

## Enterprise M3 Board Meeting

29 November 2018

### A Local Industrial Strategy for The EM3 Area – Item 12

Enterprise M3 Board is asked to:

**NOTE:** The main characteristics of a Local Industrial Strategy (LIS) and the approach towards its development described in section 1 and paragraphs 2.1 – 2.4 of this paper.

**AGREE:** The approach suggested in section 2 of this paper towards the development of the LIS and in particular that:

- The features set out in paragraphs 2.5 - 2.8 of this paper should guide the initial development of the LIS
- Detailed development work should focus on the elements identified in paragraph 2.10 which represent long term strategic priorities for the area
- The Board and the Action Groups should play a major role in overseeing and contributing to development of the LIS (as described in paragraph 2.12)
- The broad timetable for the development of the LIS (paragraph 2.13) with the aim that the work is completed ahead of the majority of LEP areas.

#### 1. Background

1.1 There is a requirement to produce a Local Industrial Strategy for the area of the LEP by early 2020. The Government has issued a Prospectus which is its most considered statement on the purpose and nature of a LIS but has also given various other formal and informal steers on the issue. Piecing all of these together suggest the following broad features of a LIS:

- A central focus on **productivity** (although there are also references to competitiveness)
- Long term in nature
- Strategic in focus
- Bottom up, evidence based and distinctive
- Aligned to the National Industrial Strategy and the 5 foundations of productivity (identified in the box at paragraph 2.4)
- Facilitating co-ordination of local, sub-regional and national decision making
- Collaborative in development and implementation.

1.2 The Government has also been clear that it is concerned to achieve an economy that works for all (or at least more people) including in terms of earning power. Accordingly, the LIS should also promote inclusive growth in terms particularly of:

- **Spatial impact** to allow all communities to contribute and benefit
- **Individual impact** to allow all to contribute and benefit (particularly age)

1.3 From the EM3 perspective, the Strategic Economic Plan set out the strategic direction of travel for growing the economy of the area to which the LIS will give more specific effect. LIS are different to SEPs in that they will:

- be developed with and agreed by Government to give effect at local level to the National Industrial Strategy

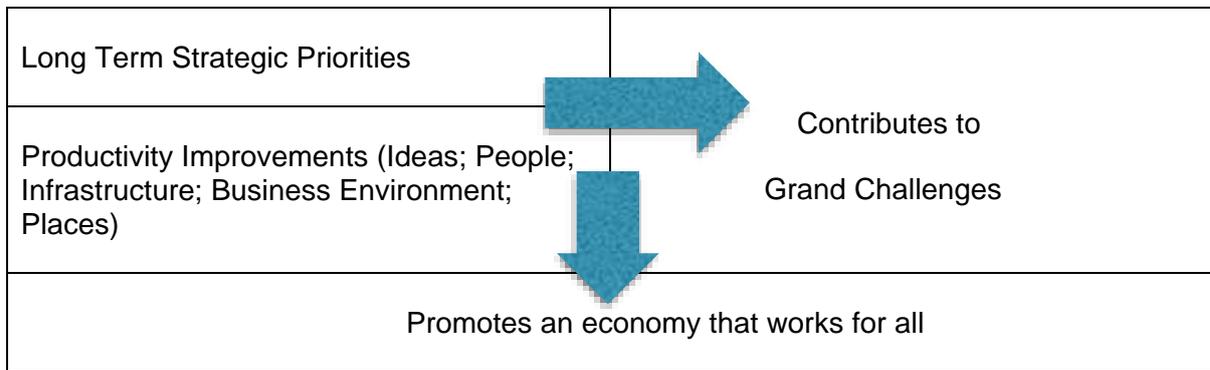
- set out clearly defined priorities to maximise the contribution to UK productivity
- provide the means of co-ordinating local economic policy and collaborating with neighbouring areas
- influence future spending programmes particularly the Industrial Strategy Challenge Funds and the UK Shared Prosperity Fund (although the Government keeps on saying that they are not in themselves bidding documents).

