

# Emerging Greater South East Economic Narrative

## *Note to Hertfordshire LEP (and the other southern LEPs)*

September 2019

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### Wider context and purpose

As they each develop their local industrial strategies, the six Local Enterprise Partnerships (LEPs) across the Greater South East/London's City-Region (Hertfordshire, South East, Coast to Capital, Solent, Enterprise M3, and Thames Valley Berkshire) have been in dialogue to explore common issues, opportunities and challenges.

This process has been precipitated by:

- An acknowledgement that **there are in practice many shared issues across the Greater South East – most of which result from consistently strong links with London** (across labour and housing markets; in relation to sectoral growth dynamics; and in terms of land use and other environmental constraints). Because of this, it would be surprising if there weren't significant commonalities across the southern LISs.
- A recognition that most of **“the rest” of England is organising itself into regional groupings (Northern Powerhouse, Midlands Engine, Oxford-Cambridge Arc) and alongside these, individual southern LEPs are struggling, politically, to be heard**. In relation to economic development, “the Greater South East” (outside of London) does not have an automatic voice and it lacks any kind of governance set-up to engineer one. Particularly as Brexit-related pressures ramp up (politically and economically), it is at risk of disappearing from view.

Formally, the Prospectus for Local Industrial Strategies invited LEPs to *“collaborate across broader regional geographies”*<sup>1</sup>. Informally, the conversation across the south is being encouraged by CLGU.

The intention is that “something” (perhaps 2-3 pages) might appear in each of the southern LISs. *To be clear, this does not signal any organisational or governance change – or any ambition in that direction*. Instead, it is designed to communicate something around scale, impact and potential – and the fact that the medium term prospects of the UK depend to a significant degree on the effectiveness of the Greater South East.

### Evidence gathering

In order to inform the conversation, Hertfordshire LEP asked SQW to gather together some basic evidence. This has included an analysis of productivity data across the Greater South

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<sup>1</sup> *Local Industrial Strategies – Policy Prospectus* Published by BEIS, October 2018

East, and the development of a more substantive document entitled “Greater South East – Economic Atlas”.

In its current form, the Atlas pulls together information from a range of published sources (and some that SQW has developed). Very little of it is new and none will come as surprise – but in the post-RDA/Regional Assembly era, it is perhaps “new” insofar as evidence and data are presented across the different domains that are of interest to LEPs and LISs across geographies that approximate to London’s City-Region (albeit on different definitions). We also suspect the “corporate memory” inside CLGU is quite limited – noting that it is nearly 10 years since the regional structures were abolished and approaching 20 since the demise of SERPLAN.

The exercise could be taken a lot further over the next few weeks – including through the development of one or more original maps. But first the southern LEPs need to decide whether it is helping them.

### First draft narrative (i.e. the text shaded blue overleaf)

Attached to this paper is a “first cut” attempt at an economic narrative for the Greater South East. It has been authored by SQW – but without much of a steer in terms of the tone. It is drafted literally to “be shot at...” and to help define what the LEPs collectively need.

One issue that we need to resolve is how we describe the area: “Greater South East” is probably most straightforward and uncontroversial, but other formulations are possible (e.g. “the South”, “the southern Heartland”, “London’s City-Region” ...).

Beyond that, it would be helpful to discuss the following with LEP CEOs, based on the narrative overleaf:

- **The description of the role of the Greater South East – both on its own and in relation to London:** This will not (and should not) cover every issue that is featuring in individual LISs but it needs to set the scene in a way that helps to frame local priorities and narratives.
- **The “shared agenda”,** distinguishing between:
  - elements where there are likely to be **commonalities in approach**, but the links are no stronger than that
  - **a few overarching “projects”** where the LEPs would need to be prepared to work together (noting that this might just mean sharing best practice – or it might mean something more substantive)
  - two initiatives where a **dialogue with London would be needed.**

The narrative section is hopefully reasonably straightforward – although it could certainly be developed (and we will need to agree length and tone). The “shared agenda” is more difficult and it will be important consider how much individual LEPs are prepared to commit to at this stage. That said, the further it goes, the more traction it is likely to have – so we ought to talk it through.

## Greater South East – “first cut” economic narrative

The Greater South East is London’s city-region. It is difficult to define very precisely, but six LEP areas (Hertfordshire, South East, Coast to Capital, Solent, Enterprise M3 and Thames Valley Berkshire) together account for a sizeable share of it. They have:

- a combined population of over 11 million people – substantially bigger than London itself
- just under half a million businesses and 5.7 million jobs
- economic output that sums to about £300bn currently.

To put this in context, the Greater South East (excluding London) is bigger than all seven Combined Authority areas in England *in combination*. It is also on a par with national economies of the scale of Finland, Ireland and Denmark.

## The role of the Greater South East within the UK economy...

The Greater South East plays a crucial role within the UK’s economy. It contains some of the UK’s most significant assets and opportunities, many of which were identified in the Industrial Strategy White Paper. These include:

- a large – and generally well-qualified – resident workforce
- clear sectoral specialisms – notably in the sphere of digital technologies; life sciences; medical technologies, marine and maritime; and cultural and creative industries
- world class universities such as the University of Southampton and University of Surrey
- pioneering research and technology organisations, many of which are now within the private sector (such as Leatherhead Food Research, BRE, The Pirbright Institute)
- a fast-developing infrastructure to accelerate processes of commercialisation and innovation (through, for example, Surrey Technology Park, Southampton Science Park, Stevenage Bioscience Catalyst, Thames Valley Science Park and Discovery Park)
- some outstanding global businesses (many of which are internationally owned) – ranging from Microsoft, Cisco and IBM in the digital sphere, to Bayer, Pfizer and GSK in pharmaceuticals and life sciences; and from McLaren, Xtrac and Ford in motorsport, automotive and advanced engineering through to Amex, PwC and Deloitte in financial and professional services.

The Greater South East is also home to most of the UK’s major international gateways – including major ports at Dover, Southampton and London Gateway (Thurrock); and airports at Gatwick, Stansted and Southend (and of course, Heathrow, which is on the edge of the Greater South East). This in turn helps to explain why it has long been a major focus for international inward investment to the UK and for international trade. It also explains why economic growth within the Greater South East must be encouraged: its international focus

means that it is not at the expense of growth elsewhere in the UK. Quite simply, for the UK economy to prosper, the assets of the Greater South East must be used to the full.

### ...and in relation to London

Similar arguments must also be made in relation to London. Strong relationships with both Central London and Outer London define and the Greater South East and unite it in functional terms.

These relationships are symbiotic: flows and inter-dependencies must be defined in two directions, not one. The point is well illustrated with reference to the labour market. Although the number of in-commuters to London has grown by well over 100,000 since the 1990s, the commuting balance has changed little in over two decades. This is because the scale of out-commuting from London to centres like Watford, Reading, Slough, Guildford and Crawley has grown substantially.

Through these links, the Greater South East is playing a pivotal role in sustaining London's growth. As costs (of housing, land and labour) have spiralled, the Greater South East has been crucial in enabling and unlocking a range of responses. The Greater South East has housed London's workers; enabled its scientific assets to be commercialised; serviced its established businesses; and provided key elements of a quality of life for its residents. But exactly the same arguments must be made in the opposite direction, such is the strength of interdependencies.

Without the Greater South East, London would struggle to function. Yet the pressures on the Greater South East are significant and they are substantially shared by across all six LEP areas.

## A shared agenda

### ...to be pursued in complementary ways

Linking in with the Industrial Strategy's five Foundations of Productivity, all six local industrial strategies across the Greater South East therefore recognise the need to:

- work the area's knowledge assets harder through a range of interventions, accelerating processes of commercialisation and encouraging even greater investment in R&D **(Ideas)**
- equip more people with skills and knowledge in science, technology, engineering and mathematics, in part to ensure that they can navigate multiple career changes **(People)**
- use digital technologies better, not least to reduce the pressures of congestion **(Infrastructure)**
- ensure that the economic potential linked to major infrastructural investments is harnessed fully, most immediately Crossrail **(Infrastructure)**
- make better use of (increasingly scarce) employment land and ensure that provision is better aligned with sectoral growth priorities **(Business Environment)**

- engage fully in international trade, recognising the competitive advantages stemming from international gateways **(Business Environment)**
- deliver substantial numbers of new homes, particularly through new Garden Towns, Villages and Communities which are scattered across the Greater South East **(Place)**.

*...to be pursued through joint working across the southern LEPs*

In responding to these shared imperatives, all six LEPs are developing locally tailored responses through their own local industrial strategies. But they are – in addition – seeking to advance a small number of joint ventures, working closely with different central government departments. These are:

- a joint approach to the UK's international gateways to ensure that their full economic potential is recognised and captured as the UK navigates the process of Brexit and the adjustments to international trade that will inevitably follow **(Business Environment)**
- an enquiry into employment land provision, recognising that substantial areas of land have been lost over recent years across the Greater South East and that this will have implications for future economic growth models **(Business Environment)**
- a joint approach to the regeneration of two groups of towns in which deprivation is acute: established New Towns/Garden Cities and coastal towns **(Place)**
- a shared dialogue with Homes England / MHCLG to accelerate the delivery of new Garden Towns/Villages, recognising that these must be nurtured as enterprising communities **(Place)**.

*...to be advanced in with partners in London*

In addition, reflecting the area's unique relationship with London, there is a shared commitment to:

- progress future strategies for the main corridors into London, most immediately the Thames Gateway (an area for regeneration and growth of national significance and scale), working closely with Greater London Authority and central Government
- sustain a better and more creative dialogue across the London City-Region, involving the Greater London Authority and London Enterprise Panel as well as the six LEPs in the Greater South East, to ensure that issues and opportunities affecting the area as a whole are appropriately recognised and harnessed.