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INTRODUCTION

The Heart of the SW has an economy bigger than Birmingham. Our aim is to double that, to create an economy worth £70 billion of GVA by 2036, to create a region known for its dynamic, innovative businesses, its vibrant well-connected places, its rewarding jobs. A region where people can move through school, higher education, work and a rewarding retirement, all in an outstanding natural environment.

The Heart of the South West has a reputation for the best music festivals, amazing coastline, great food and drink, historic market towns and remote moorland. And rightly so.

Behind that is a dynamic, forward looking area with some of the country’s most successful businesses, leading universities, the biggest naval base in Western Europe, the UK’s largest infrastructure project, world-leading climate science and a whole host of cutting edge companies. The economy is worth almost £35 billion per year, a sum greater than that of Merseyside or Birmingham.

We value all of these things. It is the combination of innovation and heritage, of countryside and cities and of connectivity and community that makes the Heart of the South West special. It is why we would live and work nowhere else.

Nevertheless, our economy is not as strong as it could be and we need to be able to compete with the best. We need to be more flexible and resilient in the face of increasing uncertainty and change. We have to ask ourselves how we can be better at what we do - at all levels; and what we can do differently - to create a competitive advantage?

That is why we have prepared this Productivity Plan.

In doing so, we have come together in a unique partnership. For the first time, all the district, county and unitary councils have joined with the national parks and the Local Enterprise Partnership to create and commit to delivering this Plan together. We do so in collaboration with private sector and third sector partners, using whatever resources we have and can attract.

This Plan is all about unlocking our natural potential.

Our ambitions are high and our horizon is long. We are aiming to create an open, inclusive economy which will both prosper now and be ready for the future. We will not achieve everything straight away - some of our key proposals may take years to succeed.

Like any strategy, this Plan has to make choices.

Crucially, the Productivity Plan is about delivering productivity improvements throughout our economy - whether for a small rural business or multi-national manufacturing company. We want our most successful places and sectors to thrive, they are vital for all of us. But we also want to support all businesses that really want to grow and compete.

This Plan provides a high-level overview of the HotSW area and its needs and aspirations. There will be a much more extensive Evidence Base (TO BE WRITTEN) and a detailed Delivery Plan (TO BE WRITTEN) that will set out the specific projects and programmes which the partners are committed to delivering.
WHY A PRODUCTIVITY PLAN

The Heart of the South West is an area of varied and interconnected places, cities, market towns and coastal and rural communities. We are home to approaching 1.8m people and whilst 91% of our area is considered rural, over 40% of our population live in cities and urban areas.

We have the potential to build on our many economic strengths which include a burgeoning knowledge economy, leading aerospace, nuclear, marine and agri-tech industrial specialisms; and internationally successful food and drink producers. The universities of Exeter and Plymouth sit at the heart of international networks for research and innovation. With two national parks, world heritage sites, two coastlines and world-renowned natural beauty throughout, we are one of England’s most popular tourist destinations and a place to live and work like no other.

However, we face significant economic challenges, the biggest of which is raising productivity levels in our area. Since the financial crisis we have raised levels of employment to rival some of the best performing countries in Europe. Yet productivity within the Heart of the South West area has slipped from 88.1% of the UK average in 2004 to 86.6% in 2014. It is also something that varies considerably within the area itself and across different sectors.

This Plan sets out how we will step up to the area’s productivity challenge. It is unashamedly focused on raising productivity – which is what is needed to drive business success and deliver greater prosperity across our region.

We are aiming to double the size of our economy by 2036.

WHY IS PRODUCTIVITY IMPORTANT?

Productivity is the key determinant of economic growth. Improved productivity is the trigger for an upward spiral of success for businesses and communities. In its purest sense, productivity is the amount of output per unit of input - the more effectively inputs are used, the greater the productivity will be. Efficient use of inputs will come from a number of routes that include building the internal capabilities of businesses and improving how they are run, as well as dealing with other factors such as the availability of labour and natural resources, or an appropriate infrastructure.

Why do we need to increase productivity in business? It helps to grow profits and drive up wages, boosts the local and national tax take for better public services, and ultimately increases prosperity. As demonstrated over the past few years, better economic performance can be achieved through employment growth - increasing the level of employment or hours worked. But we know that we are near full employment levels in the HotSW, so this is not a realistic, long-term option for significant economic growth in the area unless significant in-migration occurs. We can grow through employment or we can produce more with what we have - working smarter. Ultimately productivity growth is about driving prosperity in this special part of the world.

