



**North East Combined Authority, Economic Development and  
Regeneration Advisory Board**

Wednesday 15th February, 2017 at 2.00 pm

Meeting to be held at Skylight, The Beacon, Westgate Road, Newcastle upon Tyne, NE4  
9PQ

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## SUPPLEMENTAL AGENDA

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9. <b>Industrial Strategy</b>	<b>1 - 14</b>

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**To All Members**

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## North East Combined Authority

### Economic Development and Regeneration Advisory Board

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**DATE:** 15 February 2017

**SUBJECT:** Industrial Strategy

**REPORT OF:** Economic Development and Regeneration Thematic Lead

#### **EXECUTIVE SUMMARY**

The purpose of this report is to provide Members with an overview of the Government's 'Building our Industrial Strategy' green paper published on 23 January 2017.

#### **RECOMMENDATIONS**

The Advisory Board is requested to receive a briefing on, and provide views on the implications and opportunities for the North East from the Government's 'Building our Industrial Strategy' green paper published on 23 January 2017.

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### 1.0 Executive Summary

- 1.1 The purpose of this report is to provide Members with an overview of the Government's 'Building our Industrial Strategy' green paper published on 23 January 2017.
- 1.2 The Advisory Board is requested to consider the above and provide views on the implications and opportunities for the North East, which will help inform a response to the green paper by the North East LEP/NECA.

### 2.0 Industrial Strategy

#### 2.1 Introduction

- 2.2 The Department for Business, Energy and Industrial Strategy published 'Building our Industrial Strategy' on 23rd January 2017. This Green Paper sets out the Government's plans and strategy for supporting Britain's industrial sectors, improving productivity, driving growth across the country and making British business more competitive.

- 2.3 The consultation period for the paper will close on 17th April 2017 at 11.45am.

#### 2.4 Purpose and aim of the strategy

- 2.5 The purpose of the industrial strategy is to address long-term challenges to the UK economy. The Government's aim is 'to improve living standards and economic growth by increasing productivity and driving growth across the whole country'.

- 2.6 The Green Paper aims to start an open and collaborative conversation about the skills, research and infrastructure required to drive long term growth in productivity.

- 2.7 The full paper can be found at the following link:  
[https://beis.gov.uk/citizenspace.com/strategy/industrial-strategy/supporting\\_documents/buildingourindustrialstrategygreenpaper.pdf](https://beis.gov.uk/citizenspace.com/strategy/industrial-strategy/supporting_documents/buildingourindustrialstrategygreenpaper.pdf)

#### 2.8 The 10 pillars

- 2.9 The strategy is made up of ten pillars which draw together in one place a range of new and existing policy and related funding, as follows:

1. *Investing in science, research and innovation* – to become a more innovative economy and do more to commercialise the world leading science base to drive growth across the UK.

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2. *Developing skills* – to help people and businesses thrive by; ensuring everyone has the basic skills needed in a modern economy; building a new system of technical education to benefit the half of young people who do not go to university; boosting STEM (science, technology, engineering and maths) skills, digital skills and numeracy; and by raising skill levels in lagging areas.
3. *Upgrading Infrastructure* – by upgrading standards of performance on digital, energy, transport, water and flood defence infrastructure, and better align central government infrastructure investment with local growth priorities.
4. *Supporting businesses to start and grow* – to ensure that businesses across the UK can access the finance and management skills they needs to grow; and creating the right conditions for companies to invest for the long term.
5. *Improving procurement* – by using strategic government procurement to drive innovation and enable the development of UK supply chains.
6. *Encouraging trade and inward investment* – by using government policy to help boost productivity and growth across the economy, including by increasing competition and helping to bring new ways of doing things to the UK.
7. *Delivering affordable energy and clean growth* – by keeping costs down for businesses, and secure the economic benefits of the transition to a low-carbon economy.
8. *Cultivating world-leading sectors* – by building on areas of competitive advantage, and help new sectors to flourish, in many cases challenging existing institutions and incumbents.
9. *Driving growth across the whole country* – by creating a framework to build on the particular strengths of different places and address factors that hold places back – whether it is investing in key infrastructure projects to encourage growth, increasing skill levels, or backing local innovation strengths.
10. *Creating the right institutions to bring together sectors and places* – by considering the best structures to support people, industries and places. In some places and sectors there may be missing institutions

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which could be created, or existing ones that could be strengthened, be they local civic or educational institutions, trade associations or financial networks.

- 2.10 A more detailed summary of the 10 pillars can be found in Appendix A for comment.

