

Building a Britain for the future Understanding the Industrial Strategy white paper

The government published its long awaited **Industrial Strategy white paper** on 27 November 2017. This briefing explains the Industrial Strategy's aims and objectives, why it matters for the NHS and how the health service can play a part locally in, and thus benefit from, realising the strategy.

Contact local growth advisor Michael Wood, at michael.wood@nhsconfed.org, to discuss how you might make links in your area.

This briefing will be of interest for NHS chief executives, chairs and non-executive directors and directors responsible for strategy, workforce, transformation, innovation and public health.

Key points

- The Industrial Strategy white paper sets out the government's long-term plan to create an economy that boosts productivity and earning power throughout the UK.
- The strategy identifies four 'grand challenges' which will put the UK at the forefront of the industries of the future and five 'foundations of productivity' to transform the economy. Many of these relate to the health sector. An independent Industrial Strategy Council will assess progress and make recommendations to government.
- Local industrial strategies will be developed (with the first to be agreed by March 2019), led by metro mayors or local enterprise partnerships (LEPs). These will bring together the public and private sectors to identify local priorities to improve skills, increase innovation and enhance infrastructure and growth. Importantly, they will also guide the use of future local funding streams and any spending from national government.
- Making a success of this strategy, and the subsequent local strategies, will require leaders to address the serious regional economic imbalances that exist across the UK, bringing both implications and opportunities for the range of NHS organisations, including sustainability and transformation partnerships (STPs) and accountable care systems (ACs), trusts, clinical commissioning groups (CCGs), academic health science networks (AHSN) and the ambulance service.
- NHS leaders should seek to understand the areas mentioned in the Industrial Strategy of most relevance locally and establish relations with mayoral combined authorities or LEPs, with a view to being involved as local industrial strategies are developed and agreed.
- The NHS Confederation, through its local growth adviser, is the only national NHS body helping local leaders to understand, engage with and benefit from the Industrial Strategy.

Aims and objectives

The Industrial Strategy white paper identifies four 'grand challenges' to put the UK at the forefront of the industries of the future. These challenges are intended to stimulate the public and private sectors to come together to work with universities, researchers and civil society in new ways that maximise the UK's ability to shape new markets and industries while ensuring it is ready domestically for the modern challenges it faces.

The grand challenges are:

- artificial intelligence (AI) and data-driven economy
- clean growth
- future of mobility
- ageing society.

The Industrial Strategy also sets out five 'foundations of productivity'. These foundations are the main policy areas in which the government will focus in the coming years to boost productivity and prosperity across the country. Under these five broad headings are a range of priorities to be progressed nationally and locally through close, cross-sector partnership working.

The foundations are:

- ideas – 'to be the world's most innovative economy'
- people – 'to generate good jobs and greater earning power for all'
- infrastructure – 'a major upgrade to the UK's infrastructure'
- business environment – 'to be the best place to start and grow a business'
- places – 'to have prosperous communities throughout the UK'.

Flowing through both the grand challenges and foundations of productivity are a series of aspirations, commitments, programmes, funding mechanisms, deals and new institutions. Given the breadth and scale of this strategy, an independent Industrial Strategy Council will assess progress made in the above areas and make recommendations to government.

Why this matters for the NHS

When viewed nationally and locally, the economic scale of the NHS is significant. As an employer of 1.4 million people, accounting for over £120 billion annual expenditure and with extensive land, buildings and assets, the NHS plays a significant part in shaping the economic life of our communities.

While we help shape our local economy, our local economy also shapes us. As the November 2017 Budget clearly stated, stagnant and low productivity is holding back growth, wages and living standards. Demand for our services locally is directly related to the success or otherwise of our local economy.

The Industrial Strategy will be measured not just by industrial output as a nation but by whether local communities feel more prosperous. In other words, both better and better off.

At over 250 pages, the Industrial Strategy is a lengthy document, with a vast range of issues covered. This briefing explores in more detail the priorities of interest for those in the NHS and provides some commentary as to why they matter.

What was missing

It is also important to focus on what didn't feature in the Industrial Strategy. The concept of inclusive growth has been strongly advocated for some time, yet is conspicuous by its absence.

If we are to truly transform the economy, social policy is as important now as economic policy, particularly in our most challenged localities. Only by investing in actions that focus on the determinants of health and by understanding how important, for example, the links between wellbeing and productivity are, can we do this.

