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During the debate on Industrial Strategy on Monday, 8 January in the House of Lords I committed to write on several key issues that were raised.

The government's ambitious, modern Industrial Strategy sets out a long term plan to boost the productivity and earning power of people throughout the UK. It 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 UK with investment in the skills, industries and infrastructure of the future.

Productivity

Current measures of productivity and their reliability were raised during the debate. Productivity measurement is always challenging, particularly in a global economy with rapidly changing technological advancements. However, the UK is leading developments in measuring productivity: a recent review of International Best Practice in the Productivity Statistics published by the Office for National Statistics (ONS), found that the UK performs solidly across most areas of productivity statistics and is among the top performers in terms of regional productivity data. Building on this review, the ONS will be publishing a development plan in April to continue improvement of its productivity statistics.

Sector Deals

In the Industrial Strategy White Paper the government published criteria that sectors should address when developing their deal proposals, including representing the breadth of their sector. A Sector Deal cannot be restricted to incumbents; it must show how it will bring in new entrants and challengers. Not every business and relevant stakeholder needs to be represented in the deal, and the most ambitious businesses should not be held back by a lack

of engagement from the less ambitious, but proposals should provide evidence to demonstrate that a broad range of businesses have been involved.

Since the publication of our Green Paper, a large number of industries have signalled their interest in forming a Sector Deal and we have been working with many of them in recent months. The government is prepared to work with any sector that can self-organise behind strong leadership, offer a compelling case for sector specific action and set out clear proposals to transform their sector.

Life Sciences

We continue to learn from the early strategies and significant progress has been made since the 2011 Life Sciences Strategy. The sector consisted of 4,500 firms, employing 165,000 staff, with an annual turnover of over £50bn in 2011. Now, it consists of over 5,100 companies, nearly 235,000 employees and £63.5bn turnover. The 2012 report Strategy for UK Life Sciences: 'One year On' highlighted the importance of working in partnership across the sector and committed the government to working with industry on the best way to facilitate this. The Life Sciences Industrial Strategy, published in 2017, built on the partnership approach. Sir John Bell developed the Strategy in collaboration with a broad range of sector representatives that focused on the UK's strengths and developed targeted recommendations to boost productivity.

Nuclear

We are currently in discussions regarding a nuclear sector deal. The government recognises the potential for small and advanced reactors to support both our Clean Growth and Industrial Strategy goals. In December we announced that funding is being made available over the next three years to help support research and development into innovative advanced and small modular reactors, as well as assess their feasibility and accelerate the development of promising designs. The government will also be supporting early access to regulators to build the capability and capacity needed to assess and licence small reactor designs and will establish an expert finance group to advise how small reactor projects could raise private investment in the UK.

We also announced up to £12m of funding for the nuclear regulators to help build their capability and capacity for assessing new reactor designs. There will also be the creation of an Expert Finance Working Group to advise government on small reactor financing in the UK. The Group held its first meeting in January chaired by Fiona Reilly (Executive Partner at Atlantic Super Connection LLP and a Director at the Nuclear Industry Association) and is due to report in the spring.

The nuclear sector, under the leadership of Lord Hutton, is in advanced discussions with the government on a range of ambitious proposals which cover the supply chain, nuclear R&D and skills and critically focus on how substantial cost reductions can be achieved across the UK's new build and decommissioning programmes. As part of the sector deal it must show how it

will bring benefits to a broad range of businesses including SMEs, new entrants and challengers

NHS

The government has asked Professor Eric Topol to look at how advances in technology (including genomics, pharmaceuticals, digital medicine, artificial intelligence and robotics) will change the roles and functions of clinical staff over the next two decades and what this will mean for skills and training needs in the future. The review will be based upon the best available international evidence and will consider the views of experts in all relevant fields. It will have regard to the ongoing programmes of work within the UK's professional regulatory and educational bodies. The review will present an interim report to the government in June 2018, and a final report in December 2018.

In addition, in the joint response to the 'Accelerated Access Review', the government set out a vision to create a system which can embrace the innovations our patients need. The government committed to provide £6m to help the NHS adopt and integrate new technologies into everyday practice through the 'Pathway Transformation Fund'. The fund will enable NHS organisations to overcome the practical barriers to implementing new technologies, particularly where they change the treatment pathway. Examples include where staff may need to be trained on a new piece of equipment or a specialist nurse may need to take samples or administer a treatment.

Industrial Strategy Council

The Industrial Strategy Council will be tasked with developing measures of success and putting the right evaluation structures in place to assess our progress. They will engage with the government on its work programme, but as a non-statutory independent group of external experts composed of business leaders, investors, economists and academics from across the UK. They will determine their own views about the frequency of their updates, including a regular published report.

