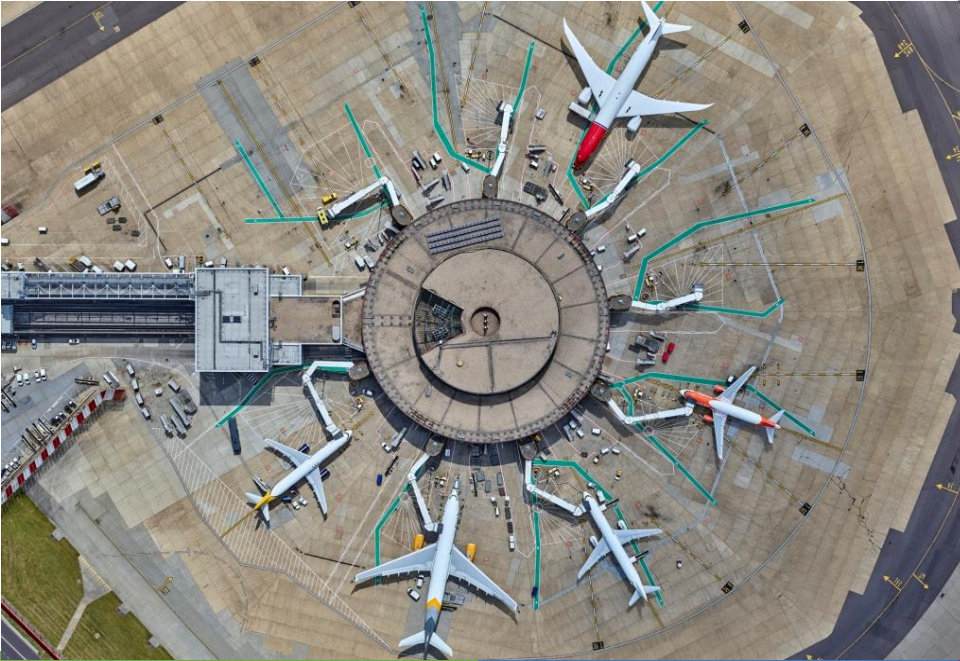




# Coast to Capital LEP



# The overall challenge

- Productivity lags behind international competitors
- Wages not fully recovered from 2008
- Per capita growth not as strong as overall GDP growth
- Productivity uneven between and within regions
- The rest of the country not keeping pace with London
- Within regions urban areas growing faster than surrounding areas

# Headline Questions

1. Does this document identify the right areas of focus: extending our strengths; closing the gaps; and making the UK one of the most competitive places to start or grow a business?
2. Are the ten pillars suggested the right ones to tackle low productivity and unbalanced growth? If not, which areas are missing?
3. Are the right central government and local institutions in place to deliver an effective industrial strategy? If not, how should they be reformed? Are the types of measures to strengthen local institutions set out here and below the right ones?
4. Are there important lessons we can learn from the industrial policies of other countries which are not reflected in these ten pillars?

# 1. Investing in science, research and innovation

## The Challenge:

- 🌀 Strong levels of innovation and research – but low levels of commercialisation
- 🌀 UK makes less use of robotics and automation than internationally
- 🌀 UK invests 1.7% of GDP in R&D – OECD average 2.4%
- 🌀 Investment largely focused in early stage R&D – not late stage commercialisation
- 🌀 Regional disparities in investment in R&D – focussed on the ‘Golden Triangle’

# 1. Investing in science, research and innovation

## The Solution:

- Invest an additional £4.7bn in R&D by 2021
- Consulting on the Industrial Strategy Challenge Fund
- Identify key technologies to support through directed funding
- Develop new research institutions – e.g. battery technology

# 1. Investing in science, research and innovation

## The Questions:

5. What should be the priority areas for science, research and innovation investment?
6. Which challenge areas should the Industrial Challenge Strategy Fund focus on to drive maximum economic impact?
7. What else can the UK do to create an environment that supports the commercialisation of ideas?
8. How can we best support the next generation of research leaders and entrepreneurs?
9. How can we best support research and innovation strengths in local areas?

## 2. Develop skills

### The Challenge:

- Technical education has been neglected
- Complex array of qualifications of varying quality
- Shortage of technical skills
- Sectors requiring STEM skills need more graduates
- Number of underperforming schools – literacy and numeracy among 16-24 is the same as 55-64 year olds (England) – the only OECD country to do so

## 2. Develop skills

### The Solution:

- Create a new system of technical education
- Simplify the qualifications and applications process
- Set out clear qualification routes through school to work
- Boost STEM skills at all levels – not just degree
- Expand maths specialist schools
- Ensure basic numeracy and literacy – introduce a ‘transition year’
- Embed life-long learning in the workforce – e.g. upskilling, retraining



## 2. Develop skills

### The Questions:

10. What more can we do to improve basic skills? How can we make a success of the new transition year? Should we change the way that those resitting basic qualifications study, to focus more on basic skills excellence?
11. Do you agree with the different elements of the vision for the new technical education system set out here? Are there further lessons from other countries' systems?
12. How can we make the application process for further education colleges and apprenticeships clearer and simpler, drawing lessons from the higher education sector?
13. What skills shortages do we have or expect to have, in particular sectors or local areas, and how can we link the skills needs of industry to skills provision by educational institutions in local areas?
14. How can we enable and encourage people to retrain and upskill throughout their working lives, particularly in places where industries are changing or declining? Are there particular sectors where this could be appropriate?