Many LEPs and metro mayors do understand the importance of inclusive growth and will ensure it is a central theme in local industrial strategies.

How the health service can play a part locally

Whatever your health and care organisation and whatever your specific role, there will be links that can and should be made.

It is particularly important that the NHS engages with those responsible for the development of the local industrial strategies in their area (metro mayors or LEPs). These strategies will determine the long-term priorities for a given local area and will unlock large-scale funding opportunities through which to address them. They will also develop lasting and influential partnerships that strengthen over time as the devolution and local growth agendas evolve.

Exploring the detail: The challenges and foundations

The grand challenges

Growing the artificial intelligence (AI) and data-driven economy – ‘we will put the UK at the forefront of the AI and data revolution’.

Priorities include:

- Making the UK a global centre for AI and data-driven innovation *including* through the ‘data to early diagnostics and precision medicine’ programme, where the government will invest to enhance the power of health data to diagnose diseases at the earliest possible stage and develop precision treatments to cure them. A national research centre for AI will be developed, with PhDs in AI and an industry-funded masters programme launched.
- Supporting sectors to boost their productivity through AI and data analytic technologies *including* establishing an AI council that can take a leadership role across sectors. This will be supported by a new government office for AI, which will work initially with sectors including life sciences and which will ensure the public sector can benefit from these technologies.
- Leading the world in safe and ethical use of data and AI *including* establishing a new Centre for Data Ethics and Innovation to review the regulatory landscape and advise government on how to enable and ensure ethical, safe and innovative use of data.

Clean growth – ‘we will maximise the advantages for UK industry from the global shift to clean growth’.

Priorities include:

- Developing smart systems for cheap and clean energy across power, heating and transport *including* a new Industrial Strategy ‘Prospering from the energy revolution’ programme to develop local smart energy systems.
- Transforming construction techniques, *including* through the Industrial Strategy ‘Transforming Construction’ programme to provide safer, healthier and more affordable places to live and work.
- Making energy intensive industries competitive in clean economy, *including* new schemes to support investment in industrial energy efficiency.

Future of mobility – ‘we will become a world leader in shaping the future of mobility’.

Priorities include:

- Addressing the challenge of moving from hydrocarbon to zero emission vehicles *including* a commitment that 25 per cent of all cars in the central government department fleet are ultra-low emission by 2022.

Ageing society – ‘we will harness the power of innovation to help meet the needs of an ageing society’.

Priorities include:

- Supporting new products and services for the growing global population of older people, meeting social needs and realising business opportunities *including* the new Industrial Strategy ‘Healthy Ageing’ programme that will invest in innovation to help older people maintain their chosen lifestyle and live independently for longer.
- Supporting sectors to adapt to a changing and ageing workforce *including* building on the Fuller Working Lives Strategy to promote

the benefits of employing older workers and encouraging industry to adapt workplaces to the needs of an ageing workforce.

- Leveraging health data to improve health outcomes and UK leadership in life sciences *including* through the regional digital innovation hubs as outlined in the life sciences sector deal.
- Supporting care providers to adapt business models to changing demands, encouraging new models of care to develop *including* through the forthcoming green paper on care and support for older people and through better use of the Industrial Strategy Challenge Fund and the Growth Hub network.

Grand challenges and the NHS

The grand challenges mentioned in the Industrial Strategy have several direct and indirect links with the NHS. How the UK approaches its ageing society is clearly a critical issue and it is pleasing to see new markets for associated innovations being sought. Of greater importance though could be the reference to the forthcoming green paper on care and support for older people (to be published by summer 2018) as a means of helping care providers to adapt business models to changing demands and in encouraging new models of care to develop.

Likewise, developments relating to AI and data will have far-reaching implications for both how we provide clinical services and the, often complex, issue of how we share information across health and care. The specific inclusion of clean growth as a grand challenge is an important reminder that the NHS has much to improve on if it is to become a low carbon sector but also much to gain from engaging with partners on this. Lastly, the future of the mobility grand challenge could present opportunities for how the ambulance trusts invest in their fleet of vehicles.

The nature of these grand challenges, and the necessary partnerships they will enable, will be helpful in addressing future health and care needs and in bringing the NHS closer into discussions as innovations are developed and implemented.

The foundations of productivity

Ideas – ‘to be the world’s most innovative economy’.

