Building Our Industrial Strategy - Heart of the South West Local Enterprise Partnership Response

The Heart of the South West (HotSW) Local Enterprise Partnership covers the local authority areas of Somerset, Devon, Plymouth and Torbay. The area is home to 1.7 million people, 80,000 businesses and has significant opportunities in marine, nuclear, aerospace & advanced engineering, data analytics, rural productivity – including agri-tech – health & care. World-class universities in Plymouth and Exeter are complemented by a strong network of FE colleges and the area is renowned for its outstanding natural environment which includes two National Parks and underpins an important tourism sector.

<u>Our Offer to Government</u>

The HotSW LEP has a strong private-sector led Board, bringing local business leaders directly into the challenge of raising productivity. The LEP now has a funding portfolio of almost £750 million made up of Growth Deal, Growing Places and match funding and we have a track record for delivery. Since summer 2016 we have been working with partners across local authorities, national parks and the clinical commissioning groups developing a bespoke productivity plan for our area and we are working collaboratively with other LEPs, across differing geographies, to realise the opportunities across a range of sectors. Our analysis shows the importance of local nuance in delivering an industrial strategy – in several of the pillars the HotSW position differs from the national picture. In this response we set out areas where we believe we can pilot new policy and what more can be done to grow productivity in our area. Our strong private sector involvement, track record and ability to flex geography from local to national across a range of issues, all mean the LEP offers a significant opportunity to translate a national industrial strategy into effective local outcomes.

This response is structured into four sections: Part A outlines the HotSW potential, Part B details the key points of the Industrial Strategy through a HotSW lens: as we consider Pillars 9 and 10 vital enabling foundations in delivering any strategy we start with these. Part C provides more detail and an annex contains international comparators and our own green paper. Where relevant, links to specific questions in Building Our Industrial Strategy are shown though our response covers other areas in addition.

A. The Potential in the Heart of the South West

1. The HotSW LEP welcomes the scope and ambition of Government's intentions set out in Building Our Industrial Strategy. The LEP area offers a major opportunity to help Government fulfil its stated ambition of delivering "a stronger economy and a fairer society – where wealth and opportunity are spread across every community in our United Kingdom"[1].

2. The opportunity in the HotSW LEP area is significant. Whilst employment rates have grown significantly and are now higher than the UK average[2], the HotSW area is in the lower third of LEP areas for productivity. **If the gap between the existing UK productivity rate and the Heart of the South West was closed, every household in our area would be £11,500 better off per year, every year.** If we matched productivity levels found in Germany, the average increase per household would be even greater, at £20,000 per year, every year[3]. Our opportunity is to close this gap and to ensure the proceeds of improvements in productivity are shared across our area.

[1] Building Our Industrial Strategy Green Paper, January 2017
[2] Eurostat
[3] Driving Productivity in the Heart of the South West Consultation Paper (Green Paper) January 2017

3. We are well-placed to do this by bringing forward a place-based focus to the industrial strategy. The HotSW area includes the Hinkley Point C nuclear new build which has £50 billion of business opportunities within a 75-mile radius and further opportunities in the nuclear defence sector, particularly in Plymouth. The Science and Innovation Audit showed we have world class clusters in aerospace and advanced engineering, linked to the west of England; high tech marine, linked across the south coast to Southampton; and photonics across south Devon but linked to south Wales. We have world-class universities in Exeter and Plymouth and an outstanding natural environment with two national parks and stunning coastlines.

4. We also have strong local momentum. Following publication of the Prospectus for Productivity in March 2016[4], the HotSW LEP is working in partnership with the area's local authorities, national parks and clinical commissioning groups, leading the development of a bespoke productivity plan. This work started locally and will now be our shared local chapter of the national industrial strategy. The partnership has consulted extensively through early 2017 and will be publishing the draft plan following the May County elections; the final plan will be agreed in the Autumn. The partnership's own green paper is attached as an annex to this submission and the LEP's response to Building Our Industrial Strategy is informed by this consultation. Local authority partners have recently agreed to form a Joint Committee which, along with the LEP Board, will oversee delivery of the productivity plan. The formation of the Joint Committee is an important step for a two-tier area with 17 local authorities.

