strategy. This strategy, published in November 2017, sets out proposals to boost productivity by backing businesses to create good jobs and increase the earning power of people throughout the UK with investment in skills, industries and infrastructure. A link to the full National Industrial Strategy is identified in the background papers.
7.	The strategy identifies 4 Grand Challenges to put the UK at the forefront of the industries of the future. Growing the AI and data-driven economy is the 1 st Grand Challenge and the ambition is to put the UK at the forefront of the AI and data revolution.
8.	Included within the National Industrial Strategy is an expectation that local areas will develop Local Industrial Strategies. The Industrial Strategy White Paper set out that the first Local Industrial Strategies will be agreed with Government by March 2019. Government will aim to agree all places' Local Industrial Strategies in England by early 2020. Agreeing a Local Industrial Strategy for their area with Government will be a necessary condition for Mayoral Combined Authorities and Local Enterprise Partnerships to draw down any future local growth funding being deployed through them. Attached as Appendix 2 is the Local Industrial Strategies Policy Prospective published in October 2018.
9.	The guests invited to present information at the meeting will take questions from the Panel relating to the evidence provided. Copies of any presentations will be made available to the Panel.
RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	

10.	N/A
<u>Property/Other</u>	
11.	N/A
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
12.	The duty to undertake overview and scrutiny is set out in Part 1A Section 9 of the Local Government Act 2000.
<u>Other Legal Implications:</u>	
13.	None
RISK MANAGEMENT IMPLICATIONS	
14.	None
POLICY FRAMEWORK IMPLICATIONS	
15.	None
KEY DECISION	No
WARDS/COMMUNITIES AFFECTED: None directly as a result of this report	
<u>SUPPORTING DOCUMENTATION</u>	
Appendices	
1.	National Industrial Strategy – Summary
2.	Local Industrial Strategies – Policy Prospectus
Documents In Members' Rooms	
1.	None
Equality Impact Assessment	
Do the implications/subject of the report require an Equality and Safety Impact Assessments (ESIA) to be carried out? No	
Data Protection Impact Assessment	
Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out? No	
Other Background Documents: Equality Impact Assessment and Other Background documents available for inspection at:	
Title of Background Paper(s) Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)	
1.	https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/664563/industrial-strategy-white-paper-web-ready-version.pdf National Industrial Strategy – Full Version(Published Nov 2017)

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Industrial Strategy

Building a Britain fit for the future



Foreword from the Prime Minister



10 DOWNING STREET
LONDON SW1A 2AA

Over the last seven years, we have made huge progress in restoring our public finances and rescuing our economy from the brink of bankruptcy. Thanks to the sacrifices of the British people, the deficit is now down two-thirds since 2010, the unemployment rate is at its lowest in over 40 years and we have had 19 continuous quarters of economic growth.

We should take enormous pride in these achievements and the difference they are making for many families and businesses in our country. But at the same time, we must also recognise there are some communities which have struggled to keep pace with changes in the global economy and as a result not fully shared in the prosperity that growth has delivered.

For me it is not enough to see growth in the national economy if your local economy is shrinking. It is not ambitious enough to have record jobs growth, unless those jobs are secure and delivering real growth in wages. And we are not fulfilling Britain's potential if, despite having scientists and universities renowned the world over, we cannot turn their ideas into the products and services on which the industries of the future will be built.

That is why one of my first actions as Prime Minister was to begin the development of a modern Industrial Strategy that would help businesses to create high quality, well paid jobs right across the country. This document is a vital step in delivering that vision. More than just a set of announcements, it heralds a new approach to how government and business can work together to shape a stronger, fairer economy. At its heart it epitomises my belief in a strong and strategic state that intervenes decisively wherever it can make a difference. It is rooted in the conviction that a successful free-market economy must be built on firm foundations: the skills of its workers, the quality of the infrastructure, and a fair and predictable business environment. And where these are missing it takes energy and partnership between government and the private sector to address the problems.

That is exactly what this Industrial Strategy aims to do. It will help young people develop the skills they need to do the high-paid, high-skilled jobs of the future. It backs our country for the long-term: creating the conditions where successful businesses can emerge and grow, and helping them to invest in the future of our nation. And it identifies the industries that are of strategic value to our economy and works to create a partnership between government and industry to nurture them. In doing so, it will help propel Britain to global leadership of the industries of the future - from artificial intelligence and big data to clean energy and self-driving vehicles.

Two centuries ago it was our industrial revolution which led the world. Thirty years ago, it was our bold, pro-market reforms which set an example for others to follow. Today, our ambition is just as high. As we leave the European Union and forge a new path for ourselves, so we will build a Britain fit for the future and fulfil the mission that I set on my first day as Prime Minister: to make our United Kingdom a country that truly works for everyone.



The Prime Minister

A handwritten signature in black ink, appearing to read "T. M." followed by a stylized surname.

Foreword from the Secretary of State

We are at one of the most important, exciting and challenging times in the history of global enterprise.

Powered by new technologies, the way we live our lives as workers, citizens and consumers is being transformed across the world.

Britain is extraordinarily well-placed to benefit from this new industrial revolution. We are an open enterprising economy, built on invention, innovation and competition. Our universities and research institutions are among the best in the world. We have a deserved reputation for being a dependable and confident place to do business, with high standards, respected institutions, and the reliable rule of law. We have achieved near historic levels of employment. We are a crossing point for the world because of our geographic position, the English language, our strong ties, our openness to ideas and our vibrant culture. We have many industries - from financial services to advanced manufacturing, from the life sciences to the creative industries - which are world leading.

To benefit from the opportunities before us, we need to prepare to seize them. This would be needed at any time, and Britain's decision to leave the European Union makes it even more important.

More decisions about our economic future will be in our own hands, and it is vital that we take them.

In our Industrial Strategy we set out how we will build on our strengths, extend them into the future and capitalise on the opportunities before us.

A serious strategy must also address the weaknesses that keep us from achieving our full potential.

For all the excellence of our world-beating companies, the high calibre of our workforce and the prosperity of many areas, we have businesses, people and places whose level of productivity is well below what can be achieved.

By improving productivity while keeping employment high, we can earn more - raising living standards, providing funds to support our public services and improving the quality of life for all our citizens.

So this Industrial Strategy deliberately strengthens the five foundations of productivity: ideas, people, infrastructure, business environment and places.

As well as setting a path to improved productivity, our Industrial Strategy sets out four areas where Britain can lead the global technological revolution.