1.4 On this basis the LIS is, among other things, a development and investment plan for the SEP.

## 2. Development of the Local Industrial Strategy

### Productivity, Growth and The Grand Challenges

- 2.1 The SEP set out a bold aim to grow the economy by 4% on average over the next 12 years and the significant assets in the area which can support high value add and high growth sectors. Enhancing productivity will be the major contribution to achieving this aim and, given the features set out in section 1, the aim of the LIS might be encapsulated as identifying how productivity improves in a way that benefits the greatest number of people and places in the EM3 area.
- 2.2 If the central focus for the LIS is on enhancing productivity, an underpinning **theory of change** or logic about achieving such a result is required. This also helps with organising evidence and analysis in support of the LIS and in subsequent evaluation since it brings together inputs, outputs and expected outcomes. A starting point for such an approach is a virtuous circle taking an integrated view of productivity and growth:
1. Production of goods and services
  2. Generates profits and income (including wages)
  3. Stimulates demand
  4. Demand stimulates investment and expansion
- 2.3 The Government has set out five foundations for productivity in the NIS (listed in the table at paragraph 2.4). These are mainly about the types of outputs that might be developed but at root those outputs support improvements in productivity by:
- Increasing operational efficiency
  - Reducing costs
  - Enhancing the effectiveness of the workforce
  - Supporting innovation
  - Developing new business models
- 2.4 The LIS should therefore be concerned with interventions that will support one or more of these approaches to improving productivity reflecting long term strategic priorities for the area. In doing so the LIS will examine the contribution to the Grand Challenges and ways in which more inclusive growth can be secured. For EM3 some of the Challenges may in fact represent significant opportunities given the characteristics of the area and on which it makes sense to focus. In diagrammatic form the approach might be represented as follows:



### Approach to Development of the LIS

- 2.5 Slightly paradoxically, at this stage, the best way of approaching the development of the LIS is not by starting to write a strategy – not least because so much about the Government’s thinking and the wider context remains uncertain. A much more agile and action focused way of addressing the issue is to identify the main long-term strategic priorities for the area (for which initial suggestions are set out in paragraph 2.10 below) and to develop an analysis and what amounts to a fairly detailed business case for interventions in respect of each of them. From this material it is much easier to then apply the thinking either as a strategy *per se* or to develop or respond to specific opportunities (including for funding).
- 2.6 In approaching the work in this way it is important to remember that:
- How the LIS is developed is very significant – **collaboration and co-design** will be critical and has to be built into the approach from the outset. It will repay the effort since the case for interventions will be much stronger if they have been developed with partners and stakeholders who will need to give them effect
  - Maximising use of the full resources of the LEP – team members, Board members, Action Groups - will be required as well as considering the use of the available envelope of financial resources for commissioning additional work. The potential role of the Action Groups is indicated in the table setting out the suggested long-term priorities below
  - The Role of the LEP will be different on different elements – some are more about convening and facilitating others are more about active development of specific propositions. We will need to be clear about the nature of these different roles.
  - Some more traditional outputs (e.g. lists of transport schemes) will come out of the 9 elements s e.g. infrastructure schemes will support connectivity, towns and housing but for the LIS these need to be seen as ways of achieving the long-term priorities
  - There is a very strong emphasis from Government on **evidence**. Rather than a general evidence gathering exercise, the modular approach being proposed emphasises targeted development and also the importance of qualitative evidence and **intelligence** derived from working with other organisations - not just data.
- 2.7 The aim is to develop a set of compelling, widely supported, evidence based, practical interventions for each of the long-term strategic priorities. To organize the work needed the initial intention is to develop a project brief that would:
- set out **ambition and questions to be answered** – the focus for our interest and the opportunities to take it forward (particularly in responding to potential funding calls)
  - Identify who is involved in **leading and taking the work forward** including the role of Action Groups and other groupings within the EM3 area such as the Strategic Advisory Panels

- Identify potential **collaborators** (i.e. partner and stakeholder organisations). There is a wealth of such organisations in the EM3 area from the universities right through to the not for profit sector and we need to draw on their research skills, experience and specialist knowledge
- Assess the **available evidence** and identify the things that we would like to know – there is plenty that has been done by organisations like the Smart Specialisation Hub and through major pieces of work such as Innovation South and the Energy Strategy which give a good starting point for further refinement.
- Set out Ideas about people or organisations that might be helpful as **critical friends, experts** or available to be commissioned to do further work, including some of the LEPs partner organisations like the universities.
- The approach to **involvement and participation** to build in some co-design with stakeholders and secure broader support
- Views on current and potential **opportunities**, particularly in terms of external funding, to which we may need to be in a position to respond.

2.8 In overall terms the project briefs would set out a work programme so that for each long-term strategic priority we are able to follow through the logic set out in the following table:

Long Term Strategic Priority	Orientation towards LIS Purpose i.e. <b>why</b> is it significant in terms of enhancing productivity, inclusive more growth and Grand Challenges	Evidence base and further requirements to <b>test</b> that hypothesis and demonstrate the case for further interventions.	Contribution – <b>how</b> the LEP and other partners contribute in terms of potential interventions.
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### Initial Set of Long-Term Strategic Priorities

2.9 As a starting point, nine major long-term priorities for the area are briefly described in the following table. These are all major issues or opportunities for the area which have a clear contribution to make to improving productivity and which would support the achievement of the SEP and other initiatives being pursued across the wider South East in which EM3 is involved such as Innovation South.