Priorities include:

- Raising total research and development investment to 2.4 per cent of GDP by 2027 *including* specifically in the four grand challenge areas. Innovation clusters will form and grow around universities and research organisations with an additional £2.3 billion invested over what was previously planned. In addition, a further £725 million is being invested in a second wave of the Industrial Strategy challenge programme focused on the grand challenge and sector deal areas, £300 million on attracting skilled workforce in priority areas, £20 million in a new GovTech fund to utilise the Small Business Research Initiative (SBRI) to support tech firms to focus on solutions for more efficient public services, and £178 million to enable the Catapults to continue their work.
- Capturing the value of ideas *including* the creation of UK Research and Innovation (UKRI), which will invest £8 billion in research and innovation by 2020.
- Building innovation excellence across the country *including* through a new £115 million Strength in Places Fund to support areas to build on their science and innovation strengths (as listed in the science and innovation audits) to develop stronger local networks. All research laboratories in the UK in receipt of significant public funding will also be expected to support local economic growth.

People – ‘to generate good jobs and greater earning power for all’.

Priorities include:

- Establishing a technical education system that stands alongside higher education *including* through the 15 new technical education routes (T levels), apprenticeships and the institutes for technology. The government will undertake a review into higher level technical education at levels 4 and 5.
- Investing in skills to support growth and opportunity across the country *including* through

a teacher development premium and devolving the adult education budget to mayoral areas in 2019. Skills advisory panels will be rolled out across the country shortly and integrated into mayoral combined authorities and LEPs. These panels will produce rigorous analysis of the current and future supply and demand for skills and help areas form a clearer understanding of their skills requirements.

- Continuing opportunities for all throughout life *including* establishing a national retraining scheme to drive up adult learning and retraining. The government is committed to developing a common set of principles and measures around modern employment practices, as outlined by Matthew Taylor's recent review. A comprehensive careers strategy will be published shortly that will set out plans to improve careers advice for all, while from April 2018 all apprenticeship levy-paying organisations will be able to transfer 10 per cent of their funds to another employer, including within their supply chain. Over £60 million is being made available to support apprenticeship take up by young people and poorer families from disadvantaged backgrounds.

Infrastructure – 'a major upgrade to the UK's infrastructure'.

Priorities include:

- Increasing the National Productivity Investment Fund (NPIF) from £23 billion to £31 billion, supporting investments in housing, transport and digital infrastructure *including* by taking greater account of disparities in productivity and economic opportunity between different places, ensuring investments drive growth across all regions.
- Investing to support the objectives of the Industrial Strategy *including* through procurement that considers social and economic objectives alongside cost-effectiveness.
- Investing in infrastructure to drive growth across the UK *including* through the £1.7 billion Transforming Cities Fund for projects that improve connectivity, reduce congestion and utilise new mobility services and technology. These projects will link towns around cities to

city centres and to each other. Local decision-making on infrastructure will be strengthened, with up to £1 billion available to local authorities through the Public Works Loan Board.

- Increasing competitiveness in the face of major global economic forces *including* through the shift to clean growth and the spread of digital technology as stated in the grand challenges. A new Clean Air Fund worth £255 million will be established for local authorities with the most challenging pollution problems, while the 5G strategy will be updated later this year. An additional £160 million will be invested in new 5G infrastructure.

Business environment – 'to be the best place to start and grow a business'.

Priorities include:

- Sector deals, which are partnerships between government and industry aiming to increase sector productivity, *including* the forthcoming life sciences and AI sector deals and future deals with sectors such as creative industries and industrial digitalisation. The life sciences sector deal will help ensure new treatments and medical technologies are produced in the UK and builds on the Life Sciences Industrial Strategy, led by Sir John Bell and published in August 2017. Several other industries have signalled their interest in a sector deal and are working with government, particularly where they relate to the grand challenges.
- Future sectors *including* through a new future sectors team which will lead work to grow the sectors that are developing and using the technologies of the future, such as robotics and AI.

Places – 'to have prosperous communities throughout the UK'.