### **3.0 Potential Impact on Objectives**

- 3.1 The information provided and any views put forward by the Advisory Board, will help develop a response to the green paper aimed at supporting the NECA in meeting its objectives and the objectives set out in the refreshed Strategic Economic Plan, which is shortly to be published by the North Est LEP.

### **4.0 Finance and Other Resources**

- 4.1 While there are no direct resource implications arising directly from this report, there are significant funding issues that need to be taken into account and addressed by the Government. Only some of these are reflected in proposals in the Green Paper or issues for consideration.
- 4.2 A response to the Green paper, should highlight the significant funding issues, which will include:
- i. The future of regional economic and skills funding, currently supported with European funding, which is an issue that is identified in the Green Paper for consideration and is particularly important for the North East;
  - ii. The immediate shortage of infrastructure and Local Growth grant support to enable many projects and programmes to proceed. Only £1.8bn of the £6bn bids for Local Growth Fund round 3 were funded nationally. Last year the NECA area identified a long list of over 70 projects and programmes with funding requirements of over £650m to be considered as potential bids for Local Growth Funding. This was reduced to a bid of £166m for 11 very high priority projects and programmes. The £49.7m of LGF grant recently allocated to the NECA area will only fund 1 large project and 1 merged small programme of activity, leaving many projects in the region still in need of funding. The need for additional Local Growth Funding needs to be considered;
  - iii. The impact of cuts to grant funding programmes to help retain companies looking to expand and attract new inward investment, which reduces the competitiveness of England and the North East in comparison with other countries that can offer grant support for companies looking at different areas to locate their business; and

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- iv. The current shortage of 'revenue' funding for economic development and skills, due to the focus on 'capital' funding by Government and the impact of Government cuts in revenue funding for local authorities, which has significantly reduced the level of spending on this discretionary area of spending. The latest figures for spending on Economic Development; Research and Business Support by the local authorities in the NECA area show a 38% reduction in spending from £78m in 2009/10 to £48m in 2015/16. This compares with a national average cut of 37% and an increase of 24% in spending in the South East region, which has seen the smallest change in its spending power in that time.

### **5.0 Legal**

- 5.1 There are no specific legal implications arising from this item.

### **6.0 Other Considerations**

#### **6.1 Consultation/Community Engagement**

There are no issues arising from this item for consultation.

#### **6.2 Human Rights**

There are no specific human rights implications arising from this item.

#### **6.3 Equalities and Diversity**

There are no specific equalities and diversity implications arising from this item.

#### **6.4 Risk Management**

There are no specific risk implications arising from this item.

#### **6.5 Crime and Disorder**

There are no specific crime and disorder implications arising from this item.

#### **6.6 Environment and Sustainability**

There are no specific environment and sustainability implications arising from this item.

### **7.0 Background Documents**

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7.1 *'Building our Industrial Strategy Green Paper'* Department for Business, Energy and Industrial Strategy, January 2017.

### 8.0 Links to Plans in the Policy Framework

8.1 This item links to the Strategic Economic Plan and other plans in the Policy Framework.

### 9.0 Appendices

Appendix A : Building our Industrial Strategy - Summary of the 10 Pillars

### 10.0 Contact Officers

10.1 John Scott, [john.scott@southtyneside.gov.uk](mailto:john.scott@southtyneside.gov.uk), (0191) 424 6250

### 11.0 Sign off

- Head of Paid Service ✓
- Monitoring Officer ✓
- Chief Finance Officer ✓

## Building our Industrial Strategy

### Summary of the 10 Pillars

#### 1. Investing in science, research & innovation

The Green Paper sets out the Government's intention to:

- Substantially increase investment in R&D and ensure that UK research continues to be world class.
- Strengthen strategic capability through the creation of UK Research and Innovation (UKRI).
- Increasing the effectiveness of research investment.