The Council will have funding available to commission specific evaluation projects as appropriate. It will work with organisations such as the Office for Budget Responsibility, to avoid duplication and improve the quality of their outputs. The Economy and Industrial Strategy Cabinet Committee will also be convened where appropriate to provide the necessary oversight across the strategy. The members of the committee and terms of reference are published and freely available.

Industrial Strategy Challenge Fund (ISCF)

The Industrial Strategy Challenge Fund provides funding and support to UK businesses and researchers. The fund is part of the government's £4.7 billion increase in research and development over 4 years.

The current challenges are; early diagnosis and precision medicine; healthy ageing; prospering from the energy revolution; transforming construction; transforming food production; audience of the future; next generation services (pioneer funding); and quantum technology (pioneer funding). These have been selected based on expert input from the Prime Minister's Council for Science and Technology, the UK Research and Innovation Board, Innovate UK and the Research Councils, and a series of seminars with industry and academia across the UK.

The challenges have been chosen where there is evidence of a potential global market that could be created or disrupted by new innovation and where the UK is well placed to exploit these opportunities. They have also been chosen based on evidence that government activity will leverage private sector activity.

As in this current wave, future challenges will be identified through a similar process of stakeholder engagement and expert input, with processes assessed against the aims of the Industrial Strategy Challenge Fund and aligned to the four Grand Challenges set out in the Industrial Strategy White Paper. We are currently inviting ideas for the third wave of challenges.

Business Environment

The government's response to the Corporate Governance Reform Green Paper published last August includes new measures to better link executive pay to long-term company performance. In particular by inviting the Financial Reporting Council (FRC) to propose in its revised UK Corporate Governance Code to increase the minimum vesting and holding period for executive share awards from three to five years. The government's corporate governance reforms will also deliver a new annual reporting requirement on large companies to demonstrate how they are fulfilling their duties under Section 172 of the Companies Act 2006. This includes the duty on directors to consider the likely consequences of any decision in the long term.

Additionally, the FRC proposals for an updated Strategic Report will encourage companies to report more fully on the broader non-financial matters that impact a company over the long term.

The UK investment community is taking appropriate measures to address short term behaviours in the investment chain, in particular through the Investment Association's continued implementation of its Long Term Productivity Action Plan.

Housing

At the Autumn Budget, we announced several reforms to tackle problems in the housing market. These include: planning reforms to ensure more land is made available for housing and to maximise the potential of our cities and towns to build new homes whilst protecting the Green Belt; a new National House Building Fund with an additional £15bn of new financial support over the next five years which will boost the delivery of housing and use funds flexibly to unblock the barriers to more housebuilding; launching 'Homes England' which brings together money, expertise, planning and compulsory purchase powers to aid the sector; and

finally raising the borrowing cap of the Housing Revenue Account by a total of £1 billion in areas of high affordability pressure for local authorities who are ready to start building new homes.

Disability and the Industrial Strategy

Everyone has a part to play in achieving the government's ambitious new commitment to see 1million more disabled people in work by 2027 and this is why in 'Improving Lives: the future of Work, Health & Disability' we have set out plans across three key settings – the welfare system, the workplace and the healthcare system. We will continue to work with local authorities and wider partnerships like local enterprise partnerships, health services, patient and peer support groups, education and training bodies, voluntary, community and social enterprise organisations and businesses, to ensure that the right structures and level of communications are in place to make this happen.

The government wants to ensure that people with unidentified disabilities get qualifications. We are making sure apprenticeships are open to people from a wide range of backgrounds and we are aiming for a 20% increase in the proportion of apprenticeships started by people with a learning difficulty and/or disability by 2020. We are delivering the recommendations of the Maynard Taskforce to improve access to apprenticeships for people with learning difficulties and/or disabilities.

We're taking a long-term approach to improving employment prospects for people with learning disabilities and autism, and are delivering a number of initiatives particularly focused on the transition from education to employment, including: testing a voluntary supported work experience programme for young people to help them build their confidence and skills (we anticipate a significant proportion taking part will have a learning disability); providing support from Jobcentre Plus advisers in schools working closely with young disabled students raising aspirations and giving advice on the support available – over 800 schools have received support so far.

We are working with nine local authorities on a pilot to deliver supported employment for those members of society with a learning disability or autism who are known to adult social care, or are in contact with secondary mental health services. Supported employment is an approach which helps make a successful match between the individual and the job, including through job carving and systematic instruction, and provides ongoing support for the employer and employee until the arrangement has bedded in.

Local Industrial Strategies

As 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 the government. 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.

We will prioritise places 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.

I hope this letter is informative and I look forward to continuing to work with you on this vital agenda over the coming months.

I am placing a copy of this letter in the library of the House.

*Yours sincerely,
Steve Henley*

Rt Hon Lord Henley