We need to do much more to improve our productivity as a route to a stronger and growing economy.

WHY IS THIS IMPORTANT NOW?

Improving the UK’s productivity is a major challenge. In the Chancellor’s Autumn Statement, in 2016, he pointed out: “The productivity gap is well known, but shocking nonetheless: We lag the US and Germany by some 30 percentage points. But we also lag France by over 20 and Italy by 8.
Which means in the real world, it takes a German worker 4 days to produce what we make in 5; which means, in turn, that too many British workers work longer hours for lower pay than their counterparts”. In launching the Building Our Industrial Strategy green paper, in January 2017, the Prime Minister pointed out that this is about “creating the conditions where successful businesses can emerge and grow, and backing them to invest in the long-term future of our country.”

In terms of productivity, the UK has consistently lagged behind other major economies and the gap between the UK and other G7 countries is now the widest it has been for 30 years. While this is clearly a national challenge it is keenly felt in the Heart of the South West. Now is the time address the factors behind our productivity gap.

The need for transformation is urgent. Despite some strong, dynamic and outward looking companies, our businesses tend to be smaller, older, more localised and less knowledge intensive. There are some areas and sectors that have increased levels of investment in research and development, more skilled workers, and higher rates of capital investment, but many of our coastal and rural areas lag behind in access, investment and service provision. We will need to tailor our approach to the particular needs of different areas and sectors.

It is particularly important to do this now in the face of reduced public sector spending and the uncertainties resulting from Brexit, such as trading, labour supply, research and development support, and financial investment arrangements. We need to pull together and make the best use of the resources that we have – people, businesses, money and physical and natural assets - alongside external funding that becomes available.

We will have to tailor our responses to our different localities; it’s about unleashing the potential of our places, be they urban, rural or coastal. The challenges and opportunities are difference in each so the solutions need to reflect that.

Our response will require different approaches in different places, respecting our diverse area.

**RISKS OF INACTION**

Economies elsewhere will not be standing still. If we do not take significant steps to ‘up our game’, we run the risk of the productivity gap continuing to increase. In turn, this might drive away potential investors and cause a ‘brain drain’ of active and innovative entrepreneurs from our area, encouraging those with the most innovative ideas to go elsewhere. In the end, this will lead to declining communities, reduced living standards and higher levels of poverty.

We have to do more, we have to be better and, crucially, we have to be different.

**WHO IS THE PRODUCTIVITY PLAN FOR?**

Our Plan is both an outward- and inward-facing document:

Our Plan sets an ambitious agenda for productivity development. This will demonstrate to our stakeholders both in the HotSW area and nationally, that we are seeking the best for our economy and focusing on objectives that can make a real difference. All members of the HotSW partnership will contribute to the delivery of the Productivity Plan and its vision, objectives and activities.

This plan is a critical step in the longer journey that we want to take. This is not something we can address on our own and it will require sustained investment and focus, working with local partners, government and local businesses. Our partnership is united in its desire to step up and close the productivity gap, to secure the resources we need to do this, and improve living standards for everyone in this area.

The Productivity Plan provides a strong framework within which to do this.
Welcome to the Heart of the South West (Evidence)

The Heart of the South West (HotSW) covers the administrative areas of Plymouth, Torbay, Somerset and Devon, home to almost 1.8 million people, growing by 150,000 from 2015 to 2030. Over 600,000 of these people live in the six urban centres of Plymouth, Exeter, Torbay, Taunton, Yeovil and Bridgwater. The economy is worth almost £35 billion per year, which is bigger than that of Merseyside or Birmingham.

The HotSW has world class potential across several sectors which provide a springboard for productivity growth - in those sectors, through the supply chains and across the area. These are our ‘golden opportunities’.