Priorities include:

- Local leadership *including* working in partnership with places to develop local industrial strategies that are agreed with government. These strategies will help identify priorities to improve skills, increase innovation and enhance business

infrastructure and business growth. They will guide the use of local funding streams and any spending from national government. The first of these strategies will be agreed by March 2019. Places with a mayoral combined authority will have a single mayor-led strategy while those without will see LEPs leading on the strategy's development. The capacity of existing mayoral combined authorities is to be strengthened while further devolution deals will be developed, such as North of Tyne. There is a further commitment to LEPs, with the Prime Minister chairing a bi-annual Council of LEP Chairs and a review underway looking at their roles and responsibilities. More clearly defined LEP activities and objectives will be set out in early 2018, along with a review of overlapping LEP geographies.

- The right economic geography *including* working at scale where appropriate, such as with the Cambridge-Milton Keynes-Oxford corridor, and below LEP level such as towns. The government is working with a range of local partners to explore new approaches including a pilot town deal for Grimsby. The government will launch the UK Shared Prosperity Fund following its departure from the EU to replace EU structural and investment funding. A consultation next year will look at the precise design and priorities for the fund. Further business rate retention in England is also expected.
- Working across the UK *including* new city deals in Scotland, north and mid-Wales and Belfast.

Foundations of productivity and the NHS

The foundations of productivity mentioned present several opportunities. Our teaching hospitals and AHSNs will be following changes outlined in the ideas section to the innovation landscape closely, with increased research and development spend coupled with the establishment of UK Research and Innovation (UKRI) ensuring excellence is widely fostered and the innovation landscape is streamlined. Some of the new and expanded funding programmes will be relevant for the NHS, particularly in areas where we contributed to the science and innovation audits. More generally, through greater alignment of our innovation priorities the sector has an opportunity to both support transformations into clinical practice and to contribute to UK PLC.

In terms of our people, the developments in the technical education system can play a part in enabling a future health and care skills pipeline. While devolution of skills across England is patchy it is important that NHS organisations are represented on the local skills advisory panels being devised in all areas. Our workforce will be the largest in virtually every LEP area in England, yet our associated needs, challenges and priorities are not widely understood.

Too often estates development in the NHS is done in isolation, rather than as part of a wider local infrastructure package. With procurement now considering social and economic objectives alongside cost-effectiveness, one could expect significant developments in the midlands and north in future years, but will we be involved?

Sector deals are partnerships between the government and industry on sector-specific issues which aim to enhance the UK's business environment. The NHS has a role in making them successful. Given the value to the local economy, it was no surprise to see life sciences as the first sector deal announced, with government and industry both clear in their need for an engaged NHS. More sector deals will be launched over time and will similarly relate to the health service in direct or indirect ways. It's worth remembering that with business rates being localised, increased business activity locally means more money for prevention and adult social care.

The final foundation is that of place. Place may not come naturally to some in the NHS, but the advent of STPs and ACSs highlights the importance and timeliness of this concept. To build prosperous communities across the country is an important part of our role and the NHS should not be reticent about what it can offer and how it should gain from being involved as local industrial strategies develop. As more devolution deals are agreed, and with an increasing focus on new geographies such as towns and corridors, it is important that the NHS is involved in these discussions. Lastly, the health service, largely through AHSNs, has successfully engaged in European Structural and Investment Fund (ESIF) projects worth many millions of pounds. The value of the NHS to the local economy must be considered by those in government designing the UK Shared Prosperity Fund, the replacement to ESIF, to ensure continued participation.

Further information

To discuss any aspect related to this briefing, including how to work with and influence LEPs and metro mayors, please contact:

Michael Wood, NHS local growth advisor, at michael.wood@nhsconfed.org

To find out more about the local growth agenda more generally, please visit:

www.nhsconfed.org/localgrowth

The NHS Confederation

The NHS Confederation is an independent membership body for all organisations that commission and provide NHS services; the only body that brings together and speaks on behalf of the whole of the NHS.

For more information, visit www.nhsconfed.org



NHS Confederation
Floor 15
Portland House
Bressenden Place
London SW1E 5BH

Tel 020 7799 6666
Email enquiries@nhsconfed.org
www.nhsconfed.org

Follow the NHS Confederation
on Twitter [@nhsconfed](https://twitter.com/nhsconfed)

If you require this publication in an alternative format, please contact enquiries@nhsconfed.org. We consider requests on an individual basis. Or visit www.nhsconfed.org/publications

© NHS Confederation 2017. You may copy or distribute this work, but you must give the author credit, you may not use it for commercial purposes, and you may not alter, transform or build upon this work.
Registered charity no: 1090329