These four Grand Challenges – in artificial intelligence and big data; clean growth; the future of mobility; and meeting the needs of an ageing society – have been identified on the advice of the our leading scientists and technologists. They will be supported by investment from the Industrial Strategy Challenge Fund and matched by commercial investment.

Our Industrial Strategy will inform decisions now, and in the future. Other countries have benefited from establishing policies and institutions which endure. That is our aim. Through the consultation on our Green Paper, over 2,000 organisations from all parts of the United Kingdom have helped shape this strategy.

That partnership with innovators, inventors, job creators, local leaders, the devolved administrations, workers and consumers will continue as we work together to make our country fit for the future.



Rt Hon Greg Clark MP
Secretary of State for Business,
Energy and Industrial Strategy

A handwritten signature in blue ink that reads "Greg Clark". The signature is fluid and cursive, with "Greg" on the left and "Clark" on the right.

Overview: We will create an economy that boosts productivity and earning power throughout the UK

Our five foundations align to our vision for a transformed economy



We will set Grand Challenges to put the United Kingdom at the forefront of the industries of the future:



AI & Data Economy

We will put the UK at the forefront of the artificial intelligence and data revolution



Clean Growth

We will maximise the advantages for UK industry from the global shift to clean growth



Future of Mobility

We will become a world leader in the way people, goods and services move



Ageing Society

We will harness the power of innovation to help meet the needs of an ageing society

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.



Technological innovations are transforming how we live and work

The challenge for the future

The United Kingdom is a successful, competitive, open economy.

We have many strengths on which we can build, and some weaknesses we need to address. As we leave the European Union we need to raise our game at home and on the world stage. This can be done if we seize the opportunities of the years ahead - and it is essential if the British people are to enjoy prosperous lives with fulfilling work and high quality public services.

At the same time, the world is changing in fundamental ways. Technological innovations are transforming how we live and work. The proportion of older

people in our society is growing. The way we generate and use energy is changing rapidly.

The Industrial Strategy sets out how we are building a Britain fit for the future - how we will help businesses create better, higher-paying jobs in every part of the United Kingdom with investment in the skills, industries and infrastructure of the future. It ensures that our country and its citizens can embrace and benefit from the opportunity of technological change.

Our vision is for:

- ▶ the world's most innovative economy
- ▶ good jobs and greater earning power for all
- ▶ a major upgrade to the UK's infrastructure
- ▶ the best place to start and grow a business
- ▶ prosperous communities across the UK

To achieve this, we must ensure every part of our country realises its full potential. We are taking action now, including making the biggest ever increase in public investment in research and development, establishing a new fund to drive productivity by improving connections within city regions, and agreeing Sector Deals which will drive transformation in investment and productivity across the economy.

This Industrial Strategy is for the long term. It provides a policy framework against which major private and public sector investment decisions can be made with confidence. It is a strategy that is being implemented with, not just for, British enterprise - with the full involvement of innovators, investors, job creators, workers and consumers in England, Scotland, Wales and Northern Ireland.

It is also a strategy that recognises and respects the devolution settlements of Scotland, Wales and Northern Ireland. With many of the policies that can drive productivity being devolved, it is a strategy that necessarily brings our work together with that of the devolved administrations as we work in partnership to get the best possible outcome for every part of the UK.

The strategy set out in this paper is the work of many people, businesses, local leaders and institutions. It builds on nearly 2,000 formal responses to the public consultation on our Green Paper, *Building our Industrial Strategy*¹, from all types of organisation, sectors of the economy, groups of businesses and individuals - and many thousands of contributions through our programme of engagement throughout the UK over the last 10 months.

Our approach

Our consultation reinforced the importance of five foundations of productivity – the essential attributes of every successful economy.

These are **Ideas, People, Infrastructure, Business Environment** and **Places**. Our focus on them responds to the detailed feedback to the Green Paper.

Our five foundations align to our vision for a transformed economy - a transformation that is already taking place and will accelerate over the course of the coming decades:

Through this process we have also identified Grand Challenges which we will set for the UK government and wider economy. These are in response to global forces that will shape our rapidly changing future, and which the UK must embrace to ensure we harness all the opportunities they present. The Grand Challenges commit to:

- ▶ put the UK at the forefront of the artificial intelligence and data revolution;
- ▶ maximise the advantages for UK industry of the global shift to clean growth;
- ▶ become a world leader in shaping the future of mobility; and
- ▶ harness the power of innovation to help meet the needs of an ageing society.

Our foundations and Grand Challenges are set out in the sections that follow. This strategy also refers to a number of policies that will be added to over time to support the foundations and drive the UK's transformation.

Our five foundations



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

We will:

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;