2.10 Some of these elements may in practice be overarching outcomes to which other elements contribute. For example, a network of well-functioning towns and settlements and action to promote clean growth that decouples economic expansion from harmful impacts. These relationships will be clarified through the further analysis that is being planned and from the development of the broader narrative that will form the higher-level strategic statement within the LIS.

Strategic Priority	Why it matters	What it might mean and the role of the LEP
<p><b>5G Region:</b>  <b>A step change in digital connectivity and a major contribution to realising the aspirations expressed in Innovation South for promoting and developing strengths in digital enabling technologies, particularly their commercial application.</b></p>	<p>Improved productivity through smart systems – additional capacity, flexibility and reliability.  Promotes increased digitisation of businesses - one of the most important contributions to productive business models.  Facilitates commercial applications of knowledge and research in digital technology sectors.</p>	<p>Convening role bringing together local authorities, HE and commercial sectors.  Full Fibre Networks across the EM3 area and beyond built out from public service networks and connecting towns and commercial centres  Other digital infrastructure utilising the full fibre network: 5G networks and further test beds and emulators which will promote the development of vertical commercial applications  Greatly enhanced mobile connectivity across the whole area  Intelligent connectivity in which 5G networks supports artificial intelligence and expansion of the internet of things</p>
<p><b>Connectivity and Mobility</b>  <b>Congestion is one of the biggest drags on productivity and growth. In contrast, better connections between businesses and their staff, supply chains and markets offer one of the best means of enhancing both.</b></p>	<p>Reduce congestion costs and facilitate enhanced connections between businesses and their staff, supply chains and markets.  Increase efficiency and capacity of transport systems.  Reduce the need travel.</p>	<p>Led by Transport Action Group  Collaboration with Transport for the South East particularly on the TfSE Transport Strategy.  Promoting digital railway and digital roads in the area for more efficient usage through the technologies associated with the 5G Region  Promote charging networks for EV.  5G Region opens up new opportunities to work remotely.  Maximise the opportunity from enhanced mobile connectivity.</p>
<p><b>Heathrow Gateway Region</b>  <b>A gateway to global markets. Heathrow expansion is a unique opportunity to develop – with neighbouring LEPs and other partners - a vision and a set of interventions to grow the sub-regional economy and our exports.</b></p>	<p>An integrated set of interventions to grow the sub-regional economy associated with LHR and influence the spatial pattern of growth and development associated with expansion.  EM3 area must have fast, reliable connectivity to the expanded airport to maintain locational advantages.</p>	<p>Collaboration with neighbouring LEP areas (which are members of the Heathrow Strategic Planning Group) on a sub-regional vision for the economy.  Specific development work on:</p> <ul style="list-style-type: none"> <li>• Skills and employment</li> <li>• Supply chain</li> <li>• Visitor economy</li> <li>• Innovation</li> <li>• Mobility</li> <li>• Inward Investment</li> <li>• Exporting</li> </ul>

<p><b>Clean Growth/Energy</b>  <b>Articulating the full potential for the EM3 area to make better use of energy to improve productivity and promote an innovation, skills and employment dividend from clean growth.</b></p>	<p>More effective use of energy: efficiency and cost reduction by adoption and application of techniques.</p> <p>Leverage any innovation and sector specialisms in technology development</p> <p>Offers opportunities for new skills and employment</p> <p>Promote attractiveness of area for inward investment.</p>	<p>Convening role bringing together relevant organisations to articulate the potential for the EM3 area to make better use of energy and promote skills and employment dividend from clean growth.</p> <p>Opportunities in</p> <ul style="list-style-type: none"> <li>- generation e.g. local production from renewables</li> <li>- transmission e.g smart grids</li> <li>- usage particularly better use of energy in housing and transport</li> </ul> <p>Other relevant elements of the LIS e.g. charging for EV networks; autonomous vehicles in smart specialisation.</p>
<p><b>People</b>  <b>Workforce transformation to respond to the implications of new business models, particularly increased digitisation, to allow their full benefits to be secured</b>  <b>Enhancing participation and inclusive growth through a better skilled, supported and healthier workforce.</b></p>	<p>Enhanced participation through a better skilled, supported and healthier workforce (which improves productivity and increases demand in the local economy).</p> <p>Workforce transformation suited to new business models, particularly from increased digitisation to allow the full benefits to be secured.</p>	<p>Led by Skills and Talent Action Group</p> <p>Longer term sector workforce planning and employer led provision to meet needs of future business models.</p> <p>Higher level professional, technical and vocational education and training.</p> <p>Reskilling and lifelong learning</p> <p>Workplace wellbeing.</p> <p>Working with the NHS on population health and inclusive growth: poor health is hampering productivity and also stoking demand for health care.</p>
<p><b>Housing</b>  <b>Increasing supply and greater diversity of housing is fundamental to improving recruitment and retention of the people business needs</b></p>	<p>Housing increasingly unaffordable in the area: more and more diverse housing required to improve recruitment and retention of the people business needs</p> <p>Better functioning places with sufficient demand to be sustainable.</p> <p>Improved inward investment offer.</p>	<p>Contributing to collaboration between local authorities, supporting strategic planning for growth by local authorities through a clearly articulated 'place narrative' for the area, setting out ambition for delivering growth and shared priorities in terms of infrastructure which can form the basis for engagement with Homes England.</p> <p>Supporting the development of infrastructure for housing sites, particularly on corridors.</p> <p>Promoting mixed use development which puts housing alongside jobs and services.</p> <p>Promoting the development of housing that enables people to age well.</p> <p>Promoting housing that is energy efficient.</p>