5. HotSW LEP is already working on the productivity challenge locally and stands ready to work with Government to deliver the industrial strategy in our area, helping businesses start-up and grow through better management practices, driving investment in research and innovation, improving skills and the ambition of our area's young people and working with Government to overcome challenges and realise new opportunities.

[4] http://heartofswlep.co.uk/wp-content/uploads/2016/09/Heart-of-the-South-West-Devolution-Prospectus.pdf

B. The Industrial Strategy through a HotSW Lens – key points

Pillars 9 & 10

With partners we are developing a HotSW productivity plan, learning lessons from international comparisons, including the importance of strong local leadership, investment in innovation, provision of capital and venture finance and a focus on smart specialisations. Bringing business to local economic development means LEPs are an integral part of strong local leadership' Key points are:

- National policy must be translated into effective local strategies which recognise their nuances. ensuring that higher productivity flows through to better incomes and quality of life across all areas. The HotSW productivity plan offers just such an opportunity and we would be keen to share this with Government to realise our opportunities for productivity growth (q.3, 34, 36).
- A strong local place dimension presents a bold opportunity for a Local Productivity Investment Fund, bringing together the successor to ESIF along with funding for local road improvements and skills capital, translating the £23bn National Productivity Investment Fund into locally targeted delivery. We would welcome the opportunity to work through this proposal in more detail with Government and would offer the Heart of the South West LEP area as a pilot area to test the policy. The business input and geographic scale of LEPs mean that through them this fund can be targeted directly to deliver for business and place (q.34, 35, 36, 37).
- Working across flexible geographies is essential and is a growing part of how we deliver. We would welcome discussions with Government around our ideas for how our LEP and other partners can operationalise a 'Great South West' to drive productivity growth across the wider area, building a truly distinctive economy which capitalises on our world class capabilities (q.38).
- Ensuring "wealth and opportunity are spread across every community" means the rural dimension must be an integral part of any strategy. HotSW and 3 other LEPs are launching a Rural Productivity Commission to examine the productivity challenges and new market opportunities in our rural areas. We would welcome the opportunity to share this work with Government and to jointly consider the implications and opportunities in this area (q.34, 36).
- We need to measure our economy not just by GVA, growth or jobs and would support the RSA Inclusive Growth Commission[5] recommendation in establishing a measure of inclusive growth alongside traditional economic metrics. Our geography and disparity of productivity means we would offer HotSW as a pilot to trial measures to improve inclusivity (q.34).

Pillar 1

The LEP area has world-class universities but lower levels of innovation in businesses than nationally, with challenges around driving agglomeration across a dispersed area to create new ideas, products and services. We are investing to address these. Key points:

- We are working with partners through the Great West Taskforce to take forward the recommendations from the Science & Innovation Audit. Government support for this is essential to ensure the benefits are spread throughout the SIA area (q.7, 9)
- As we develop the HotSW area's productivity plan we also believe that the HotSW area could offer potential to trial innovation policy in dispersed geographies (q.8).
- Improving links between businesses and universities has historically been supported through European Structural and Investment Fund projects. We urge Government to ensure that the ESIF replacement enables revenue funding and for the time horizons to be long term, allowing for

[5] Inclusive Growth Commission: Making Our Economy Work for Everyone, March 2017

strategic planning. As argued elsewhere we believe a successor for ESIF best fits under a Local Productivity Investment Fund which enables the national strategy to be delivered locally (q.7, 9).

Pillar 2

Whilst attainment levels in our schools are good, we have fewer students going on to higher education than other parts of the country – ambition is key to lay the foundation for future productivity gains. High – almost full – employment levels and an ageing workforce means we have insufficient labour with the right skills to meet the existing job market and departure from the European Union means uncertainty in continuing to be able to attract overseas labour. Key points:

- We are acting to address ambition and match business need, e.g. local employers and Exeter University sponsor a University Technical College specialising in Engineering and Environmental Science. We welcome Government support to facilitate more of this type of activity (q.10).
- We will be doing more through our productivity plan to address aspiration in our schools' pupils. In line with this we support the ambition for a University of Somerset (q.10).
- Our LEP area has world-class universities and a highly successful FE sector. The proposed Institutes of Technology have potential if appropriately focused and supported to build on the current education landscape to further enhance STEM skills (q.10).
- Labour shortages across multiple sectors and the ambition to grow productivity are an opportunity for a strategic overview of skills need, to consider for example, where investment in disruptive technologies and support to develop new skills in the existing workforce brings the potential to free up labour in one sector which will help meet the needs in another (q.13, 14).

Pillar 3

HotSW faces long standing challenges in terms of road and rail connectivity. Although it is improving, access to and use of superfast broadband remains behind other LEP areas. Energy grid restrictions are hindering the economic potential of our area. Key points:

- Our proposed Local Productivity Investment Fund offers the opportunity to improve local transport links and allow LEP areas to connect areas of opportunity to areas of need (q.17)
- The mainline link to Penzance, the M5/A38 corridor and the A303/A358/A30 – the main routes into the south west – should be designated strategic transport corridors and prioritised for investment accordingly. This is especially important post-Brexit as these had been designated part of the Trans-European Transport Network. The LEP fully supports the work of the Peninsula Rail Taskforce to improve the rail network and the work of partners in aiming for the dualling of the A303/A30/A358 corridor (q.16)
- Continued investment in broadband infrastructure is essential to meet growing data needs; this includes both cabling and comprehensive 4G (moving to 5G) mobile coverage. Provision of revenue funding is vital post-ESIF to enable the benefits of broadband investment to be realised. We believe our proposed Local Productivity Investment Fund can meet this need (q.17).
- We have secured funding into a study of the limitations of our grid capacity. As a LEP and through the emerging 'Great South West', we would welcome working with Government to use the outcomes of the study to develop a funded strategy to address these challenges (q.16, 17).

Pillars 4 & Pillar 6

In the HotSW area levels of start-up, export and inward investment are lower than nationally. We have a lower proportion of businesses in higher productivity sectors and across the board, management practices need improving to grow productivity. Social enterprise has a key role to play both as a business sector and in helping deliver health and well-being that underpin strong productivity. Access to finance is restricting some businesses, e.g. scale-ups but investor readiness issues are more widespread. Key points:

- These issues have previously been partly addressed by European Structural & Investment Funds. The business composition of LEPs means we are well-placed to help shape their successor, which must enable revenue funding and have long term strategic time horizons. There is an opportunity for Government to create a Local Productivity Investment Fund which incorporates this replacement and so deliver wealth and opportunity across the country (q.21).
- The 'Great South West' offers the potential scale to address access to finance across the region and there is need to improve investor readiness. The Local Productivity Investment Fund would enable this (q.21)
- In addition we would also welcome exploring with Government and DIT how the emerging 'Great South West' could perform stronger in its levels of export and inward investment, including the establishment of a dedicated Great South West trade and investment team (q.25).

Pillars 5, 7 & 8

There are £50 billion of nuclear sector opportunities within 75 miles of Hinkley Point C and even more in the nuclear defence sector across Devonport and Bristol. The SW aerospace cluster is the largest in Europe and the Met Office and its new super computer at Exeter are a major opportunity. The Science & Innovation Audit highlighted the potential of the south coast marine cluster from Cornwall to Portsmouth, whilst the rural economy is essential in a plan that works for all. Key points:

- The strategic assets and business opportunity across the south west nuclear sector mean the region must have a strong presence in the proposed nuclear sector deal, recognising the geographic scope of the cluster. We support Nuclear South West's ambition for this (q.31, 32, 33).
- The iAero project will grow innovation in the aerospace supply chain; continued Government support for this and the aerospace cluster as a whole is essential to anchor it in the south west (q.31, 32, 33).
- The LEP supports the opportunity for a sector deal for the South Coast Marine Cluster to realise its potential (q.31, 32, 33).
- We are developing our plans to maximise the opportunity from the Met Office's new supercomputer in Exeter, linked to the city's world-class university, and would welcome the opportunity to discuss these in more detail with Government (q.31, 32, 33).
- Strategic use of procurement across these sectors is a big opportunity, in particular opening up opportunities around the nuclear defence sector in Plymouth and Bristol. Building on progress under measures such as the Social Value Act, we would value working with Government to push forward how public procurements can have the best impact on local communities (q.23, 24).
- Delivering an economy that works for all means the rural economy must be integral to any industrial strategy. We are setting up a Rural Productivity Commission with other LEPs and would be delighted to share the outcomes and opportunities from this (q.33).
- Higher productivity and a fairer society will not be delivered through focussing on only these sectors. Delivery needs local nuance so other locally high employment sectors, e.g. tourism, are an integral part of the strategy (q.31) and LEPs offer the ideal geography to achieve this
- As noted under Pillar 3, grid constraints in the SW are limiting the area's potential to deliver renewable energy (q.27, 28).

C. The Industrial Strategy through a HotSW Lens Pillars 1-10

6. Our evidence base includes national and international comparisons with other areas which have a similarly rural geography dominated by few larger cities, such as Denmark and Skåne in Sweden, and the paper is attached in the annex. **The comparison shows the importance of strong local leadership, investment in innovation, provision of capital and venture finance and a focus on smart specialisations. These are lessons we are applying to our own productivity plan.** We also recognise that even within the HotSW area there are natural economic geographies and synergies that lend themselves to specific interventions. Strong local leadership is needed to ensure the benefits of productivity growth are shared equitably across an area. We will be drawing on this as we develop the productivity plan with the rest of the partnership. The analysis also shows the importance of long term investment and planning; Denmark's ambition is to grow its productivity by ½ per cent per year **(q.4).**

7. The 10 Pillars have an appropriate breadth but present a risk in losing a sharp focus on key issues. The final two pillars – 'Driving Growth across the whole country' and 'creating the right institutions' – are fundamental to being able to deliver across the other eight **(q.1, 2)**.

Pillar 9: Driving growth across the country, Pillar 10: Creating the right institutions to bring together sectors & places

8. The 10 pillars closely match our local drivers of productivity though whilst many of the issues identified apply to the HotSW area, several are different. For example levels of business start-ups nationally are strong, but in HotSW they are below average. Compared nationally, HotSW SMEs exhibit lower levels of innovation and a reduced appetite to export. Our dispersed geography means bringing people and businesses together to collaborate and innovate has particular challenges. Productivity varies across the LEP area; the UK average GVA per FTE is £54,400 whilst Heart of the South West ranges from £59,300 in Exeter to £38,300 in Torridge[6]. The average wage of Exeter residents is less than those who commute into the city. **Therefore national policy must be translated into effective local strategies which recognise local nuance and ensure that higher productivity flows through to better incomes and quality of life across all areas; inclusive growth is key. The HotSW productivity plan in development offers just such an opportunity and we would be keen to share this with Government to realise our opportunities for productivity growth (q.3, 34, 36).**

9. As well as local nuance, LEPs bring local business leaders into the heart of economic development decision making and bridge the gap between national and local authority delivery. Private sector experience is harnessed to local political, higher and further education leaders to create a unique dynamic and this opportunity is understood by local businesses; the HotSW LEP will have 8 new private sector Directors joining in June, replacing those whose terms have come to their end. The LEP has reworked its vision (now 'Delivering productivity and prosperity for all') and its operational structure to focus on delivering the challenge of improved productivity. **This strong business leadership, coupled with the determination to ensure the industrial strategy addresses needs across all areas of the country offers Government the opportunity to work closely with Heart of the South West and other LEPs to ensure the effective translation of national policy into local delivery and outcomes (q.3, 34, 36).**

10. Although our response necessarily covers the 10 pillars, international comparisons show productivity requires an integrated strategy as many of the challenges are interconnected. An

[6] Green Paper January 2017 op. cit.

overly-centralised strategy, or a strategy with funding divided along Departmental lines, or concentrated only on one or a few pillars, or developed at the wrong scale, risks solutions which miss local nuances and do not achieve the Industrial Strategy's ambition. Pillar 9 suggests that growth should be built on strongly performing areas within regions but **we urge the government to recognise the different scale and connectivity of regions, particularly to recognise the importance of inclusive growth within peripheral regions. The south-west is a good example; it is 200 miles by road from Penzance to Bristol and investment in one will not create opportunities for residents and businesses in the other (q.36)**.

11. Elsewhere we set out the important role for the successor for European Structural and Investment Funds (ESIF), but the opportunity goes beyond this. **The need for a strong local place dimension means there is an opportunity to be bold and establish a Local Productivity Investment Fund, bringing together the successor to ESIF with funding for local road improvements and skills capital and translating the £23 billion National Productivity Investment Fund into locally targeted delivery.** This Fund would act as a 'single pot' for local productivity growth and would be linked to a clear local productivity plan or industrial strategy in all LEP areas. To be eligible, LEP areas would demonstrate effective governance with both the LEP and local political involvement, but the absence of a devolution deal should not exclude an area from receiving funding - there may be options to reflect those that have a devolution deal. **We would like to work through this proposal in more detail with Government and would offer the Heart of the South West LEP area as a pilot area to test the policy. The business input and geographic scale of LEPs mean that through them such a fund can be targeted directly at delivering for business and place (q.34, 35, 36, 37).**

12. The Science and Innovation Audit underlines another key dynamic for the HotSW LEP; geographies must flex depending on the particular issue. We are increasingly working closely with other LEP areas on a range of strategic opportunities, for example on nuclear, marine, advanced engineering, renewable energy and rural productivity. The successes of the Northern Powerhouse and Midlands Engine confirm that larger geographies can successfully address strategic challenges and attract significant investment without adding unnecessary layers of bureaucracy. We are working with neighbouring LEP areas, education, businesses and local authorities on a proposition which has the potential to match the Northern Powerhouse and Midlands Engine. **We would welcome discussions with Government around our ideas for how the HotSW LEP and other partners can operationalise the 'Great South West' to drive productivity growth across the wider area and build a truly distinctive economy which capitalises on our world class capabilities (q.38).**

13. It is widely acknowledged that cities drive growth and it is important that the HotSW cities and urban areas are able to work together to capitalise on the opportunities in the Industrial Strategy. However, in ensuring that "wealth and opportunity are spread across every community", the rural dimension must be an integral part of any strategy. The natural and social capital of the south west are two of our strong and distinctive assets and will be a key part of our productivity plan. The HotSW LEP, along with the LEPs from Cornwall & Isles of Scilly, Dorset and Swindon & Wiltshire, is launching a Rural Productivity Commission to inform this, led by David Fursdon, Lord Lieutenant for Devon, in his role as Chair of the SW Rural and Farming Network. Through spring and summer 2017 the Commission will examine the productivity challenges and new market opportunities in our rural areas, identifying measures that can be taken to address these. This will form part of the action we will be taking locally and **we would welcome the opportunity to share this work with Government and to jointly consider the implications and opportunities in this area (q.34, 36).**

14. Measuring our success is vital. Although productivity growth is an aim it ultimately remains an input with wealth, opportunity and a fairer society the final outcomes. As such we need to measure our economy not just by GVA, growth or jobs and in this we would support the recommendation from the RSA Inclusive Growth Commission[7] in establishing a measure of inclusive growth alongside traditional economic metrics. **Our geography and disparity of productivity means we would be pleased to work with Government on a pilot in Heart of the South West to trial this and other measures to improve inclusivity (q.34).**

Pillar 1: Investing in science, research & innovation

15. The HotSW LEP area ranks in the bottom third of LEP areas for levels of innovation[8] and the LEP is working to change this, including investment in growing two major Science Parks at Exeter and Plymouth, cities which both host world-class universities. Supporting the increasing connectivity between our universities and businesses is vital but evidence shows that agglomeration is a key factor in driving innovation and so productivity. Our area therefore faces some particular challenges with its dispersed settlements. **The Science and Innovation Audit (SIA) offers some major opportunities to address this and we are working with partners through the Great West Taskforce to take this forward. Government support for this is essential to ensure the benefits are spread throughout the SIA area. As we develop the HotSW area's productivity plan we also believe that the HotSW area could offer potential to trial innovation policy in dispersed geographies (q.7, 8, 9).**

16. The LEP has worked with DCLG to help bring forward European Structural and Investment Fund projects to further improve the links between business and our world-class research institutes. **We urge Government to ensure that the ESIF replacement enables revenue funding and for the time horizons to be long term, allowing for strategic planning. As argued elsewhere we believe a successor for ESIF best fits under a Local Productivity Investment Fund which enables the national strategy to be delivered locally (q.7, 9).**

Pillar 2: Developing skills

17. The HotSW area performs well at GCSE and A level, but in 2013/14 only 38% of students from state-funded schools and colleges in Devon and 39% of those from Somerset went on to a UK higher education institution, well below the England average of 48%. Torbay and Plymouth also lagged[9]. Raising the ambition of school pupils builds the foundation for future higher productivity and with our partners we are doing more to **ensure the needs of business are being met. For example, several local employers and Exeter University, sponsor a University Technical College in south Devon specialising in Engineering and Environmental Science. We welcome Government support to facilitate more of this type of activity (q.10)**. We also note the leadership provided by our two main universities and FE colleges in the current HEFCE-funded National Collaborative Outreach Programme project boosting participation and **we will be doing more through our productivity plan to address aspiration in our schools' pupils. In line with this we support the ambition for a University of Somerset (q.10).**

18. Our LEP area has world-class universities and a highly successful FE sector; for example Bridgwater & Taunton College is the southern hub of the National College for Nuclear and the recent area based review recognised the strength of this sector. **The proposed Institutes of**

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[7] Inclusive Growth Commission: Making Our Economy Work for Everyone, March 2017
[8] Green Paper January 2017 op.cit.
[9] National Statistics – KS5 Destination

Technology have potential if appropriately focused and supported to build on the current education landscape to further enhance STEM skills (q.10).

19. The LEP area has employment levels at or above those of the best performing European countries[10]. We need to access all people of working age that can work as we have a significant labour force and skills gap, exacerbated by significant levels of retirees in coming years. We have insufficient labour with the right skills to meet the existing job market and with UK employment similarly strong and departure from the European Union meaning uncertainty in continuing to be able to attract overseas labour, there is a need for a strategic overview of meeting skills shortages, to avoid the problem simply being shifted from one sector to another. **The ambition to grow productivity provides an opportunity for this strategic overview and to consider where for example, investment in disruptive technologies and support to develop new skills in the existing workforce brings the potential to free up labour in one sector which will help meet the needs in another (q.13, 14).**

Pillar 3: Upgrading infrastructure

20. HotSW faces long standing challenges in terms of road and rail connectivity. Although it is improving, access to and use of superfast broadband remains behind other LEP areas. Furthermore, energy grid restrictions are hindering the economic potential of our area.

21. Connectivity within Heart of the South West is impeding opportunity. Productivity within the LEP area varies enormously from almost £60,000 GVA per FTE in Exeter, above the UK average, to less than £40,000 GVA per FTE in Torridge[11], whilst income disparity is illustrated by the average wage of those living in Exeter being less than those who commute into the city. The LEP has used its Growth Deal settlements to open up our areas of opportunity but there is more to do. So we welcome the £1.1 billion from the National Productivity Investment Fund for local roads but we believe that for maximum effectiveness, future funding such as this should be linked closely to the local area's productivity plan or local chapter of the industrial strategy. **As argued elsewhere in this response there is a major opportunity for Government to create a Local Productivity Investment Fund, covering key priorities in the Industrial Strategy and delegated to local partners in a LEP area to oversee its investment according to need. We would welcome the opportunity to explore this further with Government (q.17)**

22. Connectivity to wider UK and international markets is hindering our productivity. The south west has long-standing challenges in rail and road connectivity to the rest of the UK. **The core road and rail routes into the south west – the mainline rail route to Penzance, the M5/A38 and the A303/A358/A30 – should be recognised as strategic corridors and be prioritised for investment accordingly;** this is particularly important as the routes are part of the Trans-European Transport Network and their status and long term investment therefore needs clarification. **The LEP fully supports Peninsula Rail Taskforce in improving the rail network and the work of partners aiming for dualling of the A303/A30/A358 corridor (q.16).**

23. We are working with neighbouring LEP areas, education, businesses and local authorities on a proposition which has the potential to match the Northern Powerhouse and Midland Engine. **We would welcome discussions with Government around our ideas for how the HotSW LEP and other partners can operationalise the 'Great South West' to drive productivity growth**

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[10] Green Paper Jan17 op. cit. We only have 36,700 unemployed of working age[10], 8840 are claiming JSA and the majority of the rest will be on Employment Support Allowance (ESA) with health issues.
[11] Green Paper January 2017 op.cit.

across the wider area, help address our connectivity challenges and build a truly distinctive economy which capitalises on our world class capabilities (q.17).

24. Broadband, like many ICTs, is a 'disruptive' technology that creates winners and losers. It is not a silver bullet for local economic development[12] but improved broadband can have a positive impact on firm productivity; realising the benefit is dependent on firms making other structural and strategic changes, e.g. the adoption of applications for supply chain management. For a dispersed geography such as HotSW a robust, fast and comprehensive broadband infrastructure connects our businesses to global markets, stimulates development of the knowledge economy, supports automation and enables business support and collaboration. 'Broadband' in this sense also means mobile connectivity and **a comprehensive infrastructure to ensure full coverage of 4G, moving to 5G, is essential. Demands for data will continue to grow and continued investment is needed to ensure the infrastructure is fit for purpose. Along with continued investment in broadband infrastructure, provision of revenue funding is vital post-ESIF to enable the benefits of broadband investment to be realised. We believe our proposed Local Productivity Investment Fund can meet this need (q.17).**

25. The HotSW area's grid capacity is limiting our potential and we have recently secured Government funding to conduct a detailed study into these challenges. Prospective sites for development are held back because of limits to the grid capacity which also reduces the area's appeal when trying to attract inward investment. The potential of the area to use its stunning environment to contribute to the production of renewable energy is also limited by the inability of the grid connections to handle variable supply from power generation. **As a LEP and through the emerging 'Great South West', we would welcome working with Government to use the outcomes of the study to develop a funded strategy to address these challenges (q.16).**

Pillar 4: Supporting businesses to start and grow, Pillar 6: Encouraging trade and inward investment

26. HotSW is dominated by small businesses, over a wide area, employing less than 5 people. Survival rates are high but compared with the national position there are fewer new businesses being created, we have fewer foreign-owned businesses and a lower propensity to export – all key drivers of productivity. Our sector mix differs too with a lower proportion of the highly productive sectors such as Financial Services and ICT. Investing to improve connectivity to markets and raise innovation are essential to enable our businesses to grow. Social enterprise has a key role to play[13]. They act as businesses in their own right, help ensure that higher productivity translates into quality of life and that health and well-being of individuals means they are able to work effectively. This must be part of the final strategy and is particularly relevant to our golden opportunities in rural productivity and health & care.

27. Research has shown that skills, management practices and export levels are all critical factors in the productivity of an area's businesses[14] and the LEP is prioritising addressing these as part of its renewed vision and operational structure. European Structural Investment Funds have historically provided a strong source of revenue funding to help address these challenges. **The business composition of LEPs means we are well-placed to help Government shape the successor to ESIF, a successor which must enable revenue funding and have long term time horizons to allow for strategic planning. We believe there is an opportunity for**

[12] Evidence Review 6: Broadband, 2015, What Works in Local Growth
[13] Green Paper Jan17 op.cit. There are 1,090 social enterprises in the HotSW LEP area, with a combined turnover estimated at £1.5bn and an economic output estimated to add £494m of GVA
[14] Unlocking Regional Growth, CBI March 2017

Government to create a Local Productivity Investment Fund which incorporates this replacement and so deliver wealth and opportunity across the country.

28. Access to finance is an issue for some of our businesses, e.g. private equity finance for scale-ups, though the position is not as acute as during the financial crisis. Investor readiness continues however to be a significant issue. **We believe that a Local Productivity Investment Fund would enable better investor readiness support and the emerging 'Great South West' offers the scale opportunity to address access to finance issues (q.21).**

29. The LEP is increasing its support for inward investment alongside local authority and Department for International Trade partners and **we would also welcome exploring with Government and DIT how the emerging 'Great South West' could perform stronger in its levels of export and inward investment, including the establishment of a dedicated Great South West trade and investment team (q.25).**

Pillar 5: Improving Procurement, Pillar 7: Delivering affordable energy and clean growth, Pillar 8: Cultivating world-leading sectors

30. The LEP area's Prospectus for Productivity identified key sectors with potential to drive up productivity – our "golden opportunities": marine, nuclear, aerospace and advanced engineering, data analytics, rural productivity – including agri-tech, health & care. We are taking forward programmes in these areas both directly and with partners under the productivity plan. **We would welcome closer working with Government to realise their potential (q.31).** These sectors offer excellent potential but will not close the HotSW productivity gap on their own. **It is essential that other locally high employment sectors, e.g. tourism, are an integral part of any strategy to grow productivity. This underlines the importance of local nuance to translate a national strategy into effective local outcomes.** This is particularly important to achieve the ambition for a fairer society.

31. Our nuclear sector is strategically significant. An arc from Plymouth to Gloucestershire includes major nuclear defence assets, Hinkley Point C, decommissioning opportunities, world-class nuclear specialist HEIs and global nuclear businesses; £50 billion of business opportunities exist in a 75-mile radius of Hinkley. We are building a major cluster in the south west which will help make the UK one of the leading nations in this field. We have led the establishment of Nuclear South West, an industry-led cluster with local authority, HE, FE and cross-LEP participation. With the West of England we have invested to help SMEs access the nuclear supply chain. We have supported the establishment of the southern hub of the National College for Nuclear, invested in a nuclear innovation centre and the HotSW Enterprise Zone near Hinkley is a dedicated energy park. We work with neighbouring LEPs and are working with the Cumbria and New Anglia LEPs on our nuclear approach**. We welcome the opportunity in a nuclear sector deal and it is essential the whole south west has strong representation in this. We would be pleased to work closely with Government to help shape and deliver a deal (q.31, 32).**

32. The SW aerospace cluster, stretching down to Leonardo Helicopters in Yeovil and with a supply chain reaching throughout the region, is the largest in Europe, enjoying "the capabilities of a powerhouse cluster"[15]**.** We are working with Leonardo and supporting major primes to develop iAero which will increase the level of innovation in the SME-supply chain, so growing productivity and anchoring the cluster in the south west. The developing space capability in Cornwall links to and complements the HotSW knowledge base assets in this sector and is a major opportunity.

[15] https://www.contracts.mod.uk/features/south-west-england-championing-the-regions-aerospace-sector/

Government support for the iAero programme and the aerospace cluster as a whole is essential to ensure this industry continues to be a major part of our economy in the future (q.31, 32, 33).

33. The Science and Innovation Audit highlighted the south coast marine sector, with expertise in Plymouth University and natural assets such as Plymouth Sound. The South Coast Marine Cluster is an open partnership of research institutions, LEPs, including HotSW, and local government collaborating to stimulate greater marine and maritime-related economic growth and productivity along the UK's south coast. The HotSW LEP has invested in the Oceansgate Enterprise Zone to help anchor this in Plymouth and **the LEP fully supports the South Coast Marine Cluster's ambition for a sector deal to deliver this opportunity (q.31, 32).**

34. The Met Office in Exeter and its new super computer, linked to the expertise in Exeter University, offers a huge opportunity in environmental futures and big data. LEP investments in Exeter Science Park and the Exeter and East Devon sites within the HotSW Enterprise Zone are key components. **We are developing our plans in this area and would welcome working with Government to develop these further; this is a prime opportunity for the Local Productivity Investment Fund (q.31).**

35. In each of these sectors, strategic use of procurement will help develop the supply chains and intelligent application of tools such as the Social Value Act will ensure that public procurement is made to work harder for all. **We would welcome working with Government on how the nuclear defence opportunities around the sites in Plymouth and Bristol could be opened up, along with Government procurement in the south west's aerospace cluster. In pursuit of spreading wealth and opportunity we would also value working with Government on how all public procurements can best have an impact on the local community (q.23, 24).**

36. As under Pillar 9, ensuring that "wealth and opportunity are spread across every community" means the rural dimension must be integral. HotSW LEP with the LEPs from Cornwall & Isles of Scilly, Dorset and Swindon & Wiltshire are launching a Rural Productivity Commission led by David Fursdon, Lord Lieutenant for Devon, and Chair of the SW Rural and Farming Network. The Commission will examine the productivity challenges and new market opportunities in our rural areas and this will form part of the action we will be taking locally. **We would welcome the opportunity to share this work with Government and to jointly consider the implications and opportunities in this area (q.33).**

37. As noted under Pillar 3, grid constraints are limiting our potential to deliver renewable energy and we have secured funding to understand more about the challenges we face and how to overcome them. **Advisory programmes to help businesses reduce their energy costs and improve resource efficiency have been successful in our area in the past. We believe our proposed Local Productivity Investment Fund can have a critical role to play in enabling areas to develop this sort of provision in the future (q.27, 28).**