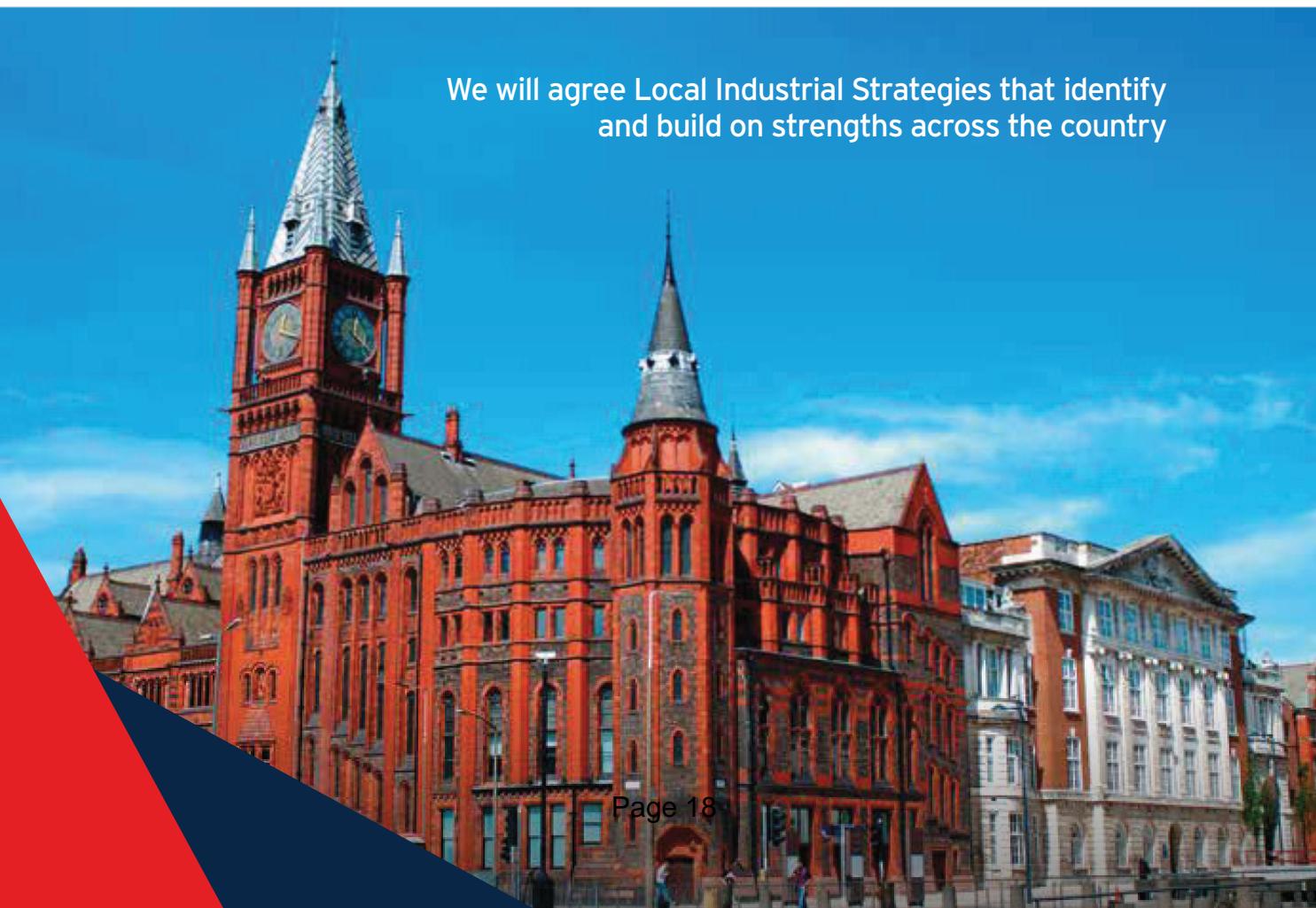
Business Environment

- ▶ 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; and
- ▶ 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.

These policies, alongside the many others set out in this document, are the first strategic actions of a long-term approach to transform our levels of productivity and our earning power as a nation, as businesses, as places, and as individuals. We are ready to be judged on our performance in implementing them.



We will agree Local Industrial Strategies that identify and build on strengths across the country

Grand Challenges

We will set Grand Challenges to put the United Kingdom at the forefront of the industries of the future.

The world is undergoing a technological revolution. Artificial intelligence (AI) will transform the way we live and work, from the way we diagnose and treat cancer to the security of online transactions. This fourth industrial revolution is of a scale, speed and complexity that is unprecedented. The first industrial revolution mechanised production using water and steam power; the second created mass production using electric power; the third automated production using electronics and information technology. This fourth revolution is characterised by a fusion of technologies that is blurring the lines between the physical, digital and biological worlds¹⁵. It will disrupt nearly every sector in every country, creating new opportunities and challenges for people, places and businesses to which we must respond.

This is not the only seismic global change to which the UK needs to respond.

We owe it to ourselves and future generations to lower carbon emissions and move towards cleaner growth; we are facing a fundamental demographic shift as our population ages; and we are on the cusp of a profound shift in how we move people, goods and services around our towns, cities and countryside.

We need to make the most of the global market opportunities these changes

present. We must also embrace the technological advances that improve productivity across many sectors, as well as the quality of our everyday lives.

A truly strategic government must do more than just fix the foundations: it must also plan for a rapidly changing future, look to shape new markets and industries, and build the UK's competitive advantage. The public and private sector must work with universities, researches and civil society to put the UK at the forefront of these revolutions, breaking down conventional barriers within and between business sectors and academic disciplines. This is what the Grand Challenges will achieve.

History shows governments around the world have taken advantage of global challenges. In the 1970s, the UK government was instrumental in developing the North Sea oil and gas industry. More recently, thanks to tailored public support, the UK has built the largest off-shore wind capacity of any country¹⁶ and developed world class gene sequencing technologies.

Overseas, Germany's Industrie 4.0¹⁷ is an example of a government helping prepare the country to take advantage of major trends, while in the United States the Defense Advanced Research Projects Agency (DARPA) and other

public research institutions have played a significant role in developing the technologies behind the internet and smartphone, spurring the growth of entire new markets. Other countries are already looking to capitalise upon the fourth industrial revolution. Japan, for example, has deliberate strategies to prepare for and to embrace these transformational changes in technology.

The ability to meet our Grand Challenges rests on broad capabilities. The DARPA programme has been effective because it is part of a much wider research and development (R&D) effort. Our capacity to act nimbly and effectively depends on maintaining capacities across a wide range of technologies and disciplines.

We can engage now with the challenge of AI because of previous investments in high performance computing. Similarly, we can rise to the challenge of an ageing society because we have already invested in resources such as the UK Biobank, which tracks the health information of 500,000 volunteers¹⁸, and we have a lead in understanding the interaction between genes and environment.

