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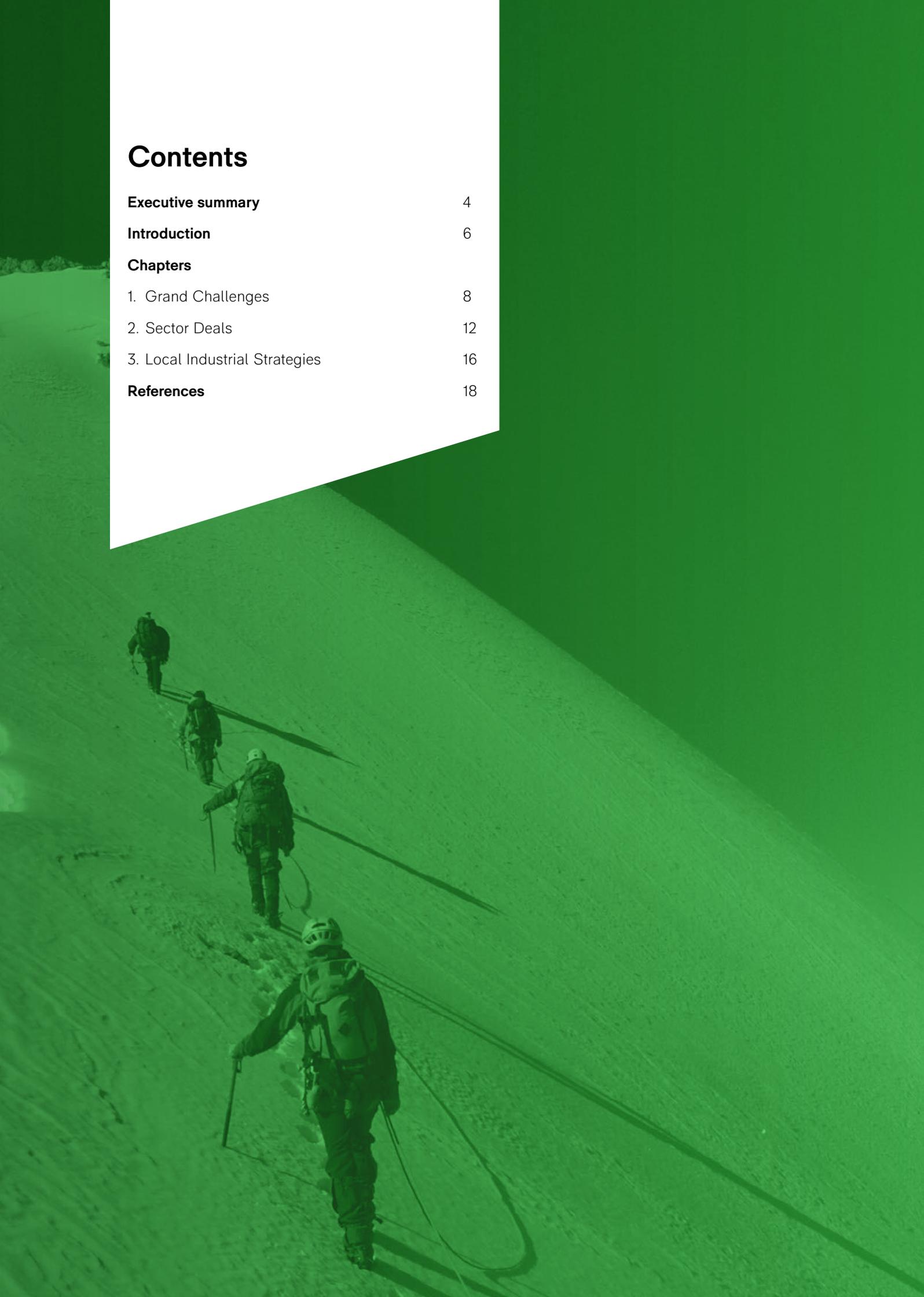
Uniting the UK through a modern Industrial Strategy

February 2020  
Regional Growth



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# Executive summary

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The government's vision for a global Britain, levelling up all regions of the UK and leading the world on research, innovation and low carbon technologies is exciting. A modern, British Industrial Strategy can help make that vision a reality.

