

REVIVE AND RENEW

AN EVIDENCE AND INTELLIGENCE-BASED
ECONOMIC RECOVERY AND RENEWAL
ACTION PLAN FOR THE ENTERPRISE M3 AREA



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EXECUTIVE SUMMARY

ECONOMIC IMPACT OF COVID19

Relative to many other regions, the Enterprise M3 area is not being hit as hard by the economic impact of Covid19. A diverse business base, a large number of scale-ups in high innovation sectors, a highly qualified resident working population and the area's good connectivity to London and international markets are all factors contributing to the area's fundamental resilience. Performance in previous recessions confirms the point.

Even so, the area's labour market is at the very sharp end of significant disruption. At least a quarter of the area's workforce has been furloughed, and during lockdown, the number of unemployment benefit claimants rose by 131%. The area is likely to face levels of people out of work not seen in recent decades, and many employers do not foresee a fast return to growth.

Analysis suggests groups most vulnerable to long term unemployment are those made redundant from middle skilled occupations, and youngsters entering the jobs market for the first time.

The level of disruption varies between sectors and industries. Businesses in the services sector - a stronger part of the EM3 economy than the national average - have been hit particularly hard. These high-volume employment companies, which are reliant on customer contact, include hospitality, arts and recreation & leisure, tourism, wholesale and retail.

Several of the area's higher innovation industries and companies are also struggling. These include Aviation & Aerospace (less so Defence); Advanced Manufacturing and some aspects of the Digital Sector. Heathrow jobs may not return to 2019 levels until beyond 2023. McClaren, Stannah Stairlifts, BP oil group, Compass and Gartner have all reported job cuts or a downturn in income.

More positively, the area's large resident workforce in professions and occupations suited to home working, has generally avoided job losses and income falls. This group, typically managers and other professionals, includes large numbers previously travelling to work outside of the area. In future many of these may opt longer term to abandon full-time commuting in favour of working close to home.

RECOVERY & RENEWAL

Successful recovery and renewal require an integrated approach to delivery. Desired ambitions will be achieved where partners coordinate and collaborate, and individual interventions are seen as cogs in a bigger machine.

Strategic Priorities for recovery and renewal in the EM3 area should be evidence-based. The following priority areas flow from the evidence and analysis collected for both the emerging Local Industrial Strategy and the impact of Covid19:

- Job Creation and Skills for Employment
- Digitisation and an ultra-fast digital infrastructure for business resilience, innovation and growth
- Growth in our low carbon economy
- Supporting business-led innovation, entrepreneurship, high-tech, scale-up businesses and international trade
- New Transport & Smart Mobility – Covid19-safe, sustainable, delivering good connectivity
- Town centres and Housing Supply – reimagined and fit for the future
- Convening people and organisations in shared projects

The EM3 Board has a clear vision for the appropriate role of the LEP primarily as strategic leader & influencer, collaboration enabler, evidence gatherer and potential funder. EM3 LEP services such as the Growth Hub and Careers & Enterprise Company deliver business support and careers intelligence for young people.

KEY ACTIONS & INTERVENTIONS

Job Creation and Skills for Employment

- **Communicate, promote and encourage uptake of Government schemes** to support employers, job seekers and those wishing to improve skills
- **Support for expanding opportunities for upskilling of people with middle skills** from level 3 to levels 4,5 and beyond. This to include exploring diverse ways of delivering training and education.
- **Skills Advisory Panel to maintain ongoing insight into labour market** changes and opportunities and lead on dissemination of this information to all relevant stakeholders.
- **The LEP and partners should work closely with our 5 partner universities and network of FE Colleges** to help promote their education & employability offer, areas of research & innovation excellence and help enhance business engagement.
- **LEP, through the Skills Advisory Panel and partners should support an increase to supply of skills for Digital & Green Sectors, and all areas where employers report chronic shortages**
- **All recommended actions and interventions to be incorporated into the Skills Action Plan**

Digitisation & an ultra-fast digital infrastructure for business resilience, innovation, and growth

- **The LEP and partners should continue to prioritise implementation of the “Gigabit EM3: Town and Rural” fibre spine project**
- **The LEP team and partners should continue to support digitalisation of the economy especially as a contribution to business resilience, clean growth and innovation.**
- **The Growth Hub business support offer should be redrawn to include support for business digitisation.**

Growth in the low carbon economy

- **EM3 LEP to prioritise decarbonisation of transport, and buildings (homes, commercial and industrial) & support implementation of the Tri-LEP Energy Strategy**
- **Invest in Growth Hub expertise, skills set and capacity to deliver “Clean Growth Business Support Service”** so that businesses can, for eg: decarbonise their own operations and diversify into low carbon / clean growth expanding markets
- **Support development of marketable low carbon innovations to future proof and sustain vulnerable sectors/industries** eg in aviation
- **Run Clean Growth Forum** to raise awareness of appropriate funding opportunities for businesses, HEIs etc in the Clean Growth, Green recovery spheres
- **LEP to introduce “Make every funding decision a clean growth decision” policy**

New Transport & Smart Mobility – Covid19-safe, sustainable, delivering good connectivity

- **Continue work with smart mobility and transport action groups, local and regional transport bodies and TfSE** to advance the low carbon transport agenda and necessary transport infrastructure, as adapted to the requirements for safe travel in the Covid19 era.
- **Reduce the need to travel and long commutes with an integrated approach to recovery and renewal.** As examples: digitalisation and “Gigabit EM3: Town & Rural”; the renewal of town centres with more local “casual” office spaces to blend home and office working present alternatives to commuting
- **Provide funding for physical measures, research and messaging around the importance of still using public transport in the future**
- **Champion collaboration between the diverse organisations and stakeholder who can contribute to smart mobility**

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- **Work with Government to push for more stability in the rail industry and its digitalisation.**

Town centres and Housing Supply – reimagined and fit for the future

- **LEP and partners to respond to potential growth in the market for co-working space outside of city centres.**
- **Respond to growing potential preference for dwellings with gardens (now more popular than inner city flats).**
- **LEP and partners, including central Government, should work together on spatial development plans which support sustainable economic growth.** This will include seizing opportunities that meet that criteria and Government's proposals to overhaul planning system
- **Respond to intensified challenges for high streets with help for retail outlets to move their offer on-line and support high streets to be Covid-friendly** enabling social distancing and active travel and other transport innovations

Supporting business-led innovation, entrepreneurship, high-tech, scale-up businesses and international trade

- **LEP, Growth Hub and partners should facilitate the necessary conditions for attracting scale ups, high innovation companies and entrepreneurs to the area ie “Grow new, attract more & keep what you’ve got.”**
- **Enterprise M3 to explore with partners potential for more business accelerators as part of post-Covid19 renewal of town centres and high streets.** Any such facility should ensure clients reflect gender and other types of diversity
- **The LEP will continue to work closely with DIT to promote high potential opportunities to foreign investors**
- **Consider how businesses are best supported and made ready for the end of the EU transition period.**
- **LEP should lead engagement with stakeholders including MPs and local political leaders in places where anchor companies & international HQs may feel less able to stay in the area**

Convening people and organisations in shared projects

- **Pursue a coordinated response where resources, expertise and capacity are pooled for a more effective recovery and renewal of the area.**

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- **EM3 to continue its role as leader and convener for people and organisations in collaborations.**

INTRODUCTION & BACKGROUND

The Coronavirus pandemic has disrupted the Enterprise M3 region's economy at an unprecedented pace. Around a quarter of the resident workforce has either lost their job or been furloughed. On the data so far, though, other regions have seen worse results.

The Enterprise M3 area recovered strongly from the last economic shock and is fundamentally resilient. However, this recession is different in its origins and its unpredictable course. Previous assumptions about the EM3 economy need to be re-visited and strategies for growth re-examined.

That is the purpose of this Recovery and Renewal Action Plan – to refresh evidence-based insights into the economy in light of Covid19, and identify the opportunities for recovery and renewal.

The document focuses on actions and interventions. Importantly, it draws on two pieces of substantial work, namely, the LEP's emerging Local Industrial Strategy (LIS) and an updated analysis and investigation into the impact of the Covid19 pandemic on the area's economy.

Pre-Pandemic, Enterprise M3 LEP carried out 18 months of strategic thinking, evidence gathering, analysis and consultation. This was led and resourced by the LEP together with Government Departments and summarised in **“Local Industrial Strategy, Defining Our Approach.”**

In Spring 2020, as the Covid19 virus spread and many countries, including the UK, were compelled to shut down all but essential economic activity and population movement, the LEP commissioned a range of analyses on the unfolding impact of lockdown on the local and regional economy.

These included evidence-based expert investigations into the potential short, medium and longer-term economic outcomes, together with proposals for appropriate interventions to minimise economic damage and restore growth.

Importantly, this analysis has also highlighted the real opportunities to deliver greater, more sustainable growth than before. To borrow the cliché: “To build back better.”¹

The first section of this report sets out the key findings, messages and actions that flow from the evidence/analysis of the impact of Covid19 and lockdown on the EM3 area economy.

The second section sets out greater detail of the analysis of how the EM3 area economy is being impacted by Covid19.

¹ All of these analyses are available in full on the [EnterpriseM3 website](#)

The third focuses on how the findings of the emerging LIS and the updated evidence play out in priority areas of the economy, in order to achieve recovery and renewal in the local economy.

As a whole, this document considers the key findings of both our emerging LIS and our updated evidence on the Covid19 impact. It assesses which strategic aims, identified in the LIS for strengthening the pre-pandemic economy, have been reinforced and given greater momentum. It also looks at which, if any, of the LIS findings need adapting to a new/changing economic climate.

This report and the recommended actions and interventions are the basis for further examination and discussion with partners and stakeholders. An important part of those conversations will be to identify and agree the most appropriate role for different partners in the delivery of any intervention in order to exploit diverse strengths and capabilities, minimise duplication and maximise effective collaboration.

The work of the LEP has been described as acting “like a lighthouse – warning businesses, employers, stakeholders away from danger and pitfalls; and shining a light on the opportunities ahead.” In late September 2020, members of the EM3 Board set out a clear vision for the appropriate role of the LEP in the area’s recovery and renewal, primarily as strategic leader & influencer, collaboration enabler, evidence gatherer and potential funder. EM3 LEP services such as the Growth Hub and Careers & Enterprise Company deliver business support and careers intelligence for young people.

SECTION 1 KEY FINDINGS, MESSAGES & ACTIONS

“It is important to deliver, growth, jobs and transform to a low-carbon economy. We have a knowledge-based, digital, design led economy here in the EM3 region. We are also a region rich in business-led innovation which will fuel recovery here and across the UK.”

Chair of EM3 LEP, Dave Axam, commenting on EM3’s launch of £13.3m investment into the economy as part of the Government’s “Getting Building Fund” – August 2020

THE ECONOMIC IMPACT OF COVID19

The EM3 area entered lockdown already facing a range of opportunities and challenges. The emerging Local Industrial Strategy presented an analysis of the area’s “twin track” economy, specialises in knowledge-based sectors and a strong service industry. As well, it identified “major strengths, but also signs of stress which need to be addressed.”²

The updated economic analysis of the Covid19 impact, has emphasised many of those strengths. It has also reframed several of the previous challenges as real opportunities for recovery and renewal.

Pre-pandemic, the LIS evidence highlighted the area as a powerhouse of business-led R&D, innovation and commercialisation with very high employment and very low economic inactivity. The area’s economic prosperity was characterised in two layers: its knowledge-driven, globally competitive, technology and design-based businesses; and its thriving service industry supporting high quality life-styles of the resident population.

Recently, however, significant job losses across the EM3 patch in many sectors, including high productivity, frontier ones, suggested the area was at risk of losing its relative competitive edge. Other challenges included the need to create the right employment, housing and localities to address the overwhelming attraction of London for younger professionals, and for EM3-based commuters who, in significant numbers (32% of EM3’s employed population) routinely find career satisfaction out of the area in the capital and other cities such as Reading.

The refreshed analysis of the economic impact of Covid19, however, includes grounds for optimism. Certain pre-pandemic EM3 challenges can be reframed as significant opportunities, helping both a sound recovery from lockdown and transformative renewal of the EM3 area and its towns.

² “Local Industrial Strategy, Defining Our Approach.” Page 5

As one example, evidence of a growing interest in living and working closer to home in smaller conurbations with access to green spaces suggests a match with the EM3 area and its network of towns within extensive outstanding rural areas.