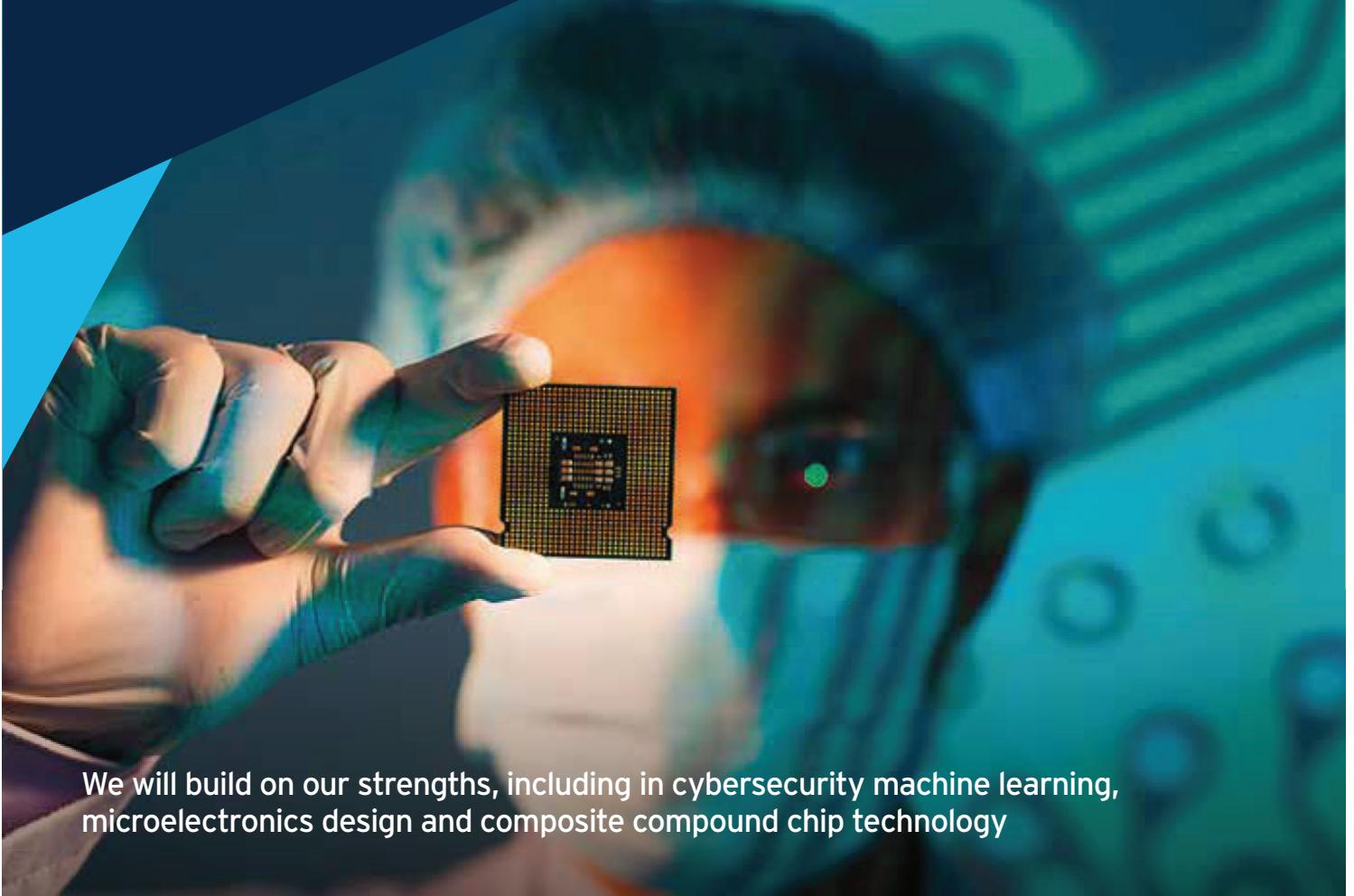
We must continue to support a broad range of key capabilities and emerging technologies.

We also need to be clear where our distinctive advantages lie. We will build on our existing strengths, from cybersecurity, machine learning, microelectronics design and composite compound chip technology to biotechnologies and life sciences such as genetics and cell therapies. At the same time we must develop new strengths in emerging sectors. We must do this as a partnership between businesses, scientists, investors, educators and policy makers to take full advantage of the transformational potential of these trends to improve people's lives, their work and the nation's productivity.

This partnership must be UK-wide, embracing our four nations. The UK government needs to work in collaboration with the governments and businesses of Scotland, Wales and Northern Ireland. Just as we committed in the Green Paper to holding ministerial forums with each devolved administration, we will work together to rise to each of the Grand Challenges.



'A truly strategic government must do more than just fix the foundations: it must also plan for a rapidly changing future.'



We will build on our strengths, including in cybersecurity machine learning, microelectronics design and composite compound chip technology

What are the Grand Challenges?

We have taken evidence from our Green Paper consultation, and worked with scientific leaders – the Government Office for Science, UK Research and Innovation (the Research Councils and Innovate UK), the Council for Science and Technology and the national academies – to identify four Grand Challenges. We will:

- ▶ put the UK at the forefront of the artificial intelligence and data revolution;
- ▶ maximise the advantages for UK industry from the global shift to clean growth;
- ▶ become a world leader in shaping the future of mobility; and

▶ harness the power of innovation to help meet the needs of an ageing society.

We must not expect that every individual action will bring guaranteed or immediate success. Through inviting competing proposals and ideas, the government will identify, support and fund a range of promising projects.

We must not let a fear of failure make us unimaginative or risk averse. The government must be willing to back a broad portfolio of risky initiatives rather than be constrained by the possibility of individual failures.

To respond to the Grand Challenges, business, academia, civil society and



the government must work together, bringing their expertise and entrepreneurial spirit, to drive us all towards success. By setting out strategic visions and a positive role for government we hope to attract the engagement of some of the brightest minds from across the private and public sectors. For each Grand Challenge, we 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. They will advise on how to make the most of the global opportunity it presents and review how we can work together to respond to it - such as improving supply and increasing demand in nascent markets, and ensuring that innovations can diffuse and scale. We will look to appoint Business Champions and external advisers in early 2018.

We will ensure that the government makes the most of all its policy levers to achieve success. Levers include regulations, funding and Sector Deals.

We will also direct the government's convening power, promote exports and inward investments, and build consumer trust in new technologies. 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 period¹⁹, using well defined and concrete goals to allow progress to be monitored and assessed, and the option to change course when appropriate.

Progress on each Grand Challenge will be regularly reviewed to ensure that policies are having the desired impact, we are focusing on the correct issues, and we are aware of any changes in the UK's advantage over other countries.

In the next section we set out some early priorities for each of the four Grand Challenges. These will be developed in more detail with the Grand Challenge teams over the coming months including setting missions where appropriate.

'Business, academia, civil society and the government must engage together, bringing their expertise and entrepreneurial spirit, to drive us all towards success.'



SecondHands is a research project led by Ocado Technology that aims to design a collaborative robot that can offer help to maintenance technicians working in Ocado's highly automated grocery warehouses

Growing the AI & Data-Driven Economy

We will put the UK at the forefront of the AI and data revolution.

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. A recent study found digital technologies including AI created a net total of 80,000 new jobs annually across a population similar to the UK²⁰. By one estimate, AI could add £232bn to the UK economy by 2030²¹.

We start from a position of strength. The UK is already a world leader in AI, with the building blocks to make significant advances. We have some of the best research institutions in the world and



globally-recognised capability in AI-related disciplines, including maths, computer science, ethics and linguistics. We have substantial datasets in public institutions where AI can be explored safely and securely. We have great strengths in the underpinning technologies, from ARM's microchips to the microcomputers of Raspberry Pi. UK innovators push boundaries in robotics and the internet of things. These strengths are the result of academic excellence, research ingenuity, smart business decisions, and investment by previous governments of different political persuasions.