This report provides new insights into what's worked so far and identifies recommendations for future success.

Our analysis finds that Vision, Partnership and Implementation are the key ingredients for success:

- **Vision** is critical to galvanise action and unite stakeholders behind the strategy.
- **Partnership** enables strong collaboration, with all parts of government and business pulling in the same direction.
- **Implementation** ensures concrete action is taken, with proper delivery timelines and measurable impact.





As we enter the next phase of the Industrial Strategy, the CBI recommends that the government, with the full support of business make 2020 a year of action, with fresh momentum injected into the Industrial Strategy and business engagement by committing to:

- Putting Grand Challenges at the heart of the Industrial Strategy, with each Grand Challenge having a clear goal akin to 'Net Zero by 2050' to inspire and galvanise action. These Grand Challenges should have a stronger focus on the major challenges facing our society over the next decade, on people, planet and place.
- Making a rapid decision on all pending Sector Deals to unlock pent up investment and provide clarity to the rest of the economy on what the bar is for any future deals. All sector deals should include a focus on achieving Net Zero, skills & training, and levelling-up the country.
- All parts of the country should have a Local Industrial Strategy in place by summer 2020 to help accelerate the levelling-up agenda. Each local area including the devolved nations, should play to its distinct strengths, and have action plans for delivery.
- A renewed emphasis on the horizontal enablers, vital to any business, should be focused around people & skills, infrastructure, tax & regulation, innovation and trade building upon the existing Industrial Strategy foundations. Working with business, the government should scrutinise performance in all these areas against our international competitors and ensure the UK is equipped to win.

Now is the right time to increase bandwidth across government, businesses and regions to build upon the Industrial Strategy. By applying lessons from the past two years we can ensure the UK makes inroads into tackling regional inequalities at home and leads the way on the global stage.

# Introduction

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The Industrial Strategy is founded on a simple, powerful idea: to unite business and all parts of government behind clear goals to boost the UK economy and working collaboratively to achieve them.

Launched just over two years ago in November 2017, the Industrial Strategy is built around three pillars:

- **Grand Challenges:** four global challenges where the UK is well positioned to lead, including AI & data, ageing society, clean growth and future of mobility
- **Sector Deals:** partnerships between government and industry to boost investment and productivity
- **Local Industrial Strategies:** local economic plans developed in partnership with government.

These pillars are built on the foundations of Ideas, People, Infrastructure, Business Environment and Places which act as horizontal enablers – vital to any business.

Since its launch the Industrial Strategy has delivered several successes including:

- The Aura innovation cluster in collaboration with wide-ranging partners including manufacturers, universities and local government, continues to drive innovation in the offshore wind industry<sup>1</sup>
- The Medicines Manufacturing Innovation Centre is increasing the adoption of emerging medicine manufacturing technologies following investments from Innovate UK, Scottish Enterprise, AstraZeneca and GSK totalling £35 million<sup>2</sup>
- The Aerospace Technology Institute has advanced world-class R&D including the ATI Boeing accelerator involving start-ups working to secure the full economic potential of the UK civil aerospace sector.<sup>3</sup>

Whilst the Industrial Strategy has been designed as a UK-wide policy, the devolved administrations in Scotland, Wales and Northern Ireland have pursued their own independent strategies, to varying degrees. The Scottish Government has its Economic Strategy focused on investment, innovation, inclusive growth and internationalisation. This policy predates the UK Industrial Strategy.

The Welsh Government have developed *Prosperity for All* published in late 2017. This strategy examines how economic inactivity, low productivity and regional growth across Wales can be addressed. Political stalemate until the start of 2020 has meant that work on the draft Northern Ireland Industrial Strategy has not yet been published.



# Grand Challenges

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## Leading the way to tackle the world's challenges

The concept of Grand Challenges is a powerful one, helping to provide focus to harness the UK's collective strengths. Having the clearly defined Net Zero target linked to the Clean Growth challenge has been powerful and has helped add urgency and pace.

In future, each of the Grand Challenges would benefit from a clear focus enabling business and government to come together to make the most of UK-industry strengths.

### Recommendations

- **Place Grand Challenges at the heart of the Industrial Strategy, with each Grand Challenge having a clear goal and mission along the lines of 'Net Zero by 2050' to inspire and galvanise action.**
- Re-orientate the Grand Challenges to the three major challenges facing our society today, around people, planet and place.
- Ensure clear business engagement architecture exists for each Grand Challenge, such as opportunities for task and finish groups to ensure all businesses can engage and contribute to specific missions.





### **What's worked**

The four Grand Challenges identified in 2017 have helped to drive economic growth, boost productivity and ensure the UK remains an attractive destination to invest in. Where the challenges have had greater success is when they have been linked to specific missions.

In some areas, the Grand Challenges have shaped development, such as the Future of Mobility, where industry has taken a lead through the development of the Automotive Sector Deal with match-funding from government and industry. Clean Growth is another area that has been supported by government, through the Net Zero commitment, but aided by industry in delivering the successes of the Offshore Wind Sector Deal – where offshore wind is now a subsidy free technology.

All the Grand Challenges, apart from Clean Growth, have a business champion which has helped to provide additional buy-in and momentum behind each of the challenges.

### **What's needed for future success**

Grand Challenges would benefit from greater connectivity and clarity about how they interact with Sector Deals and Local Industrial Strategies. At times, the challenges have been wide-ranging in scope. Grand Challenges would benefit from the focus that clearly defined missions bring.

A clear direction provided by government on what's needed from businesses will encourage wider buy-in and support. There is a role for government in directing formal collaboration between departments and businesses, and they should do more to establish task and finish groups focused on delivering the Grand Challenge missions.

The role of champions is important to maximise awareness of the Industrial Strategy, to inspire businesses of all sizes to engage in the strategy and to ensure it's accessible.



*"Having the clearly defined Net Zero target linked to the Clean Growth challenge has been powerful and has helped add urgency and pace."*



# Sector Deals

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## Bringing business and government together

Industry has welcomed the explicit backing from government that Sector Deals provide. Government should continue to back the deals that have been agreed, but clarity on commitments and industry expectations should be sought before additional deals are considered.

Sector Deals are partnerships between industry and government in developing a sector-specific approach. Ten sectors – with 11 deals in total – have been launched since 2017. These have been welcomed, but government should continue to ensure each deal is an active agreement that requires input from the business community in order to achieve shared aims.

They are designed to provide momentum in areas of industry that build upon existing UK strengths by providing government backing, though not explicitly through additional financial support. Three specific deals have been looked at here; Life Sciences, Automotive and Offshore Wind with focus placed upon what's worked and what's needed to ensure future success.

### Recommendations

- **Make a rapid decision on all pending Sector Deals to unlock pent up investment, and give clarity to the rest of the economy on what the bar is for any future deals.**
- All Sector Deals should include a focus on achieving Net Zero, skills & training, and levelling up the country.
- The independent Industrial Strategy Council should have a role in assessing Sector Deals like those undertaken against the strategy's foundations at regular intervals to measure how effectively the deals are meeting their stated measures and delivery commitments.





## Life Sciences

Life Sciences is one of the original Sector Deals, and to date is the only industry to receive a second deal. Life Sciences has a strong UK base, with a clear international competitive advantage and the Sector Deals have sought to recognise that and amplify the opportunities.

### What's worked

The two Sector Deals set the right ambition in terms of enhancing the UK as a world leading destination for life sciences and has been strongly embraced by industry and provided added momentum, including plans to raise the intensity of increasing R&D spend in the UK to 2.4% of GDP.

Overall, government commitment to the life sciences sector is strong, as demonstrated by the two Sector Deals but it's essential that momentum continues. Much of the onus of the strategy so far has been on business investment and commitments, with less in the form of new government policy.

The delivery of two Sector Deals has shown commitment in an area where there are existing strengths and has signified how businesses can invest in this sector. For example, a spin-out from Cobra Biologics which through collaboration with universities alongside private sector funding helped further develop vaccines for infectious diseases.<sup>4</sup> Also the University of Bristol saw two spin-out companies emerge from the Sector Deal, including Ziylo. This company looked at the development of diabetes treatment, and the company was later purchased by Novo Nordisk in a deal that exceeded £640m.

There's a challenge in delivering a Sector Deal, in ensuring that it's not only about a short-term business intervention, but also a longer-term vision. Some of the deals' work is linked to the Ageing Society Grand Challenge, which includes a £146m commitment to medicines manufacturing. However, it's a missed opportunity that the link between Ageing Society, and the Life Science Sector Deals is not explicit.

### What's needed for future success

Whilst the deals have provided ambitious support from government, the deals also only fleetingly mention the opportunity to link the AI and Data Grand Challenge mission of early diagnosis and treatment of chronic diseases by 2030 – both areas the sector has positively impacted. Government and businesses need to ensure that Sector Deals positively link to other aspects of the Industrial Strategy, to help focus on meeting the Grand Challenge missions.

The life sciences sector has a clear international footprint. Tied to this is a strong UK export market, which includes a rise of 7.4% in medical technology exports between 2016 and 2017.<sup>5</sup> The success of the Sector Deals will be dependent on a long-term commitment to delivering on its aims including international trade ambitions.

Following the creation of the Life Sciences Council, there remains further opportunity to support the industry across government departments. This for instance could assist in working with the National Health Service and providing industry access to that market.



## Automotive

The automotive industry has a strong manufacturing and innovation history in the UK. The industry has faced a turbulent period over the past few years with the number of vehicles produced in UK factories declining. This has come as climate change and air quality targets have required manufacturers to adopt cleaner forms of technologies and adapt to changing consumer preferences. Figures from 2018 put industry sales down 6.8% to a total of 2,367,147 registrations; this fall continued with 2019 new car registrations down 2.4%.<sup>6,7</sup> This has also been reflected in the number of vehicles produced in the UK – down from 1.72 million in 2016 to 1.3 million in 2019.<sup>8,9</sup>

### What's worked

The deal recognises the diversity of the UK automotive sector and looked to frame the debate about future industry requirements, including the development of new battery technology, autonomous vehicles and progress towards low-carbon technologies. The deal is clear in wanting the UK to lead the way, and build upon the strong manufacturing base to help, not only the supply chain, but also support consumers in choosing new, cleaner vehicles – which will help support the UK to meet its 2050 Net Zero target, and the new target of ending sales of internal combustion engine cars by 2035.

This Sector Deal built upon an already strong industry and government collaboration through the Automotive Council, which has been operating since 2009.

Funding is available to the industry for several projects, including the development of new technology for zero-emission vehicles. This approach has provided some level of confidence to the industry to continue development in the UK. Alongside this, publication of the Urban Mobility Strategy, the Road to Zero Strategy and the Automated and Electric Vehicles Bill shows the government has a clear commitment to this sector.

### What's needed for future success

The council has helped deliver a less siloed approach leading to consideration of technology and the future skills need, and this can only help with further collaborations in the future.

Whilst the Automotive Council has helped develop relationships between business and government, further support directly from ministers would solidify confidence in the sector, and help support the UK's export market grow from the existing 1.05m vehicles which are manufactured for export.<sup>10</sup>

The deal currently encourages the industry to consider skills that need adapting to a changing industry. To ensure the continued success of this, government should look to develop a related skills strategy to cement the longevity of this sector deal.



## Offshore Wind

Offshore Wind is a success story for British industry. Not only is it contributing to the target to achieve clean energy supplies, it's also been subsidy free since 2019. Whilst this Sector Deal took longer to come to fruition, compared to others, the discussions between industry and government delivered the needed vision, and support for the sector.

### What's worked

Closely linked to the Grand Challenge of Clean Growth, the Offshore Wind Sector Deal builds upon the UK's existing strength in developing and delivering offshore electricity. The ambition was tied with the expectation that a third of British electricity would be produced offshore by 2030 and tied in with other low-carbon energy forms would see more electricity supplied by clean methods than fossil fuels. The industry has also benefited from the UK's vast shoreline, and whilst the manufacture of many aspects of offshore wind farms is undertaken outside the UK, the construction is undertaken here.

Delivering on skills, the deal outlined the creation of the Offshore Energy Passport, which allows those working in that sector to transfer their skills to the offshore wind sector. This is an example of partnerships between sectors maximising employment opportunities across the growing renewables industry.

The deal also included over £4m to support British businesses to share their expertise internationally and benefit from new markets. In addition, the deal came when government policy had begun to turbocharge their focus on Clean Growth, and the commitment to a Net Zero target by 2050.

Momentum in this sector was present before the Industrial Strategy, but the Sector Deal provided the additional support from government to bring added certainty to an area where the UK is a global leader.

### What's needed for future success

There's still a challenge over attracting enough people into the industry and understanding the need to reskill later in their careers to meet the Net Zero target. However, the ambition included an uptick in the number of skilled roles required for this industry to support 27,000 jobs by 2030. Government and industry should continue to work together to ensure there is a future pipeline to deliver on the projects and support jobs growth.

This Sector Deal also considered the international trade potential, and the financial gain the UK could benefit from by taking a lead in this field, including the ambition of increasing exports fivefold to £2.6bn by 2030. Government and industry should continue to work together to honour this deal, and ensure the sector makes the most of the future opportunities that come from new trade deals.

# Local Industrial Strategies

## Building on regional strengths

Local Industrial Strategies (LISs) have been instrumental in building partnerships between local areas, central government and business. LISs are strategic documents led by Local Enterprise Partnerships (LEPs) and Combined Authorities, capturing local strengths and areas to help tackle the productivity gap. These have been developed in cooperation with government.

The buy-in from government departments has been critical in ensuring the strategies have authority in proceeding to deliver on the plans. With seven published to date there are many more regions who need to press on with theirs. Now is the time to pick up the pace of adoption and empower regions to deliver.

### Recommendations

- **Have a Local Industrial Strategy in place across all parts of England by summer 2020 to help accelerate the 'levelling up' agenda, with each area - plus the devolved nations - playing to its own distinctive strengths, and with action plans for delivery.**
- Interlinked economic areas spanning a wide geography should explore similar collaboration to that demonstrated across the OxCam Arc to ensure alignment and improve the likelihood of long-term economic success.
- Government should work with Combined Authorities and Local Enterprise Partnerships to develop a framework, to be used by all Local Industrial Strategies, that monitors its implementation, with a set of regularly updated metrics to assess progress.



## What's worked

A place-based approach remains the right strategy to help build upon local strengths and address weaknesses. Doing this in combination with support from government departments has given local areas added authority to develop plans tailored to their own area. Existing strategies have taken the opportunity to focus on existing economic strengths, whilst also taking the opportunity to look at new areas of growth. The West Midlands strategy has built upon smart mobility and Greater Manchester has set a target of being carbon neutral by 2038.

New opportunities to support businesses have also been adopted including the need to expand suitable business premises in the South East Midlands and developing a cultural strategy in the West of England.

The local aspect, and importance of place as part of the Industrial Strategy is essential to ensure the UK improves its regional productivity.

Out of necessity, partnership working has been important in the development of all published LISs. Greater Manchester has had coterminous boundaries between the Combined Authority and LEP area. Whereas others such as the West Midlands Combined Authority faced a greater hurdle with three LEPs, and 18 local authorities. All strategies have had central government buy in, with departmental oversight on specific areas, and clear attempts to align with regional transport.

Whilst seven strategies have been published, implementation is not driven by central government. Local areas have begun ways to look at how best to implement their strategy, including through the likes of the Growth Hub in the West of England, and the Greater Manchester Strategy Implementation and Performance Management framework.

## What's needed for future success

2020 brings the opportunity to accelerate the roll-out of the remaining LISs across England, ensuring each area has a robust and evidence-based strategy in place which can act as a basis to help level up all areas. To ensure their swift introduction government should look to provide further guidance and support with implementation.

Whilst each strategy has taken the Grand Challenges into consideration, there's been a lack of consistency. Too often the existing strategies don't effectively link the Grand Challenges to local strengths, and Sector Deals seem an afterthought. With several strategies yet to be published, government should ensure there's a clearer link in local strategies to the Grand Challenges and Sector Deals when developing them in coordination with LEPs.

We recognise that LISs are not implementation documents, but the strategies should include a plan of action for LEPs or Combined Authorities to take forward. There's no clear plan on how the strategies should be implemented. The cross-government approach in designing the strategies is welcomed, but to make a real success of them, a clear funding mechanism to implement the local strategies, and including how this funding is linked to meeting the Grand Challenges and Sector Deals should be outlined.

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