Key new commitments:

- Start the consultation on the priority challenges for the Industrial Strategy Challenge Fund, and other opportunities that can be addressed using the increase in R&D funding.
- Review the case for a new research institution to act as a focal point for work on battery technology, energy storage and grid technology.
- Commission independent research on approaches to commercialisation in different institutions, including how they approach licensing intellectual property and taking equity in spin-outs.
- Harness the potential of the UK's home-grown inventors and stimulate user led innovation by launching a challenge prize programme. This prize, which will be piloted through the NESTA Challenge Prize Centre, will help inform support to the 'everyday entrepreneurs' operating in companies and at home – such as through supporting enabling environments, incubators and maker spaces.
- Review how to maximise the incentives created by the Intellectual Property system to stimulate collaborative innovation and licensing opportunities – including considering the opening up of registries to facilitate licensing deals and business-to-business model agreements to support collaboration. Intellectual Property Office representatives will be placed in key UK cities - starting with pilots in the Northern Powerhouse and Midlands Engine to build local capability to commercialise intellectual property.
- Set out a UK Measurement Strategy, establishing a framework to capitalise on the National Measurement System which provides UK industry with world-leading measurement science and technology. The new strategy will ensure there is the knowledge and facilities to support all sectors to benefit from measurement – helping them to trade, manufacture and export.

## 2. Developing skills

The Green Paper sets out the Government's intention on:

- Action to improve basic skills.
- The creation of a new system of technical education.
- Identifying and addressing sector-specific skills gaps.
- Higher quality careers information and advice.
- Testing new approaches to lifelong learning.

Key new commitments:

- Create a proper system of technical education, to benefit the half of young people who do not go to university and provide new, better options for those already in the workforce.
- Commit £170 million of capital funding to the creation of new Institutes of Technology to deliver higher technical education in STEM subjects and meet the skills needs of employers in local areas.
- Work towards a joined-up, authoritative view of the sector-specific skills gaps that the UK faces now and in the future.
- Publish a comprehensive careers strategy later this year.
- Take further actions to address differences in skill levels between different areas to help drive economic growth and opportunity throughout the country.

## 3. Upgrading infrastructure

The industrial strategy sets out the Government's intention to:

- Provide higher rates of public investment.
- Support private sector infrastructure investment.
- Make infrastructure costs more competitive.
- Align the planning of infrastructure more effectively with local growth priorities.

Key new commitments:

- Using infrastructure to support rebalancing, taking into account the balance of spending per head between different regions.
- Support other major infrastructure investments, including £1.1 billion of funding for local roads and transport.

## 4. Supporting businesses to start and grow

The industrial strategy sets out the Government's intention on:

- Access to capital for growing firms, and barriers to scaling up.
- Accessing the finance to grow.
- Backing institutions which can catalyse private sector equity investment.
- Improving support for scale-ups and entrepreneurs.
- Sharing excellence through peer-to-peer networks.
- Corporate performance and investment.

#### Key new commitments:

- Work with the British Business Bank to build understanding of the obstacles to firms accessing capital outside London and the South East, and the supply and demand-side causes of lower rates of equity deals.
- The Minister for Small Business will take on a new role of Scale-Up Champion, overseeing a task force to support high growth scale-up businesses across the UK and to build peer-to-peer business networks to improve productivity, working with Local Enterprise Partnerships, Growth Hubs, the ScaleUp Institute and other partners.
- Explore how data – such as that held by HMRC and Companies House – can be used to identify scale-up businesses and be made available to enable local public and private sector organisations to better identify, target and evaluate their support to scale-up businesses more effectively.
- Continue to build on the success of the British Business Bank, and work with the Business Growth Fund (BGF) and other private partners to raise awareness of equity funding, diversify funding streams and increase the supply of finance for growing businesses.
- Explore how we can support the development of B2B ratings and feedback platforms to make it easier for SMEs to determine the quality of business advice and support services provided to them by other firms.
- A review into entrepreneurship will be led by the Chief Entrepreneurial Adviser at the Department for Business, Energy and Industrial Strategy. The review will assess the support currently available to entrepreneurs and consider international best practice with the aim of identifying any potential gaps in current policy.

## 5. Improving procurement

The industrial strategy sets out the Government's intention to:

- Stimulate innovation through government procurement.
- Support economic growth through better procurement practices through a “balanced scorecard” approach.
- Focus on procurement in key industries like health and defence where Government's role as customer provides unique opportunities to achieve wider benefits through procurement.

- Transform digital procurement.

Key new commitments:

- Roll out the “balanced scorecard” approach recently developed by the Cabinet Office across all major central government construction, infrastructure and capital investment procurement projects over £10 million, including those in the National Infrastructure and Construction Pipeline, which was published in December 2016.
- Trial different aspects of designing and gathering supplier feedback in public sector procurement.

## **6. Encouraging trade and inward investment**

The industrial strategy lists how the Government will:

- Build future trading relationships.
- Build global prosperity.
- Improve market access for exporters.
- Create a new, more active approach to winning overseas contracts.
- Join up trade and inward investment promotion with local areas.
- Develop a new, more strategic approach to inward investment.