As with previous revolutionary technologies, these changes cannot be resisted and it would be irresponsible to fail to prepare. Meeting our Grand Challenge means maximising the opportunities created by AI and advanced data technologies, and responding to the potential impacts on society. It is a call for businesses, research institutions and the government to work together throughout the UK to invest in these technologies, encourage their adoption and set standards in secure, trusted use of data.

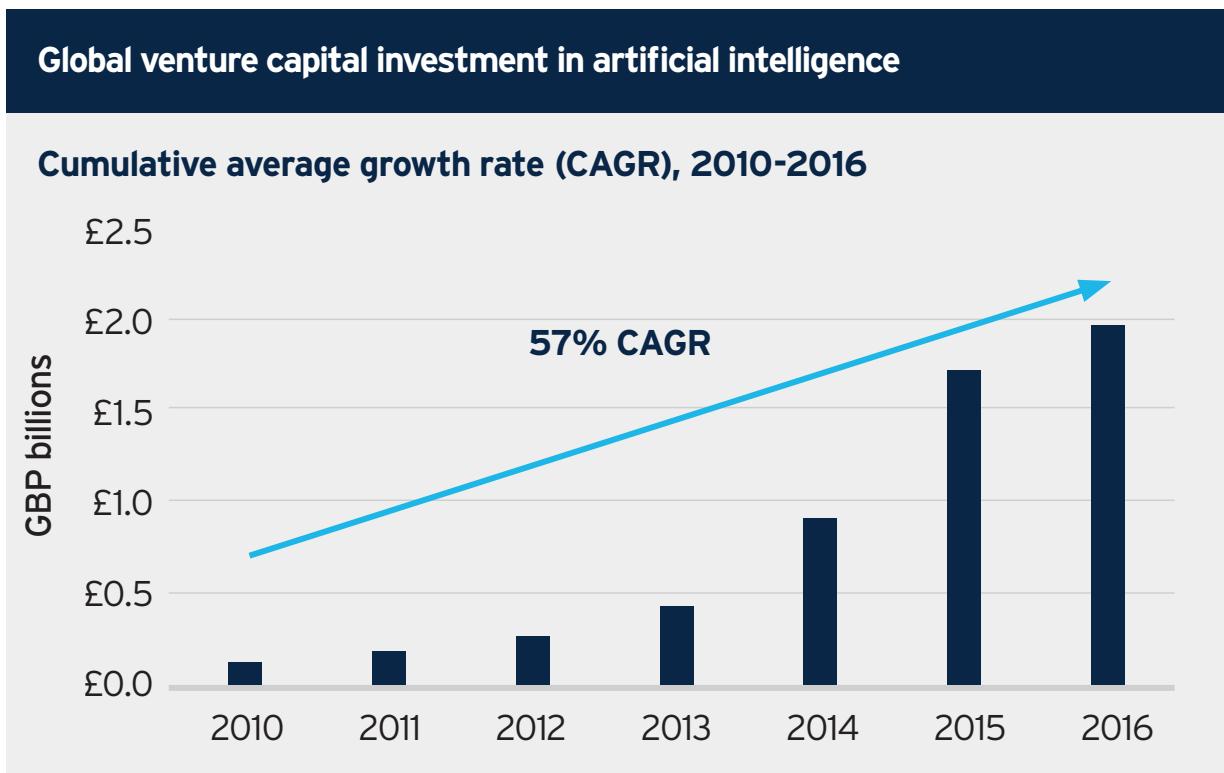
'Embedding AI across the UK will create thousands of good quality jobs and drive economic growth. AI could add £232bn to the economy by 2030.'

The AI and data-driven economy

Artificial intelligence: technologies with the ability to perform tasks that would otherwise require human intelligence, such as visual perception, speech recognition, and language translation

Machine learning: a type of AI that allows computers to learn rapidly from large datasets without being explicitly programmed

Data-driven economy: a digitally connected economy that realises significant value from connected, large-scale data that can be rapidly analysed by technology to generate insights and innovation



Source: Hall, W. and Pesenti, J. (2017) *Growing the Artificial Intelligence Industry in the UK*.
Growth is cumulative average growth rate 2010 to 2016

We must ensure that Britain is among the first countries to ensure that everyone benefits from this revolution.

An early response to this challenge is the Artificial Intelligence Sector Deal, responding to the review by Professor Dame Wendy Hall and Jérôme Pesenti, *Growing the AI Industry in the UK*²².

In consultation with a range of people with expertise in this area, we have identified four priorities for this Grand Challenge:

We will make the UK a global centre for artificial intelligence and data-driven innovation

We will build on our world-class research by working with industry

to develop innovative uses of AI and advanced analytic technologies through the Industrial Strategy Challenge Fund*. For example, through the Industrial Strategy 'Next generation of services' project we will invest in developing applications of AI and data-driven innovation for service sectors; and, through the 'Data to early diagnostics and precision medicine' programme we will invest to enhance the power of health data to diagnose life-changing diseases at the earliest possible stage and develop precision treatments to cure them.

*All wave 2 programmes are subject to final business case, when further details on funding will be made available

We will also support businesses with regulation that stimulates and facilitates innovation. Building on the 'sandbox' approaches that the Financial Conduct Authority and Ofgem, the energy regulator, have successfully implemented, we are establishing a £10m Regulators' Pioneer Fund to support UK regulators to develop innovative approaches to emerging technologies.

We will foster, attract and retain the best and brightest research talent. The Alan Turing Institute will become the national research centre for AI, supporting new Turing Fellowships. We will invest £45m to support additional PhDs in AI and related disciplines, increasing numbers by at least 200 extra places a year by 2020-21, aiming to expand the numbers in UK universities year-on-year into the next decade.

We will also develop people's skills to keep up with the speed of technological change by supporting universities and businesses to develop an industry-funded masters programme, with an initial scale of over 200 places. We will also work

with industry to explore how best to train cross-discipline professionals to apply AI in their specialist areas, for example through conversion courses and continuing professional development.

We will support sectors to boost their productivity through artificial intelligence and data analytic technologies

A major source of productivity improvements comes from making the most of AI and machine learning across the economy. We are working with industry to establish an industry-led AI Council that can take a leadership role across sectors. The AI Council will be supported by a new government Office for AI. In partnership with industry and academia, these bodies will champion research and innovation, stimulate demand and accelerate uptake across all sectors of the economy. The office, working with the AI Council, will lead work to increase awareness of the advantages of advanced data analytic technologies and promote greater diversity in the AI workforce.



