

# The New Industrial Strategy: Policy and Governance for a place-based approach to Regional and Local development policy post-Brexit?

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The White Paper *Industrial Strategy: Building a Britain Fit for the Future*, published in November 2017, will guide Regional and Local development in the post Brexit era [1]. It raises a number of concerns. The first is: does it address regional disparities? The answer is no. It aims to foster investment and achieve growth across all areas in the UK, the devolved administrations devising their own strategies. In contrast, half the UK share of European Structural and Investment Funds (ESIF) over 2014-2020 (€26.8bn; £24.15bn) is allocated to the less developed and transitional areas. However, as Table 1 shows, there is a sizeable allocation in the Industrial strategy to measures to improve productivity (up to £31bn) with funds for other measures. Given some measures predate the strategy, and with no timescale given, it is not clear how much is new money or repatriated EU monies post Brexit. However, the figures include ESIF, since we know that EU funding is to be continued to 2020, beyond March 2019, Brexit.

**Table 1: Funding Programmes available under the Industrial Strategy**

<b>Fund</b>	<b>Amount</b>	<b>Purpose</b>
<b>IDEAS</b>		
Industrial Strategy Challenge Fund programmes	£725m	To capture the value of innovation
<b>PEOPLE</b>		

Maths, digital and technical education programmes	An additional £406m	To address the shortage of science, technology, engineering and maths (STEM) skills
National Retraining Scheme	£64m investment	To support people to re-skill, beginning with digital and construction training
<b>INFRASTRUCTURE</b>		
National Productivity Investment Fund	To be increased to £31bn	To support investments in transport, housing and digital infrastructure
Charging infrastructure investment	£400m	To support electric vehicles
Plug-in car grant	extra £100m	To extend the scheme
Boost digital infrastructure	Over £1bn of public investment, including £176m for 5G and £200m for local areas	To encourage roll out of full-fibre networks
<b>BUSINESS ENVIRONMENT</b>		
Structural Investment Fund	£20bn, including a new £2.5bn Investment Fund, incubated in the British Business Bank	To promote investment in innovative and high potential businesses
<b>PLACES</b>		
Transforming Cities Fund	£1.7bn	For intra-city transport, to fund projects that drive productivity by improving connections within city regions
Teacher Development Premium	£42m	A pilot to test the impact of a £1000 budget for high-quality professional development for teachers working in areas that have fallen behind.

After Brexit, the UK will no longer be subject to EU rules governing the Cohesion Funds; new priorities can be set, as they are. So, a further concern about the Strategy must be its sectoral focus, initially on the life sciences, construction, artificial intelligence and the automotive sector. Firms in these sectors are most likely to be in the relatively prosperous areas of the UK. Given evidence that the 'left behind areas' voted to leave the EU, and ironically are those that have most benefitted from EU structural funds, one wonders what measures are to be addressed to create growth and jobs in these poorer localities [2].

Conceived within a free market model, the strategy says competition is the best way to improve productivity. Nonetheless, it says Government role is to make investments that the private or (interestingly) the academic sector cannot make and to work in partnership with businesses, workers, universities and colleges, local government and the devolved administrations. And, in handing the development of the strategy to sub-national authorities, a concern is what autonomy will they have to ensure their strategy reflects their priorities?

Recent work shows that the Midlands Engine strategy was written by central government [3]; a case of power up rather than power down [4]. LEPs are key in driving the Strategy. Some will use their revised strategic economic plan as the basis for their local industrial strategy; some using it as an implementation and delivery strategy [5]. Whatever, at present, there is little guidance about what is required. However, Central government will clearly keep a tight rein, the LIS having to be agreed with government and, with a Council and a Cabinet Committee being set up, is one of the ways in which national government controls sub-national governance structures [4].

The Combined Authorities have devolved powers; CA priorities map well onto those in the Industrial strategy [6]. But, a concern must be will the Combined Authorities retain their position in the governance hierarchy? With all attention on Brexit, the drive for devolution has waned. Government also made proposals in July 2018 to strengthen the LEPs, following the Ney Review [7]. With scope to alter the geography of the LEPs – proposals to be sent to the Ministry of Housing, Communities and Local Government by 28 September 2018

[8] – the position of the CAs may be threatened, the LEPs coming to reflect a larger scale of a geography of production and consumption.

Perhaps the greater concern about the Industrial Strategy is the issue of place. While it has a place in the Strategy, the actual chapter on ‘Places’ lacks clarity, specificity and novelty [6]. However, more critically, if we argue that the White Paper begs a place based [9] rather than a ‘space-blind’ approach [10], it appears not to take account of what is required of a place based approach. The task of such an approach is to appreciate the ecosystem of the locality and the supply chain relationships that reach into Europe and beyond, that help to make ‘sticky’ places which sustain development and growth and jobs [11]. This begs the need for a flexible and variable pattern of collaborative governance and leadership to represent relational geographies of production and consumption.

This may all be academic in the light of the prospect of a ‘No Deal’ Brexit. The UK will leave the EU, will leave the Single Market, and will not be part of the Customs Union. Our trading relationships through supply chains in Europe will be broken; WTO rules and tariffs will apply. This will make the goals of the Industrial Strategy difficult to achieve. To say this is not to promote ‘project fear’ but ‘project reality’.

## End Notes

1 BEIS (2017) *Industrial Strategy: Building a Britain Fit for the Future. Industrial Strategy White Paper*. London: Department for Business.

2. Goodwin M & Heath O (2016) *Brexit and the left behind: a tale of two countries* [blogs.lse.ac.uk/brexit/2016/07/22/brexit-and-the-left-behind-a-tale-of-two-countries/](https://blogs.lse.ac.uk/brexit/2016/07/22/brexit-and-the-left-behind-a-tale-of-two-countries/)

3. DCLG (2017a) *Midlands Engine Strategy* London: Department of Communities and Local Government.

4. Bentley G (2018) Territory, Policy and Governance at Meso- Scale? The Midlands Engine, in Fai (2018).

5. Fai F (ed) (2018) *Place-Based Perspectives on the UK Industrial Strategy*, IPR Policy Brief, Bath: University of Bath.

6. Fai F (2018) Introduction, in Fai (Ed)

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7. DCLG (2017b) *Review of Local Enterprise Partnership Governance and Transparency. Led by Mary Ney, Non-Executive Director, DCLG Board.* London: Department of Communities and Local Government.

8. HMG (2018) *Strengthened Local Enterprise Partnerships* London. Ministry of Housing, Communities and Local Government.

9. Barca F (2009) *An Agenda for a Reformed Cohesion Policy. A place-based approach to meeting European Union challenges and expectations* [http://ec.europa.eu/regional\\_policy/archive/policy/future/pdf/report\\_barca\\_v0306.pdf](http://ec.europa.eu/regional_policy/archive/policy/future/pdf/report_barca_v0306.pdf)

10. Bentley G, Pugalis L and Shutt J (2017) Leadership and systems of governance: the constraints on the scope for leadership of place-based development in sub-national territories. *Regional Studies* 51:2 pp 194-209.

Bentley G and Pugalis L (2014) Shifting Paradigms: People-Centred Models, Active Regional Development, Space-Blind Policies and Place-Based Approaches. *Local Economy*, 29: 4-5, pp. 283- 294.

11. Bailey D, Pitelis C and P R Tomlinson (2018) A place-based developmental regional industrial strategy for sustainable capture of co-created value *Cambridge Journal of Economics* 1 of 22 <https://doi.org/10.1093/cje/bey019>.