Key new commitments:

- Creating a new more active “Team UK” approach to winning overseas contracts, with the Government helping convene consortia of companies to back a single UK bid for major overseas projects.
- Developing a new, more strategic approach to inward investment. The Department for International Trade will review what can be learnt from successful inward investment promotion agencies across the globe and it will report in 2017.
- Exploring how we can maximise the opportunities that a UK presence at existing international trade fairs offers for businesses; and explore where there are sectors which could benefit from support to create trade fairs.

## **7. Delivering affordable energy and clean growth**

The strategy sets out the Governments approach on:

- Affordable energy.
- Changes to energy infrastructure.
- Harnessing the industrial opportunities from new energy technologies.

Key new commitments:

- The Government will set out in 2017 a long-term road map to minimise business energy costs.
- To inform this, the Government will commission a review of the opportunities to reduce the cost of achieving our decarbonisation goals in the power and industrial sectors. The review will cover how best to support greater energy efficiency, the scope to use existing instruments to support further reductions in the cost of offshore wind once current commitments have been delivered, and how the Government can best work with Ofgem to ensure markets and networks operate as efficiently as possible in a low carbon system. We will also review the opportunities for growth from the energy sector and the opportunities for the UK.
- The Government will publish an Emissions Reduction Plan during 2017, providing long-term certainty for investors.
- As set out above the Government will review the case for a new research institution to act as a focal point for work on battery technology, energy storage and grid technology, reporting in early 2017.

## 8. Cultivating world-leading sectors

The strategy sets out the Government's approach on:

- Challenging all sectors of the economy to upgrade through 'Sector Deals'.
- Supporting emerging sectors and innovative businesses.
- Building on existing sector relationships.

Key new commitments:

- The Government welcomes work on early sector deals:
  - Sir John Bell on life sciences;
  - Richard Parry-Jones on ultra low emission vehicles;
  - Juergen Maier on industrial digitalisation;
  - Lord Hutton on the nuclear industry; and
  - Sir Peter Bazalgette on creative industries.
- This is not an exclusive list. The Sector deals process will be open to all and the Government is prepared to work with any sector that can organise behind strong leadership to address shared challenges and opportunities.

## 9. Driving growth across the whole country

The Green Paper sets out the Government's intention to:

- Back local connectivity with strategic infrastructure investment.
- Raise skill levels nationwide, but particularly in areas where they are lower.
- Invest in local science and innovation strengths.
- Get the institutional framework right to support local industries.

### Key new commitments:

- Use additional infrastructure funding to unlock growth in areas where connectivity is holding it back by creating new funding which allow better co-ordination of local economic plans with infrastructure investment.
- Work with local areas to test approaches to closing the skills gap; from early years education and the retention and attraction of graduates, to measures to drive the take up of apprenticeships.
- Propose creating competitive new funding streams to back the clusters of innovative businesses across the country.
- Work with local areas to identify and help develop industrial and economic clusters of businesses, and local specialisms, putting in place the right institutions with the right powers to help support local areas of economic strength.
- Propose establishing Ministerial Forums on Industrial Strategy with each of the Devolved Administrations.
- Consider the future of the European Structural and Investment Funds alongside the wider future funding environment following the UK's exit from the European Union.

## **10. Creating the right institutions to bring together sectors and places**

The industrial strategy lists how the Government will:

- Work with local areas to identify and help develop local specialisms, putting in place the right institutions with the right powers to help support local areas of economic strength.
- Create new institutions or strengthen existing ones: be they educational institutions, trade associations or financial networks.
- Encourage in particular sector deals with a strong focus on local institutions.

### Key new commitments:

- The Department for International Trade will review how it identifies priority investments, including with reference to the impact they can make in local areas where productivity needs to catch up.
- Review the location of government agencies and arms-length bodies, and will consider relocating them where they could potentially help reinforce a local cluster and support private sector growth. This will include cultural institutions.
- Support networks of universities where they want to come together to improve commercialisation.

- Work with local government to review how to bring more business expertise into local governance, and improve links between councils and the private sector. An example might be the creation of a modern “Alderman” type of role within local government.
- Explore further devolution deals for our largest cities.
- Following the elections for the first combined authority mayors in May 2017, the Local Government Association will work with new Mayoral Combined Authorities to build up administrative capacity.
- Work with Local Enterprise Partnerships to review their role in delivering local growth and examine how we can spread best practice and strengthen them, including extending the support they can receive from the What Works centre for Local Economic Growth.

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