'We will build on our world-class research by working with industry to develop innovative uses of AI and advanced analytic technologies through the Industrial Strategy Challenge Fund.'

To support rapid adoption of AI technologies at scale, the Office for AI will work initially with six priority business sectors: cybersecurity; life sciences; construction; manufacturing; energy; and agricultural technology. The office will work in partnership with the new GovTech Catalyst to ensure the public sector can benefit from these technologies. It will also collaborate with partners to promote adoption, for example through the Digital Catapult's 'Machine Learning Garage' programme launching in January. This programme will provide low-cost access to high quality machine learning computation power for start-ups, and support businesses of all sizes with expertise on cost-effective machine learning computation.

As the global market expands, we will increase our export support for AI and data businesses. The Global Entrepreneur Programme will look to increase its focus on attracting AI and data-led businesses to establish headquarters in the UK.

We will lead the world in safe and ethical use of data and artificial intelligence giving confidence and clarity to citizens and business

AI and data are already creating enormous opportunities for us to understand more about everything, from our health to what we like to buy. But it is vital that we remove barriers to innovation and ensure that data is used in a way that is both safe and fair to individuals.

The UK will take an international leadership role by investing £9m in a new Centre for Data Ethics and Innovation. This world-first advisory body will review the existing governance landscape and advise the government on how we can enable and ensure ethical, safe and innovative uses of data, including AI. This will include engaging with industry to explore establishing data trusts to facilitate easy and secure sharing of data. We will consult widely in due course on the detailed remit for this new centre.

We will also strengthen overall data security, reinforcing the UK's position as a global centre for cybersecurity. We will develop detailed recommendations over the next six months.

We will help people develop the skills needed for jobs of the future

AI and data analytics will change jobs and businesses, and we want people to be able to capitalise on these opportunities. Our Industrial Strategy builds on our work to develop people's skills, investing an additional £406m in maths, digital and technical skills in England. This includes investing £84m over the next five years to deliver a comprehensive programme to improve the teaching of computing and drive up participation in computer science. We will up-skill 8,000 computer science teachers and work with industry to set up a new National Centre for Computing Education.

We will also promote a new adult digital skills entitlement to support basic training and our new National Retraining Scheme will help people re-skill and up-skill as the economy changes, including as a result of automation. This scheme will be informed by career learning pilots, which are testing barriers to adults engaging in learning, and the National Retraining Partnership. Initially it will focus on priority skills, including digital. As a first step, we will invest £30m to test the use of AI and innovative education technology (edtech) in online digital skills courses.

We also need to build an evidence base about how technological change may affect different sectors, groups and places. Building on the work of Skills Advisory Panels and local Digital Skills Partnerships in England, the government and industry will explore how data analytics can be used to improve our understanding of employer demand for skills.



'AI and data are already creating enormous opportunities for us to understand more about everything, from our health to what we like to buy.'

One of the many applications of AI and data analytics technologies is to enable more efficient use of energy and resources. For example, intelligent algorithms applied to data on atmospheric conditions and soil moisture could dramatically reduce the amount of water needed for agriculture. Actions to support our first Grand Challenge will complement the second challenge we have identified – maximising the advantages to UK industry of the global shift to clean growth.

Artificial Intelligence Sector Deal

The government and the artificial intelligence (AI) sector have agreed a Sector Deal to boost the UK's global position as a leader in developing AI technologies.

Taking immediate, tangible actions to advance our AI and Data-Driven Economy Grand Challenge, this deal will anchor the UK as the go-to destination for AI innovation and investment.

AI's extraordinary potential is already well known: by one estimate it could add £232bn to the UK economy by 2030¹⁹⁷. The UK is a recognised world leader in developing AI: Deepmind, Babylon and Swiftkey - which was backed by Innovate UK - are all globally renowned companies founded here.

The Sector Deal builds on the review by Professor Dame Wendy Hall and Jérôme Pesenti, *Growing the artificial intelligence industry in the UK*, which involved an extensive range of business leaders, academics and research councils. The review made recommendations for both the government and industry, recognising the role that the government can play in creating the conditions to support emerging sectors to grow.

The deal will establish an enduring partnership between industry, academia and the government through the UK Artificial Intelligence Council, where all partners will work together to promote the safe, fair application of this technology. The deal contains mutual commitments to encourage the responsible sharing of data to develop new value, and to ensure that the UK produces and retains the best global talent.

What is in the deal?

Realising the Potential of Data

The deal recognises the critical importance of data availability, and its responsible use, to businesses at the forefront of the development of AI applications. The government and industry will work together to establish data trusts, an innovative approach to stimulating fair, safe and equitable data sharing between parties.



[The AI Sector Deal] will anchor the UK as the go-to destination for AI innovation and investment.'

A Skilled and Diverse Workforce

To be global leaders in the application of AI, companies must attract the talent they need. We are committed to working together to build and maintain the best AI workforce in Europe, focusing on post graduate level skills and above. We will invest £45m to support additional PhDs in AI and related disciplines, create a prestigious artificial intelligence fellowship programme and work together to develop an industry-funded masters programme.

Coordination and Uptake

For the economy to realise the benefits of AI, the sector and the government will coordinate action on solutions to shared challenges and opportunities through an AI Council, a new government Office for Artificial Intelligence, an expansion of Tech City UK to become Tech Nation and a new GovTech Fund.

Nissan Juke production line in Sunderland





Leeds city centre

Our approach

The people best placed to drive forward local economies are those who live, work and do business in them.

We need to harness this local insights to develop clear, long-term strategies for future growth - this approach is vital to successful local economies.

We will work in partnership with places to develop Local Industrial Strategies, which will be developed locally and agreed with the government. These 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.

Local Industrial Strategies will be long-term, based on clear evidence, 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.

These strategies will establish new ways of working between national and local leaders in both the public and private sectors. Universities, colleges and other local institutions will be key, as will an approach that is responsive to both local and global market conditions to provide greater long-term certainty.

We will agree the first Local Industrial Strategies by March 2019.

We will prioritise areas with the potential to drive wider regional growth, focusing on clusters of expertise and centres of economic activity.

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. We will also discuss the suitability of this approach with the devolved administrations.

Local leadership

Successful strategies require strong public and private leadership. We will continue to work with the new city region mayors, combined authorities, local authorities and Local Enterprise Partnerships to drive growth in England. We will continue to support locally-driven partnerships, proposals and reforms, with the aim of ensuring that economic powers are exercised at the most appropriate level and that decision-making is effective and clear.