<p><b>Towns</b>  <b>Creating homes and vibrant communities for healthy, sustainable lifestyles.</b>  <b>Our area is made up of a network of relatively small places. If each place functions well and has effective linkages with other places the more they can offer jobs, services and homes; help increase demand in the economy and support more inclusive growth.</b></p>	<p>Dynamic, well-functioning places that provide more jobs, homes and help increase demand.          Attract new skilled workers.          Reduce need to travel. Improved inward investment offer.</p>	<p>Developing an analysis of the vibrancy of towns across the area and working with local authorities to enhance them through interventions such as:          Corridor enhancements          Town centre regeneration          Office space          Innovation spaces          Housing          Public service hubs.</p>
<p><b>Smart Specialisation</b>  <b>The hallmark of a A high tech, high value area focused on:</b>          Space Satellite          Aerospace and Defence          Digital/Cyber Security          Life Sciences/Med Tech          Creative/Gaming</p>	<p>Innovation critical to increasing the output from the other factors contributing to production.          Support productive, high value add SMEs.</p>	<p>Taken forward with Innovation South and with the EM3 HE Group.          5G Region proposals to enhance the opportunities for commercialisation of knowledge specialisms.          Develop proposals for the Industrial Strategy Challenge Funds.          Innovation South programme including Knowledge to Market Accelerator and Innovation Hotspots.          Scale up programme for high value SMEs – Growth Hub, universities, Set Squared, accelerators.          Working with (NHS) Integrated Care Systems in the area on supporting innovation and commercialisation of knowledge.          Promoting inward investment in relevant sectors.          Local Sector Deals</p>
<p><b>Exporting</b></p>	<p>Selling beyond local markets and hence increasing demand and helps stimulate more investment.          Likely to be focused on the high value add businesses.</p>	<p>Targeted work with DIT on taking forward the DIT Export Strategy in the EM3 area particularly on:          - digital platforms;          - collaboration with the SE Team          - Export Champions.          Business support programmes for firms seeking to expand exporting.          Facilitating knowledge spill-overs through access to wider knowledge communities from a network of other high skilled businesses.          Promoting access to a suitably skilled workforce.          Appropriate infrastructure (e.g. roads, digital connectivity).</p>

2.11 As noted above, these priorities are inter-related. The nature of those inter-relationships will form part of the strategic narrative of the LIS and will shape the way in which the distinctiveness of the area is set out. The intention at this point is to allow the work to progress a little further before starting to frame that narrative in detail but it is likely to be one of the issues that is discussed at the proposed Board workshop (see below).

### Timetable and Role of the Board

2.12 The LIS is such an important issue for the LEP that the intention is for Board members to have significant involvement in its preparation in particular through:

- discussions at Board itself and in bespoke Board workshops which are likely to involve some external experts to stimulate discussion and provide challenge
- Board members roles in chairing or being a member of an Action Group which will oversee or be heavily involved in the development and then the carrying through of project briefs for each priority
- a small, high level group drawn from the Board and chaired by Stacey King and supported by the relevant LEP team members to act as a guiding coalition on the work being done across all of the priorities and make sure that it remains on track.

2.13 The timetable for LIS production may well shift with further announcements from Government but the ambition will remain to be ahead of the main curve in terms of preparation. At this point in time that suggests the following broad timetable:

- December: check in with Government on approach to LIS development
- December: Project Briefs completed for each Priority
- Late January/early February: Board workshop
- February/March: LIS development informs LEP Delivery Plan and Business Plan for 2019/20.
- Spring 2019: Business cases for each priority completed
- Summer 2019: LIS completed.

### **3. Conclusion/Recommendation**

3.1 The Board is asked to agree the approach set out in this paper which will provide a clear remit for further work on the LIS and the role that they will play as Board members in guiding and supporting its development.

Kevin Lloyd  
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21 November 2018