- Advanced manufacturing ranges from aerospace in Yeovil to a high tech, electronic and photonics cluster around Torbay
- The coastal marine cluster, within which Plymouth sits, is home to a community of world-class marine research organisations.
- The new nuclear power plant being built by EDF Energy at Hinkley in West Somerset is stimulating the development of a nuclear cluster that stretches from Plymouth to Gloucestershire.
- Exeter has a concentration of climate and environmental science experts and Europe’s most powerful supercomputer. The city-region is emerging as a cutting-edge place for enviro-technology, and data analytics.
- The agri-tech opportunity extends as a high potential sector throughout Devon and Somerset.
• Expertise and facilities in association genetics, clinical trials and healthcare in Exeter, Plymouth, Torbay and Devon, provide the base for a healthcare cluster with real potential in the field of healthy ageing.

HotSW also has a world class knowledge base which includes three universities, two medical schools, 10 FE colleges a specialist maths school and numerous research centres. Science parks at Exeter and Plymouth are building a cohort of innovation-led businesses alongside this.
HotSW also has a major tourist and visitor economy largely built on its natural capital that includes two National Parks, two World Heritage Sites and countless stunning beaches, attracting millions of visitors each year. HotSW has a strong agricultural core, making a significant contribution to the UK’s production and export of foodstuffs. England’s two largest fishery landings are at Brixham and Plymouth. Additionally HotSW hosts one of the highest concentrations of social enterprises and community based businesses in the country, with a combined turnover estimated at £1.5bn¹.

The independent South West England and South East Wales Science and Innovation Audit found that the areas has major areas of world-class potential which map onto our ‘golden opportunities’.

BUSINESS

The HotSW business population spans both the rural and urban environment on a roughly 50:50 basis but with a higher proportion of SMEs in rural areas. The HotSW business base is dominated by small businesses employing less than five people. Large and medium sized businesses are under-represented and there are fewer headquarters located here. In 2015, 1.6% of HotSW’s enterprises had over 50 employees, compared to 2.0% nationally, and 0.3% had over 250 employees, compared to 0.4% nationally.

In 2015, there were 1,500 net new businesses in HotSW. The number of business births as a proportion of the business stock in HotSW (11%) is considerably below the England average (15%). HotSW also lags behind other areas of the UK on some key components of competition. For example in 2010, 24.6% of HotSW firms were exporting goods and services compared to a UK average of 33%² and this has not changed significantly in the last seven years.

Productivity in the region varies enormously from one sector to another and from one place to another. For example, GVA per full time employee (FTE) in Finance and Insurance activities (£58,400) is two and a half times that found in Hospitality and Food services. However HotSW has high employment levels in lower productivity sectors, such as accommodation and food services, agriculture, and care services.

Research by the ONS shows that GVA per FTE within SMEs is on average 8.7% less than employees from larger firms. This is supported by other research that shows smaller businesses find it harder to absorb business advice/support, access funding opportunities and participate in national programmes/opportunities.

There is a clear link between the level of investment in innovation, research and development, and an area’s productivity. On numerous measures, HotSW performs towards the lower end of the

¹ Heart of the South West Social Enterprise Sector Report, Wavehill Social and Economic Research, March 2016
scale in terms of levels of innovation. In 2015, HotSW ranked 31st out of 39\(^3\) LEP areas for expenditure on R&D per full-time employee (FTE). At 6\% HotSW ranks in the lower third of LEP area for its share of employment in science and engineering occupations\(^4\). However, HotSW LEP area has reasonable strengths in terms of its publicly funded R&D assets. UK research\(^5\) shows that every £1 of public or private funding invested in science and R&D generates an increase in Total Factor Productivity of 20\%\(^6\). Creating the right conditions to support more of HotSW businesses to increase levels of innovation is therefore crucial.

**PEOPLE**

There is a broad body of research to show that investing in skills and learning benefits:

- **Society** through higher employment, a healthier population, greater civic participation and less crime;
- **Individuals** by raising their likelihood of being in employment, leading to improved wages, economic resilience and by contributing to their life satisfaction;
- **Employers** who gain a more productive and innovative workforce who are better able to adapt to changing economic conditions; and
- **Economies** by increasing employment rates and the productivity of the workforce.

We have historically high levels of employment but the challenge of an ageing workforce and so the current skills shortages will worsen unless we take action. The HotSW population is forecast to grow by 150,000 to 2030, almost all of which is in the over-60s.