We recognise that there are different arrangements for local government and business leadership at a regional level in each of the devolved nations. City and Growth Deals will continue to support growth and create opportunities across Scotland, Wales and Northern Ireland, and we will discuss further collaboration with each of the devolved administrations.

We now have directly elected mayors in place for a number of our English city regions, covering a third of the English population.



'Local Industrial Strategies will be long-term, based on clear evidence, and aligned to the national Industrial Strategy.'

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.

We have 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. In addition, Greater Manchester and the government will work in partnership to develop a Local

Industrial Strategy. The government will provide a £243m allocation from the fund and will continue to work with Transport for Greater Manchester to explore future options.

We have agreed a 'minded to' devolution deal with the North of Tyne authorities, which will be subject to the consent of local partners. This will see £600m of investment in the region over a 30-year period and create a new mayor to be elected in 2019 with control over economic levers including planning and skills.

Case Study: Local leadership of industrial regeneration in the Tees Valley

The government is working with the Tees Valley mayor to support the regeneration of an extensive industrial area at Redcar by the South Tees Development Corporation. This is the first Mayoral Development Corporation outside London and is promoting local economic development and inward investment on the south bank of the River Tees. The government announced £118m at the Autumn Budget 2017 to ensure the ongoing safe and secure management of the former SSI steelworks, an integral part of the wider 4,500 acre development site. This includes removing dangerous

substances left over from the SSI steel production processes and making the site attractive to private sector investment. A further £5m was announced at the same time for the South Tees Development Corporation to take forward its plan.

The South Tees Development Corporation estimates the project could create 20,000 new jobs in skilled sectors and contribute an additional £1bn per annum to the local economy. This sustained economic growth will benefit the entire Tees Valley and demonstrates the importance of the powers devolved to its mayor.

We remain firmly committed to Local Enterprise Partnerships. 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.

While Local Enterprise Partnerships across the country have played an important role in supporting local growth, feedback suggests that their performance has varied²¹³. We are reviewing the roles and responsibilities of Local Enterprise Partnerships and will bring forward reforms to leadership, governance, accountability, financial reporting and geographical boundaries. We will work with Local Enterprise Partnerships to set out a more clearly defined set of activities and objectives in early 2018.

These will be driven by influential local leaders, acting as figureheads for their area's economic success, and a clear strategy for local and national partnership.

We will agree and implement appropriate structures for holding Local Enterprise Partnerships to account. We will work with Local Enterprise Partnerships to review overlapping geographies and ensure people are clear as to who is responsible for driving growth in their area.

We recognise that in order to deliver their role effectively, Local Enterprise Partnerships need financial support. We will make additional financial resources available to Local Enterprise Partnerships that demonstrate ambitious levels of reform following the review.



'We have 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 £250m from the Transforming Cities Fund.'



HM Government

Agenda Item 7

Appendix 2

Local Industrial Strategies

Policy Prospectus

October 2018



“ We will work in partnership with places to develop Local Industrial Strategies, which will be developed locally and agreed with Government ”

Industrial Strategy: Building a Britain fit for the future (November 2017)

Introduction

The recently published Strengthened Local Enterprise Partnerships set out that reformed and stronger Local Enterprise Partnerships will adopt a single mission: to promote productivity by delivering Local Industrial Strategies.

We are now setting out the objectives, policy rationale and approach to developing Local Industrial Strategies in partnership with places. We will also outline next steps on engagement and implementation with Mayoral Combined Authorities and Local Enterprise Partnerships.

We want to build on the innovative approaches in Scotland, Wales and Northern Ireland.

This includes building on City and Growth Deals, supported by their respective boards, and working with places in Scotland, Wales and Northern Ireland – and with our partners in each devolved administration – to explore Local Industrial Strategies that align with regional, national and UK priorities.



Summary and objectives

Local Industrial Strategies will be long-term, based on clear evidence and aligned to the national Industrial Strategy.

They should set out clearly defined priorities for how cities, towns and rural areas will maximise their contribution to UK productivity. Local Industrial Strategies will allow places to make the most of their distinctive strengths. They will better coordinate economic policy at the local level and ensure greater collaboration across boundaries.

Subject to Local Industrial Strategies being agreed in places by Government, they will help to inform local choices, prioritise local action and, where appropriate, help to inform decisions at the national level.

They will also provide strategic overview which will inform Local Enterprise Partnerships' approach to any future local growth funding deployed through them. In conjunction with the key reforms set out in the Strengthened Local Enterprise Partnerships, Local Industrial Strategies will help local areas in England decide on their approach to maximising the long-term impact of the new UK Shared

Prosperity Fund once details of its operation and priorities are announced following the Spending Review.

Government is committed to Local Industrial Strategies so that all places:

- ▶ **Are able to increase productivity and realise their potential:** building on well-evidenced and distinctive strengths aligned with the national Industrial Strategy.
- ▶ **Set out the spatial impacts of national and local policy across our cities, towns and rural areas:** informing priorities and choices and demonstrating how they will allow all communities to contribute to, and benefit from, economic prosperity.

Context

The modern Industrial Strategy set out the Government's ambition to increase productivity and earning power across the country.

The modern Industrial Strategy set out the Government's ambition to increase productivity and earning power across the country. Yet our economic success has never been forged by central Government alone. It has required the ambition and ingenuity of local business and civic leaders.

Since 2010, we have delivered on an ambitious agenda including: **City Deals**, which provided the toolbox for places to address specific opportunities and challenges; **Devolution Deals**, which took this further, placing the responsibility and rewards of economic growth in the hands of newly elected **Metro Mayors**; and **Local Enterprise Partnerships** across the country, which developed **Strategic Economic Plans** to invest through the **Local Growth Fund**. Local Industrial Strategies will build on this approach. They will allow us to deepen partnerships and establish new ways of working between national and local government, and the public and private sectors.

As set out in the Industrial Strategy White Paper, we expect that Local Industrial Strategies will help guide the strategic use of local funding streams; they will also act as a gateway to any future local growth funding being deployed through strengthened Local Enterprise Partnerships. Local Industrial Strategies should, however, remain strategic documents and not contain any proposals that require new funding or have spending implications outside of existing budgets available to local areas.

Rationale

We know that growth does not happen in the abstract.

Cities, towns and rural areas across the UK contribute to growth at the national level. They have different assets and different opportunities to capitalise on emerging technologies or new global markets.

Local Industrial Strategies should set out clearly defined objectives to increase the productivity of the local economy. They will address local strengths and weaknesses, as well as market opportunities and failures. Barriers to growth also vary across the country - and within localities - so the appropriate mix of policies to boost productivity will vary too.