The Covid19 impact evidence suggests the area entered lockdown with an economy that was fundamentally strong and had recovered well from the last recession. Many other regions have so far been hit harder by the economic impact of Covid19.

Important factors contributing to the area's general long-term resilience include: a diversity of sectors; a strong knowledge, design and technology economic base; a highly skilled and affluent resident workforce, in professional, managerial and science related occupations; proximity and connectivity to London; and excellent performance in exports, especially of services.

Even so, this evidence suggests the region is likely to face levels of unemployment not seen in recent decades, and a markedly different labour market compared with that portrayed in 2019 by the work on the LIS.

By Sept 2020, around a quarter of the resident workforce had either lost their job or been furloughed. The number of job-related benefit claimants had increased by at least 131%, albeit from a low starting point.

Job losses are hitting hardest in a number of high-volume employment sectors, which have both a particularly strong/significant presence in the EM3 area and are also industries with high levels of furloughed staff. These are tourism, the arts, entertainment and recreation, wholesale and retail, accommodation and food services.

In these industries during lockdown, home working has not been a widespread option, demand for services has severely dipped and businesses and high/very high levels of staff face an uncertain future. As identified in the LIS, these service-led industries have, to date, played a significant role in the area's prosperity and its appeal to residents, businesses and employers.

Analysis of the particular occupations and sectors hit hardest, suggest it is those made redundant from middle skilled jobs, chefs and retail managers as examples, who will find it hardest to find re-employment.

This makes the long term need to address and support training and up-skilling from levels 3 to levels 4 and 5 and beyond even more critical to plugging employment and skills gaps in the area.

Some anchor companies and their regional supply chains, critical to the higher end, knowledge and innovation-based end of the economy, have also been hit, shedding significant numbers of jobs.

This, together with EU Exit, potentially puts the area's reputation as a popular location for corporate EU HQs at risk.

Final numbers of job losses cannot be confirmed yet, but well-known companies based in the EM3 area, which have already announced plans for job reductions, include McLaren, Woking; Stannah Stairlifts, Andover; BP oil group, Sunbury-on-Thames; Ambassador Theatre Group, Woking; and Safran, which has one of its production plants in Camberley.

The multi-national food services company, Compass, with an HQ in Chertsey, Surrey and the Gartner, the global research & advisory company based in Egham, Surrey have both reported negative impacts on their operations because of Covid19: Compass announced in March 2020 that 4,000 jobs were to be cut over 2 years across the UK ; Gartner's company financial report for Q2 2020 indicated income was down.

Lockdown, the economic slowdown and recession are impacting some EM3 area industries and sectors which have been critical to the area's levels of high productivity and innovation. These include Aviation & Aerospace, Advance Manufacturing and some aspects of the Digital Sector.

For the EM3 area, the local employment and supply chain connections with Heathrow International Airport mean the devastation of the aviation industry is very much being felt here. Oxford Economics predict Heathrow jobs may not return to 2019 levels until beyond 2023.

Covid19 may also accelerate the "Greta effect" as more individuals and companies opt to avoid air travel for environmental concerns but also for the productivity and cost gains of on line meetings. The Heathrow Strategic Planning Group has acknowledged a green recovery should be a priority, and this approach has the full support of the LEP.

In employment terms, the aviation and travel sector are three times more important in Farnborough's local authority area, Rushmoor, than the English average. The cancellation of the internationally renowned International Air Show in 2020 has meant a big loss to the income of the Farnborough International Exhibition Centre. However, more positively, the Farnborough Aerospace Consortium reports many suppliers operate in both the defence and civil parts of the industry, and the defence side has been more protected by budgeted Government spending.

Advanced Manufacturers have been hit hard and current business models are severely challenged. However, new opportunities are emerging for diversification and enabling start-ups.

In the EM3 area, manufacturers have announced a total of substantially more than one thousand potential redundancies. Global supply chains have been severely disrupted and may face further disruption due to geopolitical issues including policies on trade with China and EU Exit.

It will be important for the LEP and stakeholders to continue and enhance support for key advanced manufacturing sectors including space/satellites and creative tech - games and immersive tech. There are also potential opportunities for diversification of the sector towards clean/low carbon technologies/products and to minimise reliance on risky global suppliers by

onshoring and growing more local supply chains. This may align with an increasing interest in start-ups, as evidenced by enquiries to the Growth Hub.

Digitalisation has proved to be a key factor in business resilience during lockdown, although the outlook in the digital sector is mixed.

In what is a very wide and diverse industry, consumer spending on line and use of digital services for home working has increased massively. Video game playing has also increased, and there are signs of encouraging recruitment activity in the EM3 Guildford games cluster. However, some evidence suggests many IT Services are not faring so well as many IT projects are on hold and reduced budgets may hit IT infrastructure firms and vendors.

Importantly, though, the connection between business resilience and its digitalisation has been writ large during lockdown. Access to fast and reliable broadband has also been shown to be key to sustaining business operations and successful home working. The LEP's strategic priority to advance a project to deliver ultra-fast broadband across the area, as highlighted in the LIS, has been underlined by the evidence during lockdown.

Our study of the impact of lockdown points to several "challenges-turned-opportunities". These are not just for economic recovery, but for the area's renewal, to "build back better" and emerge from the virus as an even stronger, more competitive and more sustainable area to live, work and run a business.

Opportunities to renew and reform town centres flow from a potential long-term rise in homeworking, a growing demand for local work spaces, and a growing market for suburban housing.

Innovations in transport and mobility in town centres have been given an impetus by a greater willingness to encourage walking and cycling over cars

New business opportunities may become abundant for start-ups and diversification particularly in the low carbon economy, and in digital sectors.

The impact of the pandemic has also highlighted the value of partnership working and stimulated new collaborations.

Our evidence suggests EM3's significant commuter population, typically managers and professionals, have generally adapted easily to home working. Consequently, this group has more likely avoided job losses and income falls. Early signs suggest a possible trend towards opting in the longer term for the convenience and savings in time/costs of home working, for at least some of the week.

A subsequent refocus of spend by an increased number of local workers on food and retail close to home would be a welcome boost to town centres. This would also give impetus to local transport

innovations, encouraging alternatives to the car in favour of walking, cycling, “Covid19 proof” public transport and mobility as a service.

Another “challenge-turned-opportunity” for the area is the need to attract younger professionals to the area, and complement a predominantly ageing population. The pattern of the spread of Covid19 has, according to housing market experts, stimulated the growing demand for accommodation outside of dense cities, with access to outside spaces.

Despite inherent challenges with any planning proposal, which may or may not be eased by the Government’s overhaul of the system, there is an opportunity here for innovation in the use of town centre and suburban space, which could help enhance the vitality of our towns and surrounding areas.

The EM3 area has always been home to significant numbers of entrepreneurs, as reflected in the large number of scale-up companies and the success of incubators and accelerators such as SETsquared and Rocketdesk. Despite the adverse economic conditions, the EM3 Growth Hub has seen a week on week uplift in requests for start-up advice. An increase in the number of start-ups this Spring (by c. 45%) compared with 2018 is confirmed by the ONS. This presents potential opportunities for business growth in key strategic areas of the EM3 economy, in particular digital technologies and clean growth/low carbon. It should be noted both these areas are keenly supported by Central Government.

A clear and positive impact of Covid19 has been the mobilisation of active engagement amongst partners – old and new – united in a determination and energy to support the area’s economy, its employers, its people and communities as far as possible. As examples, EM3 LEP has forged closer working with Chambers of Commerce, FSB, Business South, CBI, TUC, Tourism SE.

Regular engagement has also been enhanced with local MPs, local authorities and neighbouring LEPs through Catalyst South and the Central South LEP and Growth Hub Cluster.

ACTIONS & INTERVENTIONS

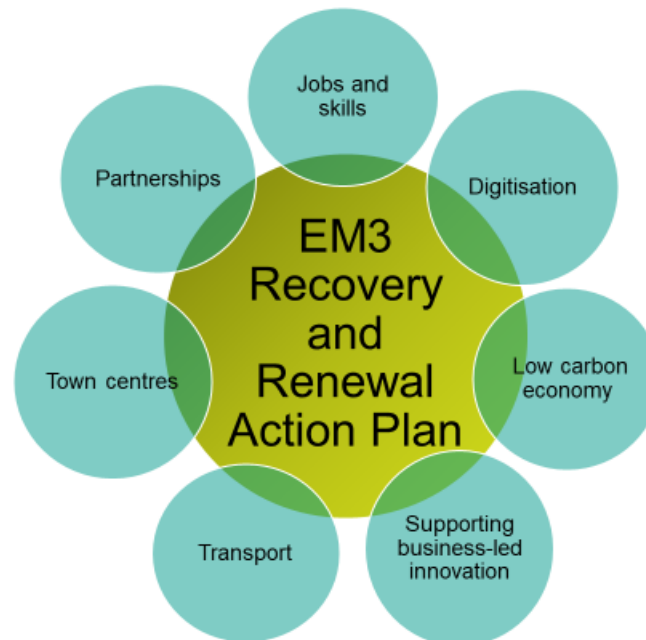
Recommended actions and interventions flow directly from the evidence and analysis in both the LIS work and the subsequent evidence gathered in light of the pandemic.³ It is clear from both the LIS findings and the updated Covid19 evidence that actions and opportunities should not be seen or implemented in isolation.

As the diagram below illustrates, successful recovery and renewal depends on an integrated approach to delivery.

³ More details of those analyses are set out in Sections 2 & 3 of this report.

Nor should actions be seen as the responsibility of one agent or partner – collaboration at national (even international), regional, local and community level is key.

With appropriate consensus and direction, the combination of the right actions and the right stakeholders will forge an exciting programme of recovery, renewal, and transformation for the EM3 area.



ACTIONS TO SUPPORT JOBS, EMPLOYMENT & SKILLS

- Communicate, promote and encourage uptake of Government support for employers and those wishing to improve skills.
- EM3 LEP, Growth Hub, Colleges, Universities, other partners and members of the CEC team to explore options for work experience and enhancing individuals' employability offer to help young people to achieve a successful entry to the labour market. This includes, but not limited to, Govt. "Kickstart" scheme.
- The LEP and partners should be mindful of the Govt. support for apprentices and firstly identify employers who are most likely to be open to employing apprentices, and then engage FE colleges and universities.
- Support for expanding opportunities for upskilling of people from level 3 to levels 4,5 and beyond. This to include exploring diverse ways of delivering training and education at these levels.

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- Skills Advisory Panel to maintain ongoing insight into labour market changes and opportunities and lead on dissemination of this information across the area and to all relevant stakeholders.
 - New potential role for Growth Hub to direct jobless to services which help them understand the applicability of their career experience, skills for other roles and draft successful employment applications.
 - The Skills Advisory Panel should involve high volume employers in less disrupted sectors (eg Cityfibre, bt, other telecomms firms) in an exploration of innovative education and training delivery models alongside our FE & HE partners. The aim would be to expand EM3's technical workforce in new and different areas. Those sectors should especially be those that align with other priorities in this recovery and renewal action plan eg the low carbon sectors.
 - Mindful of the Dept for Education's priorities for the HE and FE sectors, the Skills Advisory Panel, the skills team, Growth Hub, Innovation & Enterprise team, and EM3 Sector Specialists should work closely with all our 5 partner universities and network of colleges to help promote their higher education & employability offer, their areas of research excellence and innovation and help enhance their business engagement. This will not only be good for the region but good for helping universities handle a turbulent period.
 - LEP, through the Skills Advisory Panel and partners, should support an increase to supply of skills in all areas where employers report chronic shortages, including:
 - Given the heightened importance of digital technologies during the pandemic, the Skills Advisory Panel and the DfE-required Skills Action Plan should include analysis of demand and need for digital skills, including an understanding of how that differs between sectors. Ways of effective viable (marketable) and employer-led skills delivery should also be an area for focus.
 - LEP and partners should support the increase supply of skills for "Green Sector" jobs for e.g. by Labour market understanding of demand, investing in employer-focused & demand-led FE College & HE provision; invest in digitisation of FE & HE to help delivery more on line learning reducing need to travel and widen accessibility to learning.
 - All recommended actions and interventions to be incorporated into the Skills Action Plan.

ACTIONS TO SUPPORT DIGITALISATION & AN ULTRA-FAST DIGITAL INFRASTRUCTURE

- The LEP team and partners should continue to prioritise implementation of the "Gigabit EM3: Town and Rural" fibre spine project as set out in the LIS and as kickstarted by the Getting Building Fund launched by the Govt. This work should include preparations for a pro-active approach to Govt. for support.
- The LEP team and Growth Hub and other partners should continue to support digitalisation of the economy especially as a contribution to clean growth and innovation. This will include helping businesses and organisations improve their digital facilities and skills. The EM3

investment of Getting Building Funds in “Digital Skills Work” for FE colleges and the “Creative Tech Growth Booster” are excellent examples

- As part of the above, the Growth Hub business support might require to be redrawn to include support for digitalisation. This would include pointing to employee training opportunities, to information about appropriate technology and is likely to require a shift / addition to the Growth Hubs own skills/capacity.
- The LEP team, University and other partners should support business growth and innovation in the cybersecurity sector.
- The Growth Hub business support offer should be redrawn to include support for digitisation. This will include pointing to employee training opportunities, to information about appropriate technology and is likely to require a shift / addition to the Growth Hubs own skills.

ACTIONS TO SUPPORT A LOW CARBON ECONOMY

- EM3 LEP to prioritise decarbonisation of transport, and buildings (including commercial and industrial) & support implementation of the Tri-LEP Energy Strategy.
- The EM3 LEP will support partners developing new economic opportunities and the associated skills and jobs in the restoration economy – the preservation and restoration of an area’s natural and community assets (eg water, nature-based solutions, heritage tourism etc).
- Invest in Growth Hub expertise, skill set and capacity to deliver “Clean Growth Business Support Service” so that businesses can, for eg: decarbonise their own operations eg by energy efficiency, reducing travel, supporting home working, diversify into low carbon / clean growth expanding markets.
- Support development of marketable low carbon innovations to future proof and sustain sector/industry eg develop low carbon aviation travel; use of satellite data to manage impact of climate change. This to include, in line with Govt priority “to accelerate business innovation and leverage private sector investment in research and development”, the EM3 Growth Hub, EM3 sector specialists, universities and other R & D partners eg UKRI & SETsquared, considering how it might support SMEs to innovate, diversify and grow in this sector.
- Clean Growth Forum to help list and raise awareness of appropriate funding opportunities for businesses, HEIs etc in the Clean Growth, Green recovery spheres.
- LEP to introduce “Make every funding decision a clean growth decision” policy – Use Clean Growth Forum expertise to develop a robust method of evaluating project proposals and outcomes to ensure they make a “radical” contribution to reducing carbon emissions. This will include training decision-makers (Board/ PMG) in making decisions on investment.
- Ensure the Clean Growth Forum works with Skills Advisory Panel including FE colleges, universities, employers and EM3 Clean Growth Forum Develop Strategy and Action plan to advance skills supply in clean growth industries especially at technical levels 4 & 5 and at

degree, post-graduate including PhD levels to address priority of creating jobs and skills supply, at all skill levels, in low carbon sectors.

ACTIONS TO SUPPORT TRANSPORT

- Continue work with smart mobility and transport action groups, local and regional transport bodies and TfSE to advance the low carbon transport agenda and necessary transport infrastructure, as adapted to the requirements for safe travel in the Covid19 era.
- LEP and partners should support and implement all actions within this Renewal Action Plan which minimise “unclean” transport, reduce the need to travel beyond the locality/travel at all, promote active travel for individuals (walking/cycling - including the retrofitting of existing settlement) and other low emissions forms of mobility.
- This will include advancing the digitalisation of the economy and projects such as “Gigabit EM3: Town & Rural” for ultra-fast broadband; and the renewal of town centres with more local “casual” office spaces to blend home and office working, as an alternative to commuting distances.
- Lobby at a national level around the planning process and legislation to allow more flexibility in facilitating smart features in developments.
- Champion collaboration between the diverse organisations and stakeholder who can contribute to smart mobility. As an independent organisation the LEP can lead a shared and common approach and help facilitate a framework and tactical plan
- Work with Government to push for more stability in the rail industry and ensure there is a long-term view in making investment decisions. This is particularly pertinent in relation to the role the rail industry should be playing in a digital future. There is a need to be able to plan well into the future and in particular not be constrained by franchise terms.
- Promote investment in digital and support plans for all to be connected, particularly in rural areas. There is a responsibility to drive this agenda and make sure the necessary infrastructure is there.
- Provide funding for physical measures, research and messaging around the importance of still using public transport in the future.

ACTIONS TO SUPPORT BUSINESS-LED INNOVATION, DIVERSIFICATION, ENTREPRENEURSHIP & HIGH-TECH SECTORS

- LEP, Growth Hub and partners should understand and help facilitate the necessary conditions for attracting scale ups, high innovation companies and entrepreneurs to the area.
- The LEP might convene a business innovation sounding board of private sector representatives to help improve business-to-business collaboration in the area and identify other facilities and interventions to draw high value entrepreneurs and innovators to the area.

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- The LEP and Partners should support our HE sectors in bids to increase funding for R & D activity that supports commercialisable R & D in the EM3 area.
 - EM3 LEP, Growth Hub and Partners should actively support areas recognised as attractive to foreign and inward investment; and build cases for promotion for other areas of outstanding innovation. As an example, the application of Satellite Earth Observation technology in the defence sector may be a potential opportunity given the forthcoming Defence Review and possible emphasis on data. This might also be combined with strengths in cybersecurity.
 - EM3 Growth Hub and business support partners to develop on-line resources such as videos and webinars to outline top 10 tips for writing bids.
 - The LEP should consider the most appropriate way to support the growth of entrepreneurial start-up success as part of advancing the area's reputation as a "great place to set up a business".
 - Enterprise M3 to explore with partners potential for more business accelerators as part of post-Covid19 renewal of town centres and high streets. Any such facility should ensure clients reflect gender and other types of diversity.
 - EnterpriseM3 and partners should study existing examples of co-working accelerators to consider appropriate ideas for the EM3 area.

ACTIONS TO SUPPORT TOWN CENTRES FIT FOR THE FUTURE

- LEP and partners to respond to a potential growth in the market for co-working space outside of city centres. Research market interest from developers and employers. Work with local authorities to identify sites and potential occupiers.
- Respond to growing potential preference for dwellings with gardens (now more popular than inner city flats). Here the LEP might work with local authorities to encourage house building with the young professional market in mind.
- LEP and partners, including central Government, should work together on spatial development plans which support sustainable economic growth. This will include seizing opportunities that meet that criteria within the Government's proposals to overhaul England's planning system.
- Respond to intensified challenges for high streets with help for retail outlets to move their offer on line and support high streets to be Covid-friendly enabling social distancing and active travel and other transport innovations.

ACTIONS TO SUPPORT INTERNATIONAL TRADE AND INWARD INVESTMENT

- The LEP will continue to work closely with DIT to promote high potential opportunities to foreign investors.

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- The LEP and partners will take forward recommendations from the emerging LIS:
 - An improvement of coordination between the area's individually strong export support organisations.
 - Closing a gap in provision for businesses new to exporting
 - Promotion of awareness of support available to businesses with simplified routes to access
 - Consider how businesses are best supported and made ready for the end of the EU transition period
 - LEP should lead engagement with stakeholders including MPs and local political leaders in places where anchor companies may feel less able to stay in the area

ACTIONS TO SUPPORT PARTNERSHIP WORKING

- A coordinated response where resources, expertise and capacity are pooled will always be more powerful and effective than fragmented and scattered approaches. These should be pursued as far as possible for a more effective recovery and renewal of the area
- EM3 to continue its role as leader and convener for people and organisations in collaborations
- All actions and interventions to align with other strategic work and policies relevant to the EM3 area and best achieved through joint working. These include:
- The initial **statement** that the six Southern LEPs (Hertfordshire, Thames Valley Berkshire, Enterprise M3, South East LEP, Solent and Coast to Capital) have developed to express what they bring to the national economy and how they can work better with London. This forms a common backdrop for Local Industrial Strategy discussions between each LEP and Government;
- The **Hampshire 2050 Commission** findings which will guide and contribute to the future prosperity, quality of life, and protection and enhancement of the character and environment of Hampshire and to provide a framework for which future plans, strategies and ways of working will be packaged.
- The **Surrey Place Ambition** which represents a growth strategy for Surrey which sets out long term strategic priorities and eight spatial Strategic Opportunity Areas to be shaped and delivered in accordance with this shared growth vision.
- The draft Transport for the South East **strategy** which will give effect to the mission of TfSE to grow the South East's economy by delivering a safe, sustainable, and integrated transport system that makes the South East more productive and competitive.

SECTION 2 IMPACT OF COVID19 ON THE EM3 ECONOMY

THE EM3 EMERGING LOCAL INDUSTRIAL STRATEGY – STRENGTHS & CHALLENGES

Pre-pandemic, the EM3 **emerging Local Industrial Strategy** provided the most authoritative insight into the considerable strengths and particular challenges facing the economy.

In summary, it highlighted:

- GVA of £50.1bn
- Productivity: GVA/hr of £38.60 - the 3rd highest among LEPs
- GVA growth over 5 years of 2.2% - above UK average of 2.1%
- Service exports of £11.5bn – highest among all LEPs
- Jobs 770,500
- Employment rate of 82% - highest amongst LEPs
- Lowest share of residents with no qualifications – less than 4%
- 80,00 businesses with scale up activity increasing by 4.7% 2014-17
- High-value innovation in specialist sectors: Space, Digital Services, Materials and Manufacturing
- 80% of R&D spend by businesses – almost twice the national average
- 5th highest LEP for commercialisation performance
- Strong reduction in fossil fuel reliance – 38% reduction in CO2 emissions since 1990

The LIS analysis also pointed to some long-term challenges for the area:

- 12,200 net job losses since 2016, including in high value, productive sectors
- Minus 1.6% employment shrinkage - the second lowest LEP & much lower than 2.8% jobs growth in England 2016-19
- Net business birth rate slowed since 2015

However, as emerges later in the evidence, in many respects the impact of Covid19 is turning these challenges into very real opportunities; and the essential strengths of the EM3 economy remain resilient.

ENTERPRISE M3 ENTERED LOCKDOWN WITH STRONG FOUNDATIONS

According to BEIS⁴, the Enterprise M3 area entered the pandemic with very strong economic foundations. Using 4 weighted risk indicators: Productivity (30%), Household Incomes (10%), Unemployment (20%), Population Density (20%), BEIS officials concluded:

“EM3 has the third lowest resilience index score which, according to our methodology, makes it the third strongest economic geography in the UK”

As at July 2020, Enterprise M3 LEP region’s level of furlough was one of the lowest among LEP regions.⁵ According to the labour market researchers, Emsi, although, around a quarter of the resident workforce⁶ had either lost their job or been furloughed, EnterpriseM3 has, with Cambridge and Peterborough Combined Authority and Oxford LEP, the lowest combinations of furloughed employees and new benefit claimant counts. In short, most other areas have been faring worse.

NATIONALLY STRONG; BUT LOCALLY HIT HARD

Nevertheless, behind this evidence of absolute and relative resilience, lies an important and hard-hitting picture of local economic damage to businesses, industries and people’s lives and livelihoods, the depth of which many of us will not have seen here ever before.

THE LABOUR MARKET

Headlines

- EM3 unemployment benefit claims rise by 131%
- EM3 unemployment at highest level in June 2020 in 26 years
- EM3 unemployment rate of 3.9%. June 2020 – 5.1% South East
- Worst hit districts June 2020: Spelthorne 5.2%; Rushmoor 4.7%
- Moderate recovery in job recruitment June-July as lockdown eased – adverts rise from 29.5K to 31.5K in 4 weeks
- At this rate pre-pandemic recruitment levels would not be reached until Spring 2021 and anyway continuation at this rate of recovery can’t be guaranteed

⁴ Specifically: the Local Economies Contingency Team; Cities and Local Growth; BEIS & HMCLG

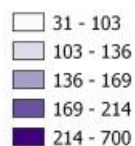
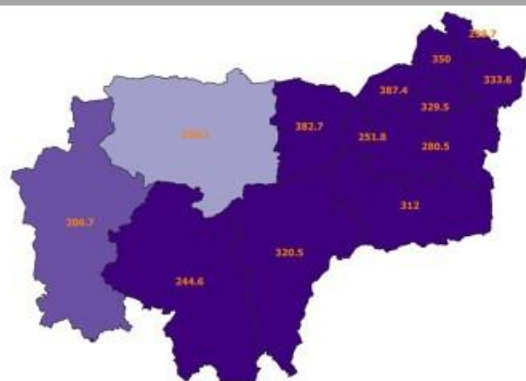
⁵ Original (V1) of Emsi Sector report – Summary

⁶ ie Those who reside in the area, but may have employment outside of the area

As a result of global and national lockdowns, claims for job-related benefits have risen dramatically across the South and, although below the UK average, in EM3 the numbers have escalated in the year to June 2020 by 131%.⁷

YEAR-ON-YEAR INCREASE IN CLAIMANT UNEMPLOYMENT FROM JUNE 2019 TO JUNE 2020 EM3

Even though claimant rates remain below the UK average – the rise in number of claimants has been very high in EM3 localities



UK increase = 131.2%



At the height of lockdown, in April and May 2020, the number of unemployed people in the EM3 area rose by 97% and 53% respectively.⁸

Despite, a slight drop in June, this figure is at its highest level since April 1994.

This represents an unemployment rate across the EM3 area of 3.9%. The equivalent for the South East is 5.1%. The rate in Spelthorne is 5.2% and in Rushmoor 4.7%.

AREA JOB LOSSES – ESCALATION OF AN EMERGING ISSUE

Even before the pandemic there were clear signs, identified in our Local Industrial Strategy work, that the area had been losing jobs, and therefore its competitive edge. This has been confirmed.

⁷ Metro Dynamics

⁸ Source: EM3 LEP Economic & Labour Market Snapshot, July 2020, Economic and Business Intelligence Service (EBIS) Hants County Council

Although, Enterprise M3 employment rate is relatively high and above the UK and South East average, in the 12 months to March 2020, the Enterprise M3 employment rate, at 80.8%, was lower than the previous year.

In contrast, residence-based employment in the UK and in the South East increased by 0.7 and 1.2 percentage points respectively.

The course of the virus and the impact of the end of the Government furlough support are all among the unknown factors which mean the full impact of Covid19 on jobs remains uncertain.

However, the clear conclusion from the labour market evidence to date is the LEP and partners should prepare to support much larger numbers of people out of work than we have been used to.

One factor in effective action is understanding how different sectors of industry are being affected.

HIGH EMPLOYMENT INDUSTRIES WITH HIGH FURLOUGH & SIGNIFICANT PRESENCE IN EM3

Headlines

- Leisure & Tourism
- Arts, Entertainment, Leisure
- Construction
- Wholesale, Retail and Vehicle Repair
- Other service activities
- Accommodation & Food Services

The EM3 area is strong in several high-furlough sectors. The list above are all industries more prevalent here than the national average (Accommodation and Food Services is at the national average) and with a high or very high levels of staff furloughed. They have also significantly reduced job recruitment activity in the most recent 3 months. These employers and staff have seen demand for their services severely dip during lockdown and face an uncertain future. ⁹

A major example is the Leisure and Tourism Industry. One in twelve workers was employed in this sector in the EM3 area in 2018 - a growth of 30% since 2009. A large chunk of these businesses is small (10-49 employees) – that's just over a quarter of them, as compared to just over one tenth across all sectors.

⁹ Source: EMSI

More than 19,000 small retail, hospitality and leisure businesses in the EM3 area had received Government grants by mid July 2020. Approaching a quarter of a billion pounds (£247m) had been distributed to the EM3 businesses in rates relief grants by the same date.¹⁰

More positively, the area is also home to some low-furlough sectors, whose workforce is more likely to be able to continue work at home, namely:

- Professional, Scientific and Technical
- ICT Services

RESIDENT WORKERS DOING BETTER THAN 'RESIDENT' INDUSTRIES

Headlines

- Resident workforce is faring better than the region's economy
- Area's five most common professions are paid better than average and more able to work from home
- Nature of resident workers means on claimant count and furlough levels, EM3 Enterprise M3 is among least effected of all LEP & CA regions
- A significant proportion of these workers reside here but have been commuting to jobs out of area
- This characteristic is both a strength and a "challenge-turned-opportunity"

A characteristic of the impact of Covid19 on the EM3 area is the resident workforce is doing better than the region's economy. This is down to the significant proportion of workers who live in the area and are able to carry out their jobs from home.

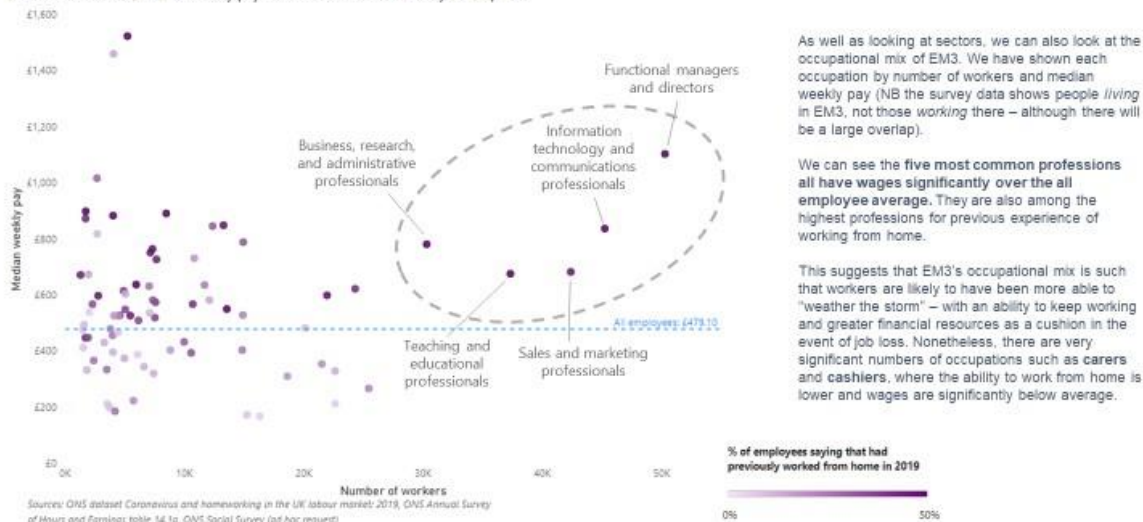
The diagram below shows the occupational mix of EM3. Each occupation is shown by number of workers and median weekly pay and is for employed people *living* in EM3, not those necessarily those *working* here (although there will be a large overlap).¹¹

¹⁰ Source: MHCLG

¹¹ Analysis by MetroDynamics

Workers' ability to work from home

Number of workers, Median weekly pay and % Ever work at home by Description



10

The diagram shows the five most common professions all have wages significantly over the employee average. They are also among the highest professions for previous experience of working from home.

The data, therefore, suggests, Enterprise M3's substantial numbers of professionals tend to be able to work from home and avoid the worst effects of the crisis. They afford the region some protection, and also a potential longer-term opportunity.

Evidence from the LIS highlighted the need to grow the number of high value jobs and employees not just living, but also employed in the area. As set out in the recommended actions, potential growth in demand for more local working, as an alternative to commuting to large urban centres, allows for rethinking and innovating in the type and use of more local office space.

This presents an opportunity for revision of our town centres as attractive places to enjoy flexible work as well as to shop; and it would be a step towards an enhanced business environment where more high skilled professionals might seek and find local employment.

IMPACT ON ANCHOR COMPANIES, AVIATION, MANUFACTURERS, DIGITAL, START UPS

Headlines

- Some larger “big name” corporates located here announcing significant planned redundancies
- Aviation and Aerospace sectors at Heathrow and Farnborough hit very hard
- Defence industry relatively protected by existing Govt. spend
- Advanced Manufacturers adversely affected by international trade slow down
- Future opportunities in low carbon economy should be prioritised
- “On-shoring” of goods supply to be considered as an opportunity
- Games Industry shows resilience as gaming demand increased
- Demand for Start-Up support has grown significantly
- COVID-19 has “significantly accelerated the shift to digitalisation” as employees work from home, business operations go “online” and customer habits shift.
- Business failure and failure to transition online go together: “You can equate the digital maturity of businesses to their resilience.”
- Rapid demand for networking and capacity services, collaboration software and cybersecurity.
- But many IT infrastructure firms and vendors potentially hit as IT projects go on hold because reduced budgets
- There is a need for a skills programme as well as an infrastructure programme, in order to stimulate employment and progression within the sector
- Employees who have been made redundant may look to enter the Digital sector. BT has its own programme called ‘Skills for Tomorrow’

ANCHOR COMPANIES

The EnterpriseM3 area is strong in private sector, business-led innovation and commercialisation. Companies such as QinetiQ in defence, Gulfstream in aviation, Blatchford in health and InSpace Missions and Earth i in satellites are prime examples. The higher end of the economy is knowledge-based, digital, and design-led.

These types of company do not employ the numbers others do, eg tourism or retail. However, these are the businesses which have helped make the EM3 one of the highest performing LEP areas for exports, and it is high value, innovation-driven companies and their associated jobs and supply chains, which will provide a sustained recovery and growth in the region and for the UK.

The area’s proximity to London, Heathrow and its attractive lifestyle offer has, to date, also made it a popular location for large corporates, often choosing to make this the place for their EU HQs.

The multi-national food services company, Compass, with an HQ in Chertsey, Surrey and the Gartner, the global research & advisory company based in Egham, Surrey are two examples. Both

have reported negative impacts on their operations because of Covid19: Compass announced in March 2020 that 4,000 jobs were to be cut over 2 years across the UK; Gartner's company financial report for Q2 2020 indicated income was down.

Many of these "Anchor Companies" support regional supply chains, local service industries and help put local areas "on the map". Despite, generally having access to significant reserves, these firms have not been immune to the impact of the pandemic.

The following is a snapshot of large companies with a base here who have announced significant job losses:

McLaren, car manufacturer and Formula 1 motor racing team, based at Woking, announced on 26th May 2020 that 1,200 jobs would be lost, 25% of its global workforce.

<https://www.bbc.co.uk/news/business-52808927>

Stannah Stairlifts, manufacturer of domestic stairlifts and commercial lifts, headquartered at Andover, Hampshire, indicated that 75 jobs (5% of its UK workforce) would be lost, having announced its expansion to larger premises at Andover in early March 2020.

<https://www.andoveradvertiser.co.uk/news/18611828.stannah-expects-75-job-losses-due-coronavirus-pandemic/>

Ambassador Theatre Group, Woking, international theatre management and production company, indicated on 8th July 2020 that 1,200 jobs would be cut in September 2020 affecting about 5% of its UK workforce.

<https://www.theticketingbusiness.com/2020/08/04/uk-theatre-sees-job-losses-reach-5000-month/>

BP oil group announced on 8th June 2020 that 10,000 jobs would go across its global workforce, with the firm's office-based workers are expected to bear the brunt of the redundancies - a proportion of which are located at its Sunbury on Thames HQ in Surrey.

<https://www.bbc.co.uk/news/explainers-52966609>

Safran, aircraft seat manufacturer, announced on 23rd April 2020 that 1,200 jobs would be cut at its Camberley, Surrey, Northamptonshire and Wales production plants affecting approximately 30% of its UK workforce.

<https://www.bbc.co.uk/news/uk-wales-52402851>

There are a number of high value industries important to the EM3 economy whose recovery and renewal will be critical to the timing of a return to growth.

Aviation, with its internationally renowned centre in Farnborough, is an important sector for the region. This includes Heathrow International Airport, whose "catchment area" for employment alone reaches into the Enterprise M3 area. It has been well documented elsewhere that globally, nationally, and regionally, the aviation industry has been devastated by the virus.

On 1st May 2020 it emerged that Rolls Royce are preparing to cut up to 8,000 jobs after Airbus and Boeing reduced production to cope with the large fall in demand. Ryanair are planning to cut 3,000 jobs and British Airways are preparing to cut 12,000, a significant reduction across the aerospace workforce.

The Heathrow Strategic Planning Group (HSPG) report that in Hounslow, Ealing, Slough, and Spelthorne 20% of the population has been furloughed and Oxford Economics predict Heathrow jobs may not return to 2019 levels until beyond 2023.

On a slightly more positive note, the outlook is potentially better in the defence side of the industry. Demand has been more protected by budgeted government spending. This improves the situation both in the immediate and long term. Supply chains are also less exposed although there is still some risk of short-term disruption.

According to the Farnborough Aerospace Consortium, many suppliers operate within both the defence and civil spaces and defence being reasonably strong is helping the UK supply chain in its survival phase. Most suppliers are expecting to see 40% reduction in supply in next 2-6 months. Meanwhile larger tier firms are burning stock, which will impact supply chains down the line.

This crisis also comes at a time when some within the industry were noting a “Greta effect” with some consumers and businesses opting to fly less for environmental reasons. It is possible that this trend will be accelerated, as companies have seen the productivity and cost efficiencies of on line meetings instead of international travel as well.

As economies attempt to deliver greener and more sustainable growth, the HSPG has acknowledged a green recovery should be a priority. This chimes with the LEP’s and partners’ strategic aims.

Support to advance a low carbon aviation industry, including cleaner fuels, and its related sectors feature in the actions in later sections of this plan.

Advanced manufacturing is seeing a major supply impact from the pandemic, as global supply chains are severely disrupted and slowed down.

EY’s outlook for the sector is “manufacturers must evolve business models, connect products seamlessly utilizing digitization and adopt a customer-centric mindset.”

In the EM3 area, manufacturers have announced a total of substantially higher than one thousand potential redundancies. However, it is clear that opportunities may exist for new growth by adopting digital and other technologies and by growing more local supply chains.

Metro Dynamics identifies other areas for EM3 advanced manufacturers to look towards, “Clean recovery and growth are going to be important to recovery and revitalisation. Emissions are now

taken seriously and as places look to ‘build back better’, innovating and developing new technology will drive cleaner and more sustainable growth.”

The **Digital sector** is an important part of the EM3 business make up. It is a global and very diverse industry which points in many different directions, including IT services, electronics, online retail and gaming.

The outlook in each of these directions is varied and often mixed, with each facing a different short- and long-term set of challenges and opportunities. As examples:

- BT’s network traffic was up by around 100% during ‘office hours’ in lockdown
- Global Data forecasts that IT Services will be the most negatively hit part of the sector. A combination of difficulties delivering existing projects whilst customers are in lockdown and a slowdown in demand as businesses cut their 2020 project expenditure will be a challenge for the industry.
- In mid-April ISG forecast that discretionary IT spend in businesses is being reduced by up to 25%, with major technology investments are being delayed by between 90 and 120 days at many businesses.
- Apple, Samsung and numerous other digital firms have experienced significant supply chain disruption. Significant supply chain diversification is expected in the medium-term, with a need to become less reliant on China. The global nature of the industry has meant that disruption has been protracted, with shutdowns at different times at different countries each causing upset.

Games Industry

- Gaming has proved resilient to the pandemic, with usage increasing substantially. Whilst sales of hard copies of games have fallen, digital game providers have seen a boost with overall video game sales at their highest level in a decade.
- Nintendo reported “unavoidable” disruption to its manufacturing operations in China in February and supply chain disruption has since become a major obstacle. Again, in a global industry, different parts of the industry have been affected at different times as the virus has spread.
- Development of new consoles has been particularly hit, with firms also unsure of the impact on consumer demand for expensive consoles as discretionary income falls following the pandemic.
- Game development has been more resilient with firms able to shift to remote working rapidly
- The direct access to gamers offered by some digital advertisers (Anzu have worked with their clients to re-think their advertising proposition) also means there is some form of continued revenue stream for online game producers meaning production can be sustained.

Trends

- COVID-19 has “accelerated the shift to digitisation” with firms making progress that was planned to take place over several years in a much shorter space of time, as employees work from home and customer habits shift.
- Enterprise IT have seen a rapid demand spike for networking and capacity services, collaboration software and cybersecurity. However, many IT projects are on hold and in the medium and long term a fall in demand driven by reduced budgets may hit IT infrastructure firms and vendors.
- Moving forwards, there is a need for a **skills** programme as well as an infrastructure programme, in order to stimulate employment and progression within the sector, particularly as employees who have been made redundant may look to enter the Digital sector. BT has its own programme called ‘Skills for Tomorrow’.
- Businesses that fail are likely to be those who struggle to transition online; “you can equate the digital maturity of businesses to their resilience.”

This analysis aligns with the EM3’s long standing strategy to support digitalisation and many interventions already underway including the “EM3 Gigabit: Town & Rural” project, investment in the digital infrastructure in local FE colleges, and in the Creative Tech Growth Booster at Royal Holloway, University of London.

Start Ups

The Enterprise M3 area has always been home to a significant number of entrepreneurs. This is exemplified in characteristics including the large numbers of scale-up companies here - this LEP area, compared with all others, has one of the highest numbers outside of London; and the success of incubators and accelerators such as SETsquared and Rocketdesk.

There are 127,700 self-employed in the area.¹² The impact of Covid19 means that almost three quarters (73%) of the area’s self-employed residents have been supported through the Government’s Self-Employed Income Support Scheme. This is almost 57,000 self-employed/freelance workers out of the just short of 78,000 who were eligible.

Nevertheless, an appetite to start new businesses persists. The EnterpriseM3 Growth Hub has reported a week on week uplift in the enquiries for start-up advice, and the table of the latest available ONS figures below suggests an increase in start-ups of around 45% in the second quarter of 2020 compared with the quarterly average 2 years ago.

¹² Source: Annual Population Survey – April 2019-March 2020

Unsurprisingly, the number of liquidations this Spring have almost doubled compared with last year.

Local Authority	Liquidations		Start ups April - June 2020	Full Year 2018
	Mar - June 20	Mar - June 2019		
Basingstoke & Deane Borough Council	12	4	269	930
East Hampshire District Council	9	0	462	660
Elmbridge Borough Council	21	5	393	1185
Guildford Borough Council	20	25	314	790
Hart District Council	9	13	166	520
Runnymede Borough Council	10	8	221	550
Rushmoor Borough Council	16	2	170	400
Surrey Heath Borough Council	9	3	190	540
Spelthorne Borough Council	5	0	242	615
Test Valley Borough Council	15	4	225	950
Waverley Borough Council	19	2	296	890
Winchester City Council	30	30	306	915
Woking Borough Council	17	5	237	685
	EM3 Totals	192	101	3,491
			qtrly avg	2,408

SECTION 3 PRIORITY AREAS FOR RECOVERY AND RENEWAL

In early June, the Business Secretary, Alok Sharma, launched a series of “recovery roundtables” with businesses, business representative groups and leading academics.

Their purpose was to “consider measures to support economic recovery and ensure we have the right skills and opportunities in place for our workforce over the next 18 months. They will also explore key domestic and global challenges to support a green and resilient recovery and ensure the UK is at the forefront of new and emerging industries.”

Business representatives from the EM3 area took part in 2 of these roundtables as part of the “Catalyst South” group of Southern LEPs. Alok Sharma also announced the establishment of 5 working groups. Focused on 5 key themes, “each group will explore how business can work with government to deliver economic growth and jobs”. These themes, are worth emphasising for their close match to well established EM3 strategies and also priorities for economic renewal in this Action Plan:

GOVERNMENT PRIORITIES

- The future of industry: How to accelerate business innovation and leverage private sector investment in research and development
- Green recovery: How to capture economic growth opportunities from the shift to net zero carbon emissions
- Backing new businesses: How to make the UK the best place in the world to start and scale a business
- Increasing opportunity: How to level up economic performance across the UK, including through skills and apprenticeships
- The UK open for business: How to win and retain more high value investment for the UK

EM3 PRIORITIES

The key messages from the intelligence and evidence on the impact of Covid19, together with the themes of the emerging Local Industrial Strategy suggest the following priorities for recovery and renewal in the EM3 area:

- Jobs and Skills for Employment
- Digitisation for new ways of working and a robust digital infrastructure
- Growing our low carbon economy
- Supporting business-led innovation, diversification, entrepreneurship and our high-tech sectors

-
- Transport – practical and sustainable
 - Town centres fit for the new future
 - Convening people and organisations in shared projects

The recommendations for action in each of these areas are the result of consultation with relevant specialists within the EM3 team, external contributors including industry and sector representatives (interviewed by Metro Dynamics), senior consultants at Emsi and Metro Dynamics, Tech Nation, and EM3 Growth Hub growth champions. These recommendations will be subject to further consultation.

JOBS AND SKILLS FOR EMPLOYMENT

Headlines

- People in middle skill occupations more at risk of longer-term unemployment than high skilled and low skilled
- The development of opportunities for middle skill workers to upskill from Level 3 to Levels 4,5 and beyond is recommended for action
- There are substantial opportunities for FE Colleges, Universities and other training providers to help mitigate the impact of Covid19
- There is some cautious evidence that currently the most promising roles for recruitment are in essential public services and infrastructure
- Opportunity areas need careful and regular monitoring – the course of the labour market is uncertain and one critical turning point will be the end of the furlough, closing on October 31st and petering out by the end of December.
- The appropriate approach to support – short term swift action or longer-term changes - will depend on the how the labour market unwinds
- Furlough affects around a quarter of the EM3 workforce - it is unclear how many of those furloughed will return to work
- There is a substantial range of Government funds and support designed to avoid mass unemployment – clear sign posting and communication of this for businesses and job seekers will be invaluable

WHAT'S CHANGED/WHAT'S BEEN EMPHASISED SINCE THE LOCAL INDUSTRIAL STRATEGY?

Key findings about the area from the LIS, such as very low rates of economic inactivity can no longer be assumed.

Net job losses which were already happening almost everywhere in the area are likely to accelerate.

The local lifestyle and service economy remains very significant in terms of employment, but includes sectors hit hardest by the impact of Covid19.

The imperative, highlighted in the LIS, to stem a reduction in jobs and boost the area's competitiveness as a place to do business, offering high prospect career opportunities has been emphasised.

SKILLS AND EMPLOYMENT PRIORITIES SINCE COVID19

The area, used to near full employment, is likely to face relatively heavy job losses, particularly in sectors of high-volume employment eg retail, tourism and hospitality; and in sectors of strategic importance such as aviation/aerospace.

However, the appropriate approach to support will depend on the how the labour market unwinds, particularly as the furlough programme ends. High job losses will require prioritising relatively swift and short-term measures; lower numbers out of work mean long term changes such as to the education model, should be pursued.

The key to how quickly and effectively employment in the area can recover, depends heavily on the level of "career mobility" there is. That is, how easily someone with a certain skills levels can return to stable and sustainable employment at the same or higher skills level in a sector which is not also at risk.

A positive message is that Emsi's analysis of the EM3 economy suggests occupations associated with good career mobility are typically high skill and account for half of the EM3 labour market. These are roles such as highly qualified professionals, technicians and managers.

People in low-skilled roles also typically face a reasonable range of similar, alternative options. For example, the large and diverse labour market for sales and retail assistants, although vulnerable, offers good opportunity for getting back into work – for example, high street workers might easily transfer to supermarkets.

It is people in middle skill roles who are most at risk of longer-term unemployment. Those in roles, such as sales supervisors, chefs, retail managers, have fewer options because their higher skill level means greater specialisation, making it harder to make a match with other occupations. (It is assumed that getting a job below your existing skills level is not the ideal outcome).

This evidence, therefore, supports the development of the opportunities, by FE Colleges, universities and other training providers, for middle skill workers to upskill from Level 3 to Levels 4,5 and beyond.

ROLE FOR UNIVERSITIES

The presence of a strong university sector, and maintaining high levels of graduate attraction to the region will be critical to sustaining our high skilled workforce, and to the region's "pull" as a high innovation business location.

In July 2020, Education Secretary, Gavin Williamson, set out criteria for "bail out" loans to struggling universities.¹³ They are a telling guide to the Government's expectations of the higher education sector. In the foreword he stated:

"..... we have set up the Higher Education Restructuring Regime to support providers in England who are at risk of market exit due to the challenges of COVID-19. In doing so I have set three clear and overarching objectives which will guide the Department's assessment of cases:

- Protecting the welfare of current students
- Preserving the sector's internationally outstanding science base
- Supporting the role that higher education providers play in regional and local economies through the provision of high-quality courses aligned with economic and societal needs.

As set out in the LIS, in order to attract a bigger share of the available high skilled labour supply, EM3 must become a location of choice for businesses and employers must make the right overall offer of career and salary prospects as well as lifestyle.

OCCUPATIONS CURRENTLY MOST LIKELY TO RECRUIT

Emsi has explored those job areas which are likely to provide the greatest opportunities at present. This is based on those where there a high number of jobs, and the easiest for finding compatible and relatively stable employment. The 20 leading roles are presented below:

¹³ Foreword to the "Establishment of a Higher Education Restructuring Regime in Response to COVID19", published in July 2020,

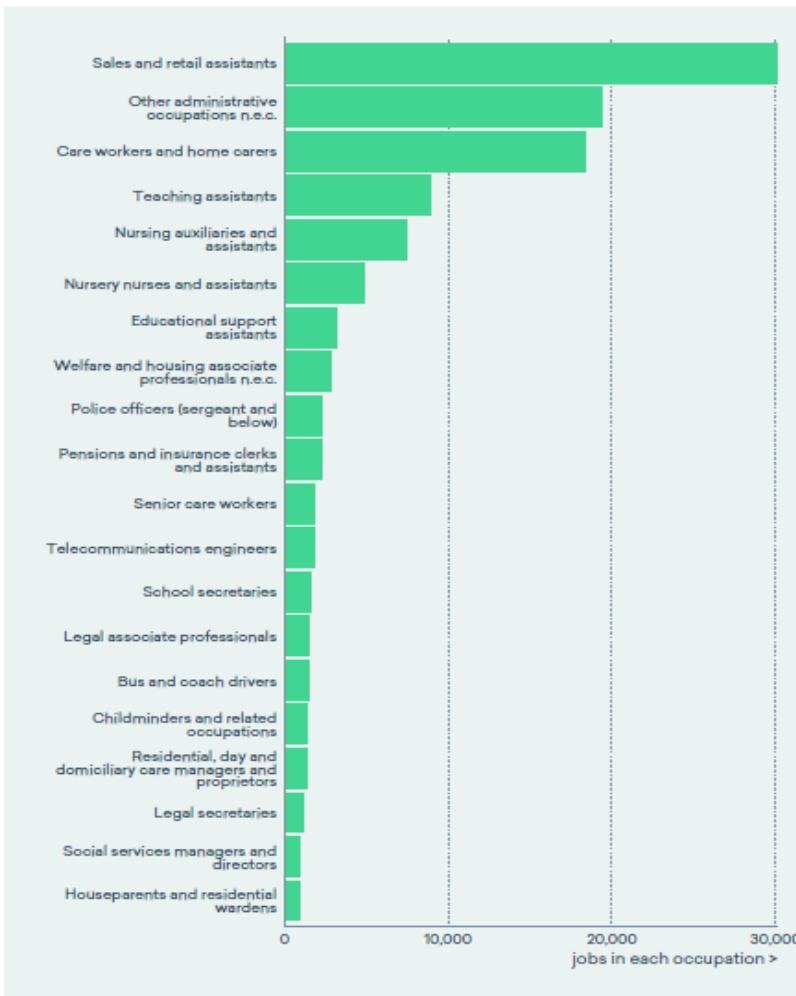


Figure 11: Opportunity jobs

It is worth noting that the most promising roles are in essential public services and infrastructure. A word of caution, however, it remains to be seen how well this analysis of opportunity occupations holds up and whether recruitment activity reflects the case for strong demand in these roles.

GOVERNMENT SUPPORT FOR EMPLOYMENT AND SKILLS

The Government has announced substantial investment in careers and employment support and the analysis here suggests that will be highly valuable. The LEP will actively support communication and sign posting to these opportunities.

A summary of some of the measures to “protect, create and support jobs”, announced by the Chancellor on the 8th of July, is as follows:

Supporting Jobs

As part of the plan to support jobs, a Job Retention Bonus will be introduced to help firms keep furloughed workers on. UK Employers will receive a one-off bonus of £1,000 for each furloughed employee who is still employed as of 31 January 2021.

A new £2 billion Kickstart Scheme will also be launched to create hundreds of thousands of new, fully subsidised jobs for young people across the country. Those aged 16-24, claiming Universal Credit and at risk of long-term unemployment, will be eligible. Funding available for each six-month job placement will cover 100% of the National Minimum Wage for 25 hours a week – and employers will be able to top this wage up.

A total of £1.6 billion will be invested in scaling up employment support schemes, training and apprenticeships to help people looking for a job. Young people, who are amongst the worst hit by the crisis, will benefit from this. This includes:

- Businesses will be given £2,000 for each new apprentice they hire under the age of 25. This is in addition to the existing £1,000 payment the Government already provides for new 16-18-year-old apprentices and those aged under 25 with an Education, Health and Care Plan.
- A £111 million investment to triple the scale of traineeships in 2020-21 ensuring more young people have access to high quality training
- £17 million of funding to triple the number of sector-based work academy placements in 2020-21
- Nearly £900 million to double the number of work coaches to 27,000;
- Over a quarter of a million more young people to benefit from an extra £32 million investment in the National Careers Service.

Creating jobs

The plan will also create tens of thousands of jobs through bringing forward work on £8.8 billion of new infrastructure, decarbonisation and maintenance projects.

This includes a £3 billion green investment package that could help support around 140,000 green jobs and upgrade buildings and reduce emissions.

As part of this package homeowners and landlords in England will be able to apply for vouchers from a £2 billion Green Homes Grant scheme this year to pay for green improvements such as loft, wall and floor insulation that could save some households hundreds of pounds a year on their energy bills while creating thousands of jobs for tradespeople.

And a £1 billion programme will make public buildings, including schools and hospitals, greener, helping the country meet its ambitions of achieving Net Zero by 2050, whilst investing in our future prosperity.

In addition, £5.8 billion will be spent in shovel-ready construction projects to get Britain building.

DIGITALISATION AND A ROBUST DIGITAL INFRASTRUCTURE

Headlines

- The impact of Covid19 has accelerated and accentuated the priority, highlighted in the LIS, to support digitalisation and an enhanced digital infrastructure
- The gaps in digital skills amongst employees has also been put in the spotlight in many organisations
- The importance of cybersecurity has risen in line with an increased reliance on digital ways of working
- Current interventions by the LEP are well targeted and should continue to be advanced and extended where appropriate

WHAT'S CHANGED/WHAT'S BEEN EMPHASISED SINCE THE LOCAL INDUSTRIAL STRATEGY?

Analysis for the EM3 area Local Industrial Strategy highlighted the need for a step change in digital broadband and mobile connectivity, for business development, clean economic growth, innovations and productivity.

It found a significant gap between maximum speeds in any area and the average speeds. It suggested businesses are less well served by broadband operators who tend to favour multiple connections for domestic users over individual business customers.

Pre pandemic, the resultant relatively slow broadband speeds were holding back business development and their ability to fully digitise their processes. Post the outbreak of Covi19, for some firms and individuals, inadequate digital connectivity has put the future of their businesses and livelihoods at stake.

IMPACT OF COVID19 ON DIGITAL SECTOR AND DIGITAL CONNECTIVITY PRIORITIES

Enhancing digital connectivity and know-how will be one of the most important routes to recovery and renewal in the EnterpriseM3 area.

The digital sector, an important part of the EM3 business base, is extremely diverse. It is this diversity which has always contributed to the area's relative resilience to economic shocks. That is not to say that every aspect of the sector is faring well during the impact of the pandemic, however there are some regional strengths which are emerging as potential opportunities for growth. The

importance of cybersecurity, for example, has been highlighted as people have become more reliant on digital ways of working to carry out most of their day to day business.

As we saw in the economic analysis, a characteristic of the impact of Covid19 on the EM3 area is the resident workforce is faring better than the region's economy. This is down to the significant proportion of workers, highly skilled professionals, senior managers and scientists, who live in the area and are able to carry out their jobs from home.

It also highlighted the need to enhance the attraction of the area to high value businesses and high value employment and stem the loss of such jobs, especially in frontier sectors. The promise of an ultra-fast broadband infrastructure would be a powerful asset to add to the list of persuasive "selling points".

In short, the impact of Covid19 has magnified the need and urgency to deliver a step change in digital connectivity throughout the EM3 area.

The following case studies are examples of interventions and actions which have already been instigated by the EnterpriseM3 LEP. Other areas have been highlighted in section 1 of this report.

Gigabit EM3 Town & Rural

People and businesses in towns and villages across Hampshire and Surrey will take a big stride towards ultra-fast broadband, with a £4.5 million programme to deploy gigabit-capable fibre along an initial route between Guildford and Basingstoke. Led by Enterprise M3 LEP, the work will save or create more than 4,250 jobs in digital and creative sectors, and enable a step change in the region's digital connectivity, making it one of the leading "Gigabit Town & Rural" areas in the country.

Digital Skills Work

More than 7,000 learners across Surrey and Hampshire will benefit from a £2.2 million investment in the digital infrastructure of the six Further Education Colleges in the Enterprise M3 area. This will upgrade colleges' digital assets, transforming the delivery of courses, effectiveness of teaching, and equip learners for current and future employment

Creative Tech Growth Booster

Businesses in immersive, creative technologies will receive thousands of pounds worth of research and development support, supporting 60 jobs and a fast return to growth. £900,000 will be invested in latest equipment, which will allow more than 30 high growth companies to use immersive technology for diversification and product development.

GROWING OUR LOW CARBON ECONOMY & RENEWAL OF TRANSPORT & MOBILITY

Headlines

- The LIS approach to advancing a lower carbon economy in general, and in the areas of transport & mobility remain highly relevant and should be taken forward
- Some believe the onset of a global pandemic has heightened determination to avoid another natural disaster in the form of rapid global warming
- Lockdown has presented a number of opportunities to accelerate innovation and renewal in the way we transport people and goods across the EM3 area
- Evidence supports a focus on decarbonising transport and buildings, and delivering the Tri-LEP Energy Strategy as priorities for the EM3 area
- This approach is fully aligned with the Government's 'Decarbonising Transport: Setting the Challenge', which is supported by the LEP
- However, that focus should not be to the exclusion of other opportunities, such as supporting the skills and jobs in the restoration economy
-
- In Transport, LEP priorities focus on developments in automated vehicles, connected vehicles, electric vehicles, mobility as a service and innovations in local transport solutions, such as active travel
- Stakeholder partnerships remain key to success, including with Transport for South East, Highways England, Network Rail, Heathrow Airport, local authorities, transport sector businesses
- The LEP plays a critical role helping partners devise solutions to transport and travel challenges in line with wider strategic economic aims for the area, especially where major infrastructure is needed

WHAT'S CHANGED/WHAT'S BEEN EMPHASISED SINCE THE LOCAL INDUSTRIAL STRATEGY?

Clean Growth

The approach to the low carbon sector, clean growth and natural capital, as set out in **EM3** "**Defining our Approach to a Local Industrial Strategy**" remains highly relevant and has been re-emphasised by the Government's commitment to a green recovery. That commitment is encapsulated, for example, in the Business Secretary's inclusion of "Green recovery: How to capture economic growth opportunities from the shift to net zero carbon emissions" in his five priorities.

Another commitment, “The future of industry: How to accelerate business innovation and leverage private sector investment in research and development”, also speaks to local strengths in low carbon sectors, and will be of interest to our Growth Hub, sector specialists, universities and other R & D partners.

The EM3 Local Industrial Strategy work shone a bright light on business and industry strengths in the Low Carbon and Environmental Goods and Services Sectors (LCEGS). To summarise ¹⁴:

- **EM3 shares one tenth (9.8%) of the overall UK LCEGS market:** activity is split 49% Low Carbon, 35% Renewable Energy and 17% Environmental Services.
- **The sector supports over 7,100 companies and over 126,800 employees.**
- **The total value (by sales) of LCEGS in 2017/18 was £18.2bn**, which includes core and non-core activities within the sector (i.e. **all** activities and services which are relevant to the LCEGS sector and its supply chain).
- **Core activities account for 25% of total sales (£4.6bn).** Non-core is valued at £13.7bn which demonstrates how extensively the LCEGS sector is embedded in the EM3 economy.
- There is a core specialty in high-end mechanical, electrical and electronic engineering and the associated design, computing and software, particularly at the machine control level, which are all especially relevant in the mid-supply chain in many sectors.
- The **value of exports in EM3’s LCEGS sector in 2017/18 was £1.3bn** about 10% of the UK’s LCEGS exports in 2017/18 (in line with the EM3 share of the sector).

Other influential business organisations also highlight low carbon and sustainability in a post Covid19 recovery. The CBI (and member of the EM3 Clean Growth Forum) summarise its principles in this area:

- Prioritise public spending and policy on low-carbon programmes that deliver short-term economic and social benefits and lay the foundations for a resilient, net-zero economy
- With the help of the private sector, deliver on existing fiscal commitments from the Budget to leverage investment and cut emissions
- Look beyond the fiscal remit to drive investment and stimulate a green recovery through smarter regulation and clear policy
- Build the foundations of a green economic recovery into plans to support companies recovering from the pandemic
- Coordinate a global response to the climate crisis

¹⁴ All these figures were collected before the outbreak of Covid19 and do not account for any impact on the sector

For Enterprise M3 LEP, a business-led growth organisation, growing the economy in a clean way has been a long-established ambition. This is in line with national and local Net Zero targets. The scale of this aim should not be underestimated – it requires a fundamental shift, all organisations each doing their bit, and no one organisation able to achieve everything.

In this area, perhaps more than any other, focus is important and is the way to make real progress.

DECARBONISATION OF THE EM3 AREA ECONOMY

The EM3 Tri-LEP Energy Strategy highlighted that, in line with most other parts of the UK, our largest emissions are from transport – accounting for around 50% - and domestic properties. It also showed that compared with Coast to Capital and South East LEPs, the EM3 area has the highest per capita CO2 emissions.

Our Low Carbon Sector Report¹⁵ showed we have strengths in alternative fuels and building technologies.

Decarbonisation of transport and buildings areas is attracting significant Govt funds, including:

- The Government will invest £1 billion over the next year in a Public Sector Decarbonisation Scheme that will offer grants to public sector bodies, including schools and hospitals, to fund both energy efficiency and low carbon heat upgrades.
- Direct Air Capture – The Government will provide £100 million of new funding for researching and developing Direct Air Capture, a new clean technology which captures CO2 from the air.
- Automotive Transformation Fund – Building on the announcement last year of up to £1 billion of additional funding to develop and embed the next generation of cutting-edge automotive technologies, the government is making £10 million of funding available immediately for the first wave of innovative R&D projects to scale up manufacturing of the latest technology in batteries, motors, electronics and fuel cells.
- The Government is also calling upon industry to put forward investment proposals for the UK's first 'gigafactory' and supporting supply chains to mass manufacture cutting-edge batteries for the next generation of electric vehicles, as well as for other strategic electric vehicle technologies.¹⁶

¹⁵ kMatrix report into the EM3 area Low carbon and environmental goods and services sector for the Local Industrial Strategy Nov 2019

¹⁶ Source: HMT policy paper "A Plan for Jobs 2020 "

There is therefore an evidence-based rationale behind an action to focus on decarbonising transport and buildings. This received general support from the Clean Growth Forum (set up by the EM3 clean growth sector specialist in late July).

However, it is important to note, this need not miss the innovation and opportunities of other aspects of decarbonising the current economy. This is particularly important, for example, in developing new economic opportunities and the associated skills and jobs in the restoration economy – the preservation and restoration of an area’s natural and community assets (eg water, nature-based solutions, heritage tourism etc).

EnterpriseM3’s investment in the Future Towns Innovation Hub will help advance this, and other low carbon innovations, for example, in encouraging take up of active travel.

CASE STUDY: Future Towns Innovation Hub

EM3 is contributing almost £3m of local growth funding to the Future Towns Innovation Hub which will be built at the University of Southampton Science Park in Chilworth. Bringing together businesses, local leaders and leading engineers, it will aim to make towns happier, healthier and more prosperous places to live by addressing and finding low carbon and sustainable solutions to key challenges. Examples include research and development into new ways to cut air pollution, manage waste and preserve scarce water supplies. It will also develop and pilot innovations in transport and transport infrastructure, encouraging safe, active travel in a post-covid19 world.

TRANSPORT AND SMART MOBILITY

The approach to smart mobility and transport in **EM3 “Defining our Approach to a Local Industrial Strategy”** remains the right one. The strong focus on low carbon, sustainable transport and new technology sets out an effective strategic and practical plan, which will advance our low carbon economy and help to reform transport in the area - currently the largest source of carbon emissions.

This approach is fully aligned with the Government’s ‘Decarbonising Transport: Setting the Challenge’, which is supported by the LEP. This presents the current challenges and steps to be taken for the national Transport Decarbonisation Plan due to be published later this year.

A “CHALLENGE-TURNED-OPPORTUNITY”

Lockdown and the effective shutdown of the economy gave a window onto a lower carbon (but initially economically unsustainable) world. Although demonstrating that the future of addressing climate change must also embed economic growth, lockdown did show various benefits and the possibility of travelling less.

It has been predicted there will be a permanent reduction in the demand for travel as people have embraced home-working technology.

Although this remains to be seen, there is a current and unique opportunity to take the learnings from life under lockdown and turn it into creative, positive, practical action, in line with existing ambitions to reduce emissions. Both policy and public transport must adapt and create new approaches and partnerships, so that changes in consumer behaviour can be encapsulated into an approach to travel which achieves both good levels of connectivity and a reduction in emissions.

The LEP is focused on promoting decarbonisation and innovation in transport systems to achieve cleaner, smarter mobility. That focus will be on increasing mobility through interventions around digital connectivity, energy and renewables in our key centres.

Smart mobility will cover the range of ways in which connectivity for people, goods and services can be enhanced using new technology that is faster, cleaner, more accessible and less expensive than traditional options. Alongside the role of enhanced digital connectivity, reducing the need to travel, smart mobility will also help to manage and reduce the congestion that currently affects the Surrey and Hampshire area with a dividend for productivity and quality of life.

The LEP will focus its efforts where it can add value, working with business and, importantly, avoiding duplication of work underway at a national and international level. Our priorities and investment will focus on four key areas all of which can be underpinned by smart infrastructure. These are:

- Automated vehicles
- Connected Vehicles
- Electric Vehicles
- Mobility as a Service

Partnership with a wide range of stakeholders is critical to successfully achieving our aims and actions. In addition to central government this includes Transport for South East, at a regional level as well as strategic infrastructure providers, Highways England and Network Rail, local authorities and a range of public transport operators and businesses.

Transport for the South East has recently published a transport strategy, which moves away from a traditional “predict and provide” approach to transport and instead focusses on deciding what future we want for society, the economy and the environment and using this to guide investment decisions and support for sustainable travel. This is being worked up into a Strategic Investment Plan at a local level underpinned by a future mobility strategy that will deliver a move away from planning for vehicles to planning for people and places.

Enterprise M3 will work with Highways England, Network Rail as well as Hampshire and Surrey County Councils to look at the future needs of their networks. At a strategic level this too will have

a strong focus on smart technology and sustainable transport measures, but there is a growing acceptance that technological fixes alone, whilst important, will not be enough if we are to meet the 2050 net zero target. There will remain instances where investment in major infrastructure is needed to support economic growth and recovery. Where this is the case, we will commence work now to help develop and design the correct solutions.

Highways England continue to design major capacity and safety enhancements such as at Junction 9 on M3 near Winchester, to ensure that the route between the south coast ports and the Midlands has sufficient capacity to support both the local and national economy. They are also developing proposals along the A3 at Guildford as to how they can use travel demand management measures to seek to drive travel behaviour change and thereby contribute to improving air quality in and around Guildford and help to address the significant congestion problems that inhibit the local economy.

Despite a short-term downturn in the use of public transport in general and rail in particular we still expect rail to play a major role in meeting our connectivity needs. We will contribute to the South West Mainline Continuous Modular Strategic Planning process, where we have already identified a range of strategic priorities that remain critical to the success of our economy, including the Woking Flyover and Victoria Arch schemes. Heathrow Southern Rail Access, a package of capacity enhancements around Guildford as well as other industry wide projects such as Digital Rail and Crossrail 2.

“The coronavirus pandemic has accelerated the changing travel patterns we were already beginning to see...With more people already cycling and walking, this is a critical time for us to make changes [in Winchester] for the future...”¹⁷

This reported comment by Cllr. Rob Humby, Deputy Leader of Hampshire County Council, and EM3 Board Director, reflects the impact of Covid19 on local transport policies across the EM3 area.

The LEP strongly supports local active travel, which contributes to three major priority areas around low carbon, health & well-being and protecting the environment. It also links to skills and planning to support local labour markets, which in turn will help to discourage longer distance commuting.

Our role will be to maximise patterns of activity and priorities through investment, policy and leadership. The focus on active travel will primarily be at a local authority level building upon the Sustainable Travel Plans we have delivered to date, through Local Cycling & Walking Implementation Plans (LCWIPs) that can provide effective parity between match the needs to active travel with those of vehicles.

¹⁷ Reported in the Hampshire Chronicle 6/8/20

As an example, the EM3 funded Future Towns Innovation Hub team are working with Basingstoke and Deane Borough Council on a potentially scalable proposal to demonstrate how e-bikes, e-scooters and road space allocation could both widen adoption of active travel and increase connectivity between separate parts of the town. ¹⁸

SUPPORTING BUSINESS-LED INNOVATION, DIVERSIFICATION, ENTREPRENEURSHIP AND OUR HIGH-TECH SECTORS

Headlines

- The priority to grown and attract scale-ups and innovation-led, high productivity sectors to the area remains high and is critical to recovery and restoring economic growth
- Provision of local workspaces with integrated business support are key to raising the appeal to the area amongst businesses and entrepreneurs
- Similarly, outstanding digital and transport infrastructure will also help “sell” our area
- Private sector investment in R&D in the area is very strong and should be backed further
- Regional universities require more support/encouragement specially to win bids for R&D funds
- The following high innovation, knowledge-based sectors have been identified as area specialisms and should be the focus of promotion and support:
 - Clean Growth manufacturing/technology
 - Games and Creative Immersive Technology
 - Space/Satellite especially Earth Observation
 - Aerospace/ Aviation & Defence
 - Health, including Animal Health
 - Enabling Technologies including Robotics/AI, Cybersecurity
- Many SMEs need help writing persuasive bids for grants offered, for eg, by Govt. or UKRI
- The Growth Hub locally and nationally has reported a significant interest in Start-Ups since the onset of the pandemic

WHAT'S CHANGED/WHAT'S BEEN EMPHASISED SINCE THE LOCAL INDUSTRIAL STRATEGY?

¹⁸ At the time of writing this project was waiting for final assessment and approval for funding

Key challenges from our Local Industrial Strategy work in this area have been amplified, by the impact of Covid19. In particular, the finding that the area has been losing jobs in its frontier, innovation-led technology sectors, and the need to develop a case for keeping workers here instead of commuting out of the region.

In some respects, that priority may now be easier to address since the virus may have added appeal to more suburban and rural areas outside of big cities.

Other messages from the LIS remain highly relevant for recovery and renewal:

- Innovation in goods and services in addition to reaching a market are critical to competitiveness
- A weakness in our area has been businesses to business collaboration with a focus on business development and networking
- Characteristics of innovation active companies include:
 - Good in-house leadership
 - Access to financial support/professional services/ workspaces away from London and closer to home
 - Excellent transport and digital infrastructure

Another key finding from the LIS work was that businesses, rather than universities, were leading innovation in the area. This is a mixed blessing. It is a strength that a significant part of the regional business base is active in R & D and innovation, especially as their commercial drive may also account for another regional strength, that the area is strong on developing innovations which reach a market. However, the ideal would be for regional universities to be able to invest more in R & D activity.

THE IMPACT OF COVID19 – “KNOW WHO YOU ARE, THEN DO IT ON PURPOSE.”

Three of the Business Secretary’s recovery priorities are particularly relevant to business innovation and enterprise:

- The future of industry: How to accelerate business innovation and leverage private sector investment in research and development
- Backing new businesses: How to make the UK the best place in the world to start and scale a business
- The UK open for business: How to win and retain more high value investment for the UK

Work carried out for the Recovery and Renewal Plan by Metro Dynamics draws attention to the Government focus on innovation and recommends a clear concentration on areas of outstanding excellence. As they put it, “Know who you are, then do it on purpose”

We have already seen from our work on the low carbon sector, an opportunity to support more advanced engineering and high-tech SMEs to diversify into this industry’s supply chains. A workshop with EM3 sector specialists, TechNation and Universities highlighted other areas of innovation expertise: Games Industry and Creative Immersive Technology; Space/Satellite especially Earth Observation; Aerospace/ Aviation & Defence; Health including Animal Health; Enabling Technologies including Robotics/AI,Cybersecurity.

EM3’s Guilford-based Games Industry has been identified by DIT as a High Potential Opportunity (HPO) worthy of active promotion by DIT agents to potential foreign investors.

Strengths in Animal Health have also been recommended by DIT for support as magnets for foreign investors.

Feedback from the workshop suggests many SMEs need help to tap into Government and InnovateUK grants. Support for writing persuasive bids was also recommended.

START UPS

Since Covid19, the EM3 Growth Hub has seen a sudden and sharp upturn in Start-Up enquiries.¹⁹

Under its current funding model, the GH is answering basic questions and sign posting to other sources of support. An important part of the process at some point, is always to sift the commercially viable from those who have little/no potential.

It has been suggested that the natural extension to start-up support is the creation of more mentored, sector -focused accelerators such as Rocket Desk with initial support for elite businesses to excel.

CASE STUDY: Rocketdesk

Rocketdesk is a supported, flexible office for start-ups, independent and freelance creative technology professionals in Guildford – the so-called ‘Hollywood of Games’. It is based in a large open-plan space at the Surrey Research Park which is home to a number of other gaming and immersive tech businesses, allowing emerging companies to grow by engaging and networking with peers and industry professionals in a unique and purpose-built space.

¹⁹ With thanks to EM3 Growth Hub Champion Paul Scott for contributing his thoughts here

Technation has also identified other models of collaborative and business support work spaces. One in Brighton, attached to the university to encourage entrepreneurs including graduates is described below:

CASE STUDY: PlusX

PlusX is a standout example of modern working. It is designed to help graduates start and grow their business in a specially designed space, joined to the University of Brighton. With access to growth services and innovation programmes, the PlusX has tapped into a new way of working; bringing high skilled workers out of big cities and into a more local, shared spaces designed by and run for entrepreneurs and providing a happier place to work, near but not at home.

TOWN CENTRES FIT FOR THE NEW FUTURE

- The impact of Covid19 and lockdown has accelerated the difficulties of some high streets and town centres
- Successful recovery of town centres is likely to depend on renewal and restructuring
- The renewal of town centres aligns well with other aims of this recovery plan eg encouraging commuters to “stay local” for work and introducing lower carbon and active modes of transport
- Changes proposed by the Govt. to overhaul the planning system should be considered for maximising a balance between strategic priorities of driving economic, clean growth, demand for housing and preserving the environment
- These proposals should also be considered alongside the aims of local authority spatial plans and ambitions such as the Surrey Place Ambition and the Hampshire 2050 vision
- Early indications suggest Covid19 might have fuelled a growing demand for suburban /small town centre dwellings with outside space as an alternative to city flats - a potential opportunity for part of repurposing town centres
- Plans for housing developments should align with priority to decarbonise buildings

WHAT'S CHANGED/WHAT'S BEEN EMPHASISED SINCE THE LOCAL INDUSTRIAL STRATEGY?

The Local Industrial Strategy work broadly categorises the towns across EM3 into five functional economic areas.

-
- Southern Surrey & North Hampshire, including Basingstoke, Farnborough and Guildford, is identified as a significant residential and employment hub with a strong, high-value innovative business base.
 - Mid Hampshire has some specialisms such as tech businesses in Winchester and also has major concentrations of public sector jobs in administration, defence, and health particularly in Winchester.
 - Northwest Hampshire is more rural, though in Andover there a high employment ratio and very significant commercial and retail floorspace.
 - Southern Hampshire also has a very high employment ratio and includes the University of Southampton Science Park. Northern Surrey is primarily residential and likely to be home to significant numbers of London commuters.

THE IMPACT OF COVID19

“We’ve seen demand growing for the last four to five weeks in the UK, particularly in suburban and smaller town locations where people are choosing not to commute into the cities and find a local place to work.”

Mark Dixon, founder of IWG which owns Regis Offices, speaking on BBC Radio 6/8/20

The uncertainty over the course of the virus, the variability of the impact of lockdown on different sectors and the eventual withdrawal of Government support for employers’ wage bills mean accurate predictions on the prospects for individual places are impossible.

However, the acceleration of already struggling retail outlets on high streets seems unlikely to find recovery without renewal of their offer.

The LEP has already invested in Town Centres with a fund to help build consumer confidence in a safe return to the high street after lockdown.

CASE STUDY: Supporting Town Centres Fund

This half a million-pound fund is designed to rapidly allow high streets to become Covid-secure, instilling confidence in high street users and enabling the safe reopening of town centres. Solutions funded through this scheme, include encouraging active travel, the use of apps, traditional and digital signage as well as automatic entry and exit points for shopping centres. It’s hoped these interventions will have a significant impact on the spread of Covid-19 as towns re-open during the pandemic.

Analysis by Metro Dynamics suggests the long term recovery of the high street is likely to depend on the income and wealth of an area. Wealthier areas are likely to see a faster recovery, as pent-up demand fuelled by additional saving during lockdown is released, whilst areas with lower incomes (which are now being squeezed further) or where the high street was already struggling, are going to find it difficult to recover. The recovery will therefore be a mixed picture across the country as the pandemic increases regional inequality.

Some behavioural changes will become permanent. Six in ten consumers say they plan to continue buying as much online after the pandemic as they do now. Meanwhile click and collect is forecast to show a more permanent decline as more consumers switch to home delivery.

Again, the opportunity for a new market in co-working spaces is identified. As employees work from their employers' office less frequently, but as the downsides of working from home such as poor technology and lack of human interaction creep in, there is an opportunity for local office space. These would allow people to work from an office near to where they live, and so reduce commuting whilst providing the flexibility and interaction that employees are looking for.

This is a real opportunity for places like the EM3 area and others within the London commuter belt, as many may decide that rather than living in London, they can live outside of the city if they only need to commute into London on an occasional basis. This could have the potential effect of spreading the cluster of London's high value jobs across a wider geography, which could particularly benefit those places closest, such as the EM3 area.

Metro Dynamics also identified some evidence of a growing preference for dwellings with gardens (now more popular than inner city flats). Here the LEP might work with local authorities to encourage house building with the young professional market in mind.

Housing development should also align with the strategic aim for the area to decarbonise buildings.

INTERNATIONAL TRADE AND INWARD INVESTMENT

- Exporting and international trade is a defining characteristic and strength of the EM3 economy
- The recommendations set out in the LIS to enhance performance should be advanced especially in light of pressures on exporting activity from the global pandemic, international foreign policies, and EU Transition
- The High Potential Opportunities in Games and Animal Health provide an obvious focus for action and collaboration with DIT
- Business support for EU transition preparation, including communication of advice and guidance, will be a key priority

WHAT'S CHANGED/WHAT'S BEEN EMPHASISED SINCE THE LOCAL INDUSTRIAL STRATEGY?

On exports the Enterprise M3 area has a track record of being amongst the top performers in the country with exports of £26.14 bn in 2017 (4.5% of the UK market). The performance by value on services has been the best of any LEP outside London.

Our LIS work suggests exporting is an opportunity for the EM3 business base which can be enhanced. Only 10% of businesses were engaged in exporting. The LIS recommended:

- An improvement of coordination between the area's individually strong export support organisations.
- Closing a gap in provision for businesses new to exporting
- Promotion of awareness of support available to businesses with simplified routes to access.

It is worth noting that in the financial year 19/20 in the Enterprise M3 LEP area there were 35 successful FDI projects. Through these investments 804 new jobs were created. Although there were 38 projects the year before they generated fewer jobs, 530.²⁰

DIT has also identified two areas of strength in the area as High Potential Opportunities (HPOs) for attracting foreign investment. One in the games industry and one in Animal Health. The LEP will continue to work closely with DIT to promote these specialisms to potential foreign investors.

IMPACT OF COVID19

Given the disruption to global markets, the impact on EM3's exporting businesses is uncertain. There is a further potential disruption to UK exporters and importers ahead.

According to the CBI's emerging thoughts in their bulletin, 3/8/20201:

“As firms continue to tackle the pandemic and protect jobs, the majority of businesses have neither the time nor resources to prepare for a non-negotiated EU exit. Their number one priority since March has been to navigate the pandemic, to protect jobs and livelihoods. But whilst many larger firms have long had plans in place for a no-deal outcome, smaller firms will struggle to cope with a double dose of disruption. A recent CBI survey showed three in four businesses are concerned about the economic shock arising from a non-negotiated exit from the EU, with 79% of firms no more prepared, or less prepared, than they were in January.”

²⁰ Source: DIT

The LEP and Growth Hub stand ready to support businesses in the run up to and beyond the end of the EU transition period. This will be made easier with the appropriate resources.

PARTNERSHIP WORKING

The Enterprise M3 LEP has a strong reputation for working collaboratively with partners. Maintaining this leadership and convening role will be critical to the area's Recovery and Renewal.

A coordinated response where resources, expertise and capacity are pooled will always be more powerful and effective than fragmented and scattered approaches.

Some outstanding examples of EM3's leadership and collaborations include: South Central Growth Hub Cluster; Catalyst South; Clean Growth Forum; Gigabit EM3: Town and Rural Project.

The LEP also has a good track record, as recognised by Government, for setting evidence-based strategic plans. These plans, such as the Strategic Economic Plan, the emerging Local Industrial Strategy and this Economic Recovery and Renewal Action Plan are developed in partnership with partners and stakeholders as a shared resource for supporting growth across the area.

CONCLUSION AND NEXT STEPS

There has rarely, if ever, been so much uncertainty about the economic outlook. The extent of the disruption of the global pandemic will not be properly understood and evaluated for some years.

The impact on the EM3 area is not only serious for the local economy and its communities. It also threatens the capacity of the area as a net contributor to HMT and an important growth, innovation and exporting powerhouse for the UK.

It seems likely there will be a significant rise in unemployment in the area and a need, as high priority, for a focus on support for new jobs, work placements, training, reskilling and upskilling.

This should include taking forward the recommendations in this action plan to support two categories of people in particular: new entrants to the jobs market (college leavers and graduates) in order to avert long term unemployment among young people; and those made redundant from middle skill occupations.

This middle-skilled group are identified in the evidence as facing the biggest challenge to find new secure work. The recommendations to support investment in training in order to upskill these people to sub degree levels and beyond are also a priority. This can only be achieved if colleges, universities, other training organisations and employers can access the necessary resources.

A focus on job creation in high innovation sectors, and in emerging and less volatile industries, such as the low carbon sectors, space/satellite and parts of the digital industry aligns well with the expected demand for new employment opportunities. This priority will also help address pre-existing aims to enhance the area's supply of high value jobs, as highlighted in the LIS.

Despite the current risks to the labour market, it is important to stress, the evidence and recommended actions in this report demonstrate there are real opportunities even in the face of this crisis.

The challenges of the times can also be used as a moment to heighten awareness of the strength and potential of an area which can integrate lively towns and extensive green spaces; to celebrate the talent of the resident workforce and to promote the culture of innovation and a global outlook embedded in so many of our businesses.

The region's geography as a network of towns rather than a dense urban centre, makes it potentially easier to reconfigure layouts to support socially distanced life. Efforts to rethink and evaluate transport infrastructure, housing and employment sites will be highly valuable.

Enterprise M3 has in its previous LIS work identified a need to make the region more attractive as a business location to those industries which employ many of its residents.

A persistent shift towards home-working opens up opportunities to make progress here. If that shift lasts into the future, the region could gain by developing relationships with those businesses relocating from central London, closer to where the workforce often live.

The LEP and partners can help deliver this, and where that happens, it will also mean that those workers' current commuter spend – on transport, and on other services – will also stay in the region, potentially helping hard hit town centres and leisure services industries.

With inspired, bold leadership and strong, ambitious partnerships, now is an opportunity to reimagine town centres, to make a step change in the area's digital infrastructure and advance towards our transport and buildings becoming low carbon exemplars.

Next steps must be for this evidence and the recommended actions to be shared widely and considered with the range of stakeholders and partners who can help implement recovery and change. It will be especially important to identify the specific roles of individual organisations in that delivery.

In conclusion, a point for emphasis is that although supporting employment is likely to be a key challenge for the area, each of the themes highlighted for intervention and action in this plan are inter-related. Each must be progressed to advance the others and achieve a sustainable recovery and renewal of the EnterpriseM3 area.