### 3. Upgrading infrastructure

#### The Challenge:

- Infrastructure rated 2<sup>nd</sup> lowest of OECD countries
- Infrastructure perceived by international businesses as worse than our competitors
- Lack of clear long term planning and budgets
- Failure to align planning of infrastructure with planning for housing and industry
- Access to fast and superfast broadband uneven
- Need to upgrade energy, transport, water, flood defence, and digital infrastructure

# 3. Upgrading infrastructure

## The Solution:

- New National Productivity Fund adding £23bn investment by 2022
- Includes £2.6bn for transport and £750m for broadband rollout and 5g technologies
- New institutions to improve planning framework, budget management, and project management – National Infrastructure Commission and the Infrastructure and Projects Authority
- Support more private infrastructure investment – infrastructure bonds and loans
- New funding - £2.3bn Housing Infrastructure Fund - £1.7bn Accelerated Construction Programme - £1.1bn funding for local roads and public transport networks

### 3. Upgrading infrastructure

#### The Questions:

15. Are there further actions we could take to support private investment in infrastructure?
16. How can local infrastructure needs be incorporated within national UK infrastructure policy most effectively?
17. What further actions can we take to improve the performance of infrastructure towards international benchmarks? How can government work with industry to ensure we have the skills and supply chain needed to deliver strategic infrastructure in the UK?

## 4. Supporting businesses to start and grow

### The Challenge:

- 📈 Ranked 13<sup>th</sup> for businesses that scale-up – OECD countries
- 📈 Potential under-supply of patient capital
- 📈 Lack of late-stage venture capital
- 📈 Finance availability not spread across the country – mainly London and the South East
- 📈 Need to identify the barriers to entrepreneurship and scale-up
- 📈 Lack of investment in fixed capital by businesses – ranked in the bottom 25% of OECD countries in 48 of the last 55 years

## 4. Supporting businesses to start and grow

### The Solution:

- Launched the 'Patient Capital Review' on how to improve availability of capital to businesses
- Inviting views on how to best address constraining factors on companies and fund managers making long term investments
- Working with the British Business Bank and ScaleUp Institute to explore weaknesses of venture capital funding

## 4. Supporting businesses to start and grow

### The Questions:

18. What are the most important causes of lower rates of fixed capital investment in the UK compared to other countries, and how can they be addressed?
19. What are the most important factors which constrain quoted companies and fund managers from making longer term investment decisions, and how can we best address these factors?
20. Given public sector investment already accounts for a large share of equity deals in some regions, how can we best catalyse uptake of equity capital outside the South East?
21. How can we drive the adoption of new funding opportunities like crowdfunding across the country?
22. What are the barriers faced by those businesses that have the potential to scale-up and achieve greater growth, and how can we address these barriers? Where are the outstanding examples of business networks for fast growing firms which we could learn from or spread?

# 5. Improving procurement

## The Challenge:

- £268bn spent by government on procurement – 14% of GDP
- Strategically used it can encourage innovation, competition, and investment in skills
- How best to do this?
- Examples include DARPA and Small Business Innovation Research programme in the US



# 5. Improving procurement

## The Solution:

- Launched independent review of the UK's Small Business Research Initiative to examine how best to use procurement to drive innovation
- Rolling out the 'balanced scorecard' across major construction, infrastructure, and capital investments over £10m
- It will ensure impact of procurement is felt along the supply chain and that take-up of apprentices and skills development is encouraged and taken into account when evaluating bids

## 5. Improving procurement

### The Questions:

23. Are there further steps that the Government can take to support innovation through public procurement?
24. What further steps can be taken to use public procurement to drive the industrial strategy in areas where government is the main client, such as healthcare and defence? Do we have the right institutions and policies in place in these sectors to exploit government's purchasing power to drive economic growth?

## 6. Encouraging trade and inward investment

### The Challenge:

- Low number of businesses export
- Growth in exporting has been slower than in G7 countries over the last decade

## 6. Encouraging trade and inward investment

### The Solution:

- Creation of the Department for International Trade – exploring potential future trade deals and upgrade support for investors and exporters
- Export Finance capacity doubled in the Autumn Statement
- Working with businesses to identify market access issues in ‘third countries’
- Testing a new ‘Team UK’ approach – consortia approach to bidding for overseas contracts, back-up with funding and political support
- Improving promotion of inward investment – e.g. recurring international trade fairs
- Improving strategic approach to targeting inward investment and learning best practice from international competitors – including measurement of success and the impact of investment on growth – reporting on finding 2017

## 6. Encouraging trade and inward investment

### The Questions:

25. What can the Government do to improve our support for firms wanting to start exporting? What can the Government do to improve support for firms in increasing their exports?
26. What can we learn from other countries to improve our support for inward investment and how we measure its success? Should we put more emphasis on measuring the impact of Foreign Direct Investment (FDI) on growth?

# 7. Delivering affordable energy and clean growth

## The Challenge:

- Keeping energy costs low for businesses
- Co-ordinating changes in energy infrastructure
- Capturing the benefits of the low carbon economy – e.g. lower costs, world leader in low carbon technologies

## 7. Delivering affordable energy and clean growth

### The Solution:

- Setting out a long term road map to minimise business costs – Government commissioned review looking at: energy efficiency, cost reductions in off-shore wind, working with Ofgem to ensure networks and markets are working efficiently
- Testing new grid technologies for power management
- Ensuring the infrastructure in place for electric vehicles – e.g. charge points, energy storage, grid connections
- Doubled support for energy innovation
- Investing £600m to ensure UK is a leader in electric vehicles – announced another £270m in the Autumn Statement

## 7. Delivering affordable energy and clean growth

### The Questions:

27. What are the most important steps the Government should take to limit energy costs over the long-term?
28. How can we move towards a position in which energy is supplied by competitive markets without the requirement for on-going subsidy?
29. How can the Government, business and researchers work together to develop the competitive opportunities from innovation in energy and our existing industrial strengths?
30. How can the Government support businesses in realising cost savings through greater resource and energy efficiency?



## 8. Cultivating world-leading sectors

### The Challenge:

- Government cannot know everything about a sector or provide the solutions that each sector needs
- Need to increase business leadership and organisation across the sectors to boost productivity

## 8. Cultivating world-leading sectors

### The Solution:

- Invite 'sector deals' from consortia of businesses that will lead on the sectors needs and provide government with the evidence and direction needed to support their sector
- Early sector work has been done on low emission vehicles, industrial digitalisation, competitiveness and skills in the nuclear industry, and the creative industries

## 8. Cultivating world-leading sectors

### The Questions:

31. How can the Government and industry help sectors come together to identify the opportunities for a 'sector deal' to address – especially where industries are fragmented or not well defined?
32. How can the Government ensure that 'sector deals' promote competition and incorporate the interests of new entrants?
33. How can the Government and industry collaborate to enable growth in new sectors of the future that emerge around new technologies and new business models?

## 9. Driving growth across the whole country

### The Challenge:

- 🌀 The economy is unbalanced between and within regions which holds back growth
- 🌀 The economy is highly centralised
- 🌀 Institutions are too fragmented to provide effective leadership
- 🌀 Economic decision making is too far away from the localities it affects

# 9. Driving growth across the whole country

## The Solution:

- 🌀 Launched devolution, devolved mayors, city deals, LEPs growth deals
- 🌀 The Housing Infrastructure Fund and funding for local roads will be aimed at spreading growth around the country – aligning them with local economic plans
- 🌀 Tackle historic underinvestment in major infrastructure upgrades – e.g. Midlands Rail Hub and Northern Powerhouse Rail
- 🌀 Support for regional bodies – e.g. Midlands Connect and Transport for the North
- 🌀 Accountable place-based governance – with a clear business voice – to strategically direct this funding
- 🌀 Take action where skills levels are lower than average – improved pre-school education and attracting and retaining graduates
- 🌀 Direct R&D funding to back world-class research that supports local economies and their innovation strengths

## 9. Driving growth across the whole country

### The Questions:

34. Do you agree the principles set out above are the right ones? If not what is missing?
35. What are the most important new approaches to raising skill levels in areas where they are lower? Where could investments in connectivity or innovation do most to help encourage growth across the country?

# 10. Creating the right institutions

## The Challenge:

- Identify institutions that do and do not work and areas where institutions need to be created
- Build up the capacity of institutions that work and need support
- Support the creation of institutions where they do not exist and would support growth

# 10. Creating the right institutions

## The Solution:

- Work with local areas to develop industry clusters where there is local strength
- Give local institutions the powers needed to promote local growth
- Institutions may include education and innovation, business networks, trade associations, and financial networks
- Maximise the benefit of 'anchor businesses' by supporting the supply chains they attract
- The Cabinet Office is reviewing the location of government agencies and where they would be best places to support local clusters
- Recognising the cultural institutions play in creating attraction for people and businesses
- Work with local government to identify how more local business expertise can be brought into government
- Supporting LEPs and encouraging the sharing of best practice within the network and from the What Works centre for Local Economic Growth



# 10. Creating the right institutions

## The Questions:

36. Recognising the need for local initiative and leadership, how should we best work with local areas to create and strengthen key local institutions?
37. What are the most important institutions which we need to upgrade or support to back growth in particular areas?
38. Are there institutions missing in certain areas which we could help create or strengthen to support local growth?