In England, Local Industrial Strategies provide an opportunity for Local Enterprise Partnerships and Mayoral Combined Authorities to engage and involve business in developing a shared vision for the long-term. To achieve this, Local Industrial Strategies will need to

be a product of extensive consultation with businesses, a broad range of public partners and the civil society sector. Where assets, opportunities and challenges extend beyond their geographies, we encourage Local Enterprise Partnerships and Mayoral Combined Authorities to collaborate across those boundaries to maximise growth through initiatives such as the Northern Powerhouse and Midlands Engine. Local Industrial Strategies should also set out where and how places can best work with Government to address shared priorities.

Developing a Local Industrial Strategy

As we set out in the Industrial Strategy White Paper, we will work in partnership with places to develop Local Industrial Strategies, which will be developed locally and agreed with Government.

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 England without a mayor, the development of the strategy will be led by the Local Enterprise Partnership.

The Industrial Strategy White Paper set out that the first Local Industrial Strategies will be agreed with Government by March 2019.

Government will aim to agree all places' Local Industrial Strategies in England by early 2020. Agreeing a Local Industrial Strategy for their area with Government will be a necessary condition for Mayoral Combined Authorities and Local Enterprise Partnerships to draw down any future local growth funding being deployed through them.



Agreement of Local Industrial Strategies will be dependent on a Local Industrial Strategy being consistent with this document.

To be successful, Local Industrial Strategies must be developed from the bottom up and led by those who best know the needs of local economies. Our experience of working with trailblazer areas has allowed us to inform locally-led approaches.

Local Industrial Strategies should:

Evidence

Set out a robust and open evidence base.

This will draw out the relative strengths and weaknesses of the local economy, with an emphasis on increasing productivity. Places should harness the expertise of universities, independent experts, the civil society sector and other stakeholders to develop a granular understanding of the local economy.

Focus

Map out specific opportunities and challenges.

This will build:

- ▶ **On specific distinctive local strengths and address any local weaknesses.** This may involve an emphasis on skills, whilst in others it may be land supply, congestion or working with relevant local authorities in the delivery of housing where it is a barrier to growth.

In others, it may involve harnessing distinctive strengths to meet the Industrial Strategy's **Grand Challenges** (Artificial Intelligence and data; ageing society; clean growth; future of mobility). And for others, it may involve identifying weaknesses in productivity across their local areas or communities, such as in isolated rural or urban communities.

- ▶ **Across the foundations of productivity.** As well as articulating specific strengths, any strategy intending to drive productivity must address the fundamentals of local economies. In line with the Industrial Strategy, local strategies should identify priorities across **Ideas, People, Infrastructure, Business Environment and Places.** In addition to this, they should set out the inter-connectedness of these priorities in a place, and where local action will add value in providing greater policy integration.

Collaboration

Make clear how Mayoral Combined Authorities and Local Enterprise Partnerships will work in partnership with public and private stakeholders to achieve their ambitions. The best Local Industrial Strategies will show how places have brought together partners to achieve shared ambitions within and across boundaries. This could include how partners collaborate across broader regional geographies such as the Northern Powerhouse and Midlands Engine. This will allow strategies to inform choices of how to improve productivity.

Prioritisation

Prioritise specific, achievable and long-term ambitions. Using this evidence, these priorities should relate to specific challenges and future opportunities to enhance productivity. Local Industrial Strategies should not set out to be exhaustive, but instead identify a strategic course, supported by complementary policies and actions.

Evaluation

Set out clear plans to evaluate progress. This should be proportionate and initiated from the start of the process. The best Local Industrial Strategies will specify what success looks like and build in a transparent mechanism for monitoring how it is being achieved. Places should continue to engage with independent expertise in this area. This could include drawing on the lessons of policy evaluation such as the *What Works Centre for Local Economic Growth* and their recent work around Local Industrial Strategies.

Next steps on implementation and engagement

Will all Mayoral Combined Authorities and Local Enterprise Partnerships develop a Local Industrial Strategy?

We have invited all remaining Mayoral Combined Authorities and Local Enterprise Partnerships to begin developing a Local Industrial Strategy.

We have already been working intensively with Greater Manchester, West Midlands and partners across the Oxford - Milton Keynes - Cambridge corridor to develop trailblazer Local Industrial Strategies. Our approach has drawn on this approach.

This invitation is subject to places demonstrating commitment to responding to the recommendations of the Strengthened Local Enterprise Partnerships in full.

How should Local Enterprise Partnerships demonstrate they are committed to implementing the Local Enterprise Partnership review recommendations?

We expect all Local Enterprise Partnerships to show how they intend to use additional capacity funding to support future work on Local Industrial Strategies.

We expect to receive this material alongside an implementation plan to respond to Strengthened Local Enterprise Partnerships, which will include any suggested changes to Local Enterprise Partnership geography.

What are the next steps for engagement?

The Government will take a phased approach to working with places across the country and announced the second wave of places in July. We encourage all Mayoral Combined Authorities and Local Enterprise Partnerships to continue to work towards developing their Strategy.

Government will work with the Local Enterprise Partnership Network and others to establish a series of regional workshops over the coming months. This will allow us to support locally-led work, discuss the policy principles in more detail, and ensure the sharing of approaches within the sector.

All Local Enterprise Partnerships and Mayoral Combined Authorities will have dedicated official support from an Area Lead within the Cities and Local Growth Unit - a joint Unit between the Department for Business, Energy and Industrial Strategy and the Ministry of Housing, Communities and Local Government.

Government will also be undertaking further work with a wide range of partners, including universities, think tanks, and business representative organisations, as we continue to develop our approach. This will ensure that the policy development is informed by latest thinking and international best practice.

What is within the scope of a Local Industrial Strategy?

The national Industrial Strategy provides a policy framework against which major private and public sector investment decisions can be made with confidence. Our national framework will only be effective if it reflects and makes the most of opportunities and challenges facing places across the country. As set out above, priorities will vary across the country. They might include ambitions to drive housing growth, make use of land supply, improve local skills or strengthen communities. They will also need to make use of existing local governance arrangements.

Will there be additional funding to develop a Local Industrial Strategy?

As set out in Strengthened Local Enterprise Partnerships, we will provide an additional £200,000 in 2018/19 to Local Enterprise Partnerships that clearly set out how they will adopt its recommendations. This will allow them to both implement the review and embed evidence within Local Industrial Strategies.



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