![Projected HotSW population increase to 2030](chart)

Qualification levels among the resident population are broadly on par with the national average but well short of the most highly qualified LEP areas. There are also big differences in the qualifications held by the residents living in different parts of the LEP area. Residents living in the South Hams and West Devon, for example, are around twice as likely to hold a degree level qualification (or equivalent) than those living in Torbay, North Devon, Sedgemoor and West Somerset.

The proportion of the HotSW population whose highest qualification is below Level 2 is smaller than the national average (21\% compared to 27\%). However this still equates to 215,400 residents whose highest qualification is below the equivalent of five GCSEs. A further 53,400 do not hold any formal qualification at all.

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\(^3\) There are now 38 LEPs in England

\(^4\) Annual Population Survey, 12 months to June 2016

\(^5\) Rates of return to investment in science and innovation’ Frontier Economics for BIS, July 2014

\(^6\) Total-factor productivity (TFP) accounts for effects in output that are not caused by the traditionally measured inputs of labour and capital. Technology growth and efficiency are the two of the biggest drivers of Total Factor Productivity. It is used as a measure of an economy’s long term technological change or technological dynamism. Total Factor Productivity is often seen as the real driver of growth within an economy and studies reveal that whilst labour and investment are important contributors, Total Factor Productivity may account for up to 60\% of growth within economies.
In the HotSW LEP area, 80% of adults (aged 20 to 64) are in employment, a figure well above both the UK and EU averages. The private sector accounts for 83% of employment in the HotSW area. Employment in the private sector declined between 2009 and 2011, but while it has recovered since, this is the slowest rate of private sector employment growth recorded by LEP areas.

Whilst employment levels are strong, HotSW's productivity has slipped. Productivity performance also differs within the HotSW LEP area with higher-level / more productive forms of employment in the urban centres (other than Torbay). For example GVA per FTE ranges from £59,300 in Exeter to £38,300 in Torridge.

Almost one third (29%) of vacancies were hard-to-fill due to skills shortages in 2015 and the density of skills shortages in the Heart of the South West was among the highest of all the LEP areas. Investment in in-work training for employees is lower than other parts of England, though given the growth in new technology this may be being met in other ways. It should be noted that changing migration patterns could result in some labour shortages in some sectors such as agriculture, hospitality and care services.

The challenge in our area is not just to drive up skills levels but also to ensure that the skills we have are fully utilised; a challenge related to business ambition and the quality of leadership and management. Management skills allow the successful exploitation of new ideas to boost productivity. The CBI\(^7\) found that better management practices and a higher proportion of firms who export and innovate are two of the four main causes of regional productivity differences.

**PLACE**

Access to markets and the peripherality of an area are key components in its productivity. HotSW faces long standing challenges in terms of road and rail connectivity. In addition, although it is improving, access to and use of superfast broadband remains behind other areas of the country.

Alongside the drivers of productivity, there is continued considerable investment in housing, which is critical to address the affordability issue for the area and to provide housing for inward migration from other parts of the UK - largely skilled people who are attracted by our outstanding natural environment and quality of life. Our natural capital has an important part to play in our overall offer, but we need to be clear on what this offer is and how we can make the most of it.

The concentration of higher-level / more productive forms of employment in HotSW's urban centres means that average wages are highest in the cities and surroundings. However, because productivity and GVA are workplace based measures, they are not of themselves indicators of the economic success of a particular area. For example, although the city has above average wages, inward commuting to well-paid jobs means that the average Exeter residents' wage is £48 per week below the average for Exeter employees. Conversely, because significant numbers of East Devon residents commute to well paid jobs in Exeter, their average wage of East Devon residents is £59 per week higher than the average wage of those who work in East Devon. This illustrates the importance of thinking beyond District Authority boundaries and understanding the workings of wider economic geographies, including ravel to work areas. The economic areas shown below illustrate more clearly how local economies are laid out and how they overlap.

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\(^7\) in 'Unlocking Regional Growth'
Our cities and urban areas play a crucial role in driving economic development along strategic transport routes, and bringing together plans for employment, housing and infrastructure. Part of this growth is seeing the development of two new towns and a garden village in Devon, with Taunton, in Somerset, confirmed as the location of a new garden town. We also have Enterprise Zones in Plymouth, East of Exeter, just outside Bridgwater and at the Royal Bath and West Showground. Meanwhile we want to ensure that existing market towns, coastal and rural areas are economically successful in their own right.

The HotSW position also gives long standing challenges in terms of road and rail connectivity to other markets. There are just two main road routes from London into HotSW (M5/A38 and A30/A303/A358) and both are prone to disruption making travel unpredictable and unreliable. Partners are working to deliver series of improvements on those corridors and to address pinch point across the LEP area.

Our foundations are strong but we have significant challenges to overcome if we are to realise our potential and deliver increased prosperity for all our citizens.

**How HotSW compares (2015 data)**
Relative position among LEP areas

<table>
<thead>
<tr>
<th>Metric</th>
<th>1st</th>
<th>32nd</th>
<th>39th</th>
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<tbody>
<tr>
<td>GVA per hour worked</td>
<td></td>
<td>HotSW</td>
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<tr>
<td>Spend on innovation</td>
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<td>HotSW</td>
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<td>Export intensive industries</td>
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<td>Average download speeds</td>
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<td>Job growth rate</td>
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<td>Competitive economy</td>
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<td>HotSW</td>
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Heart of the South West Productivity Plan
KEY CHALLENGES

- Productivity has slipped from 88.1% of the UK average in 2004 to 86.6% in 2014
- Productivity varies considerably across HotSW and across sectors
- HotSW businesses are less likely to export, invest in innovation and levels of start-ups are lower
- An ageing and decreasing workforce will exacerbate current skills shortages
- Skill levels vary across the region and maximising the skills we have is essential
- Our areas are interconnected and we need to improve connections between them
- Connections from HotSW to other parts of the UK must be strengthened
- Our changing population needs new houses to live in

The HotSW productivity gap is real and reflects issues with capital stock, sector composition, firm characteristics, labour skills, and access/distance, to markets. This suggests that, to improve overall productivity, the HotSW productivity plan might tackle higher-level skills, capital investment and key infrastructure, highly targeted promotion of innovation, new business growth and competitive engagement. The 'blend' of these will vary from place to place - one size does not fit all - which is why our partnership is so important.

Clearly this needs to be balanced with the aim of ensuring that businesses and communities across the area can benefit from the expected investments and improvements. The key to spreading the benefits and creating positive spill overs on a wider front is to develop knowledge sharing networks of co-operation across the economic area, spreading ‘best practice’ across spatial and industrial boundaries.

More detailed information is contained in the Evidence Annex.

THIS IS STILL TO BE DEVELOPED
### SWOT: Strengths, Weaknesses, Opportunities, Threats

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<thead>
<tr>
<th>STRENGTHS</th>
<th>WEAKNESSES</th>
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<tbody>
<tr>
<td>• One of the largest non-metropolitan LEPs outside London and the South East</td>
<td>• Low levels of innovation in products and processes</td>
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<td>• Most businesses are SME and provide excellent potential for growth and innovation</td>
<td>• Low rates of business 'churn'</td>
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<tr>
<td>• Areas of world-class potential in nuclear, marine, aerospace &amp; advanced engineering, data analytics, rural productivity, health &amp; care</td>
<td>• Fewer than average large and medium sized companies and smaller businesses less able to absorb advice/ support</td>
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<td>• Strong publicly funded R&amp;D assets</td>
<td>• Businesses less likely to trade across Europe or other parts of the world</td>
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<td>• World class research base</td>
<td>• Peripheral area with distributed population</td>
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<td>• Over 1000 social enterprises</td>
<td>• Time and distance to major markets</td>
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<tr>
<td>• Rich in Natural Capital</td>
<td>• Housing availability and affordability</td>
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<table>
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<th>OPPORTUNITIES</th>
<th>THREATS</th>
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<tr>
<td>• Potential to double to size of the HotSW economy to £70 billion by 2036</td>
<td>• Ageing and decreasing workforce exacerbates skills shortages</td>
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<td>• Hinkley Point C</td>
<td>• Low levels of business investment in innovation</td>
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<td>• Decreasing workforce: an increase in wages could lead towards more capital-intensive modes of production</td>
<td>• Failure to raise productivity drains talent, investment and businesses</td>
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<td>• Areas of world-class potential</td>
<td>• Uncertainty over CAP</td>
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<td>• Network of Enterprise Zones</td>
<td>• Risk of being left behind as the economy changes: HoSW ranks amongst the least knowledge driven economies in the country</td>
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<td>• South West Marine Energy park</td>
<td>• Resilience of key transport corridors</td>
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<td>• 'New world' potential to realise high growth in the knowledge economy</td>
<td>• Disruption from Brexit, including potential loss of labour in some sectors</td>
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<tr>
<td>• Potential growth corridors between key locations</td>
<td>• Replacement for CAP</td>
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<td>• Potential to increase exports</td>
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OUR VISION 2018 - 2036

Our vision is for all parts of the HotSW to become more prosperous, enabling people to have a better quality of life and higher living standards. To achieve that, we have to create a more vibrant and competitive economy where the benefits can be shared by everyone.

For us, this means stimulating a significant and sustained increase in productivity.

This is because:

• More productive businesses generate more rewarding jobs and higher wages which in turn generate more wealth - helping to create stronger communities through improvements in living standards in our towns, cities and villages;
• With limited public funds, a focus on increasing productivity in an inclusive way, will reduce the burdens on the public purse while increasing quality of life and local and national tax take, and lead to better public services.

The public and private sectors in HotSW are therefore working together on delivering this strategic approach to productivity-led growth. Our aim is to make sure that businesses across the area, in all sectors can realise the benefits of growing productivity - which will lead to increased prosperity for our communities.

Our residents, businesses, communities and public services strongly support this approach and have driven its development. This collaborative vision for successful and prosperous lives in a fantastic working, living and natural environment - in other words productivity and prosperity for all - is what our Productivity Plan is all about.

We will drive productivity and prosperity for all

This Plan is not a broad strategy for the economy; it has a relentless focus on productivity. It will deliver benefits for our businesses - big and small - and contribute to the important national objectives outlined in the government’s Industrial Strategy.

We acknowledge the impact of the five drivers of productivity: skills, innovation, enterprise, competition and investment on physical capital of all kinds. However, we also know that more needs to be done in the Heart of the South West.

In order to grow the economy and achieve higher living standards across the area, we also need to address:

• Our geography: by connecting our communities and businesses to opportunities, both physically and digitally;
• Our housing: by ensuring that there are enough houses in the right places for our workers;
• Our natural capital: by working within natural limits to create value for the economy;
• Our demography: by making more use of the talents within the older population and building strong sectors to support their needs;
• Our under-employment: by targeting employment opportunities at groups with high levels of part-time, seasonal or low wage jobs;
• Our image: by showing what we have to offer and how we are willing to go the extra mile.
PRINCIPLES

Businesses are the engine of our economy and the Plan is strongly focused on supporting their needs but this must not be at the cost of our people or our environment. We will act on four principles that reach across all our work as we deliver our challenging ambitions for increased productivity. These are:

- Inclusive growth for our communities and places
- Building on our unique opportunities
- Valuing our natural capital
- Maximising the potential from digital technologies

INCLUSIVE GROWTH FOR ALL OUR COMMUNITIES AND PLACES

We need to make sure that everyone in the HotSW all has the opportunity to benefit from, and contribute to, our productivity growth, regardless of status or location. We know there are unemployed people who need support to prepare them for work. We also know that many areas continue to be affected by deprivation, particularly in some of our bigger towns and cities but also some rural and coastal communities. In these places, the number of people claiming unemployment-related benefits can be more than three times the HotSW average. Finding the measures to generate productivity growth in an inclusive manner, so that the benefits are felt through the breadth of society, is an important consideration.

Our activities and investments will be on offer right across the region and we will be flexible in how we deliver the Plan in order to respond to the needs of different places and business sectors.

BUILDING ON OUR UNIQUE OPPORTUNITIES

We recognise that HotSW has economic issues that it needs to address. However, we want to see these as opportunities, rather than hurdles. In doing this we want to make use of our ‘golden opportunities’ - our competitive advantages which can be catalysts for change. We have world class capabilities in high productivity sectors which stretch across different geographies in HotSW and beyond. Our quality of life is supported by our stunning environment, strong and enterprising communities as well as cultural heritage spanning from the sailing of the Mayflower to the world-famous Glastonbury Festival. In delivering our productivity growth, we want to ensure that the experiences and benefits from our golden opportunities can be cascaded and transferred across all our activities to ensure the widest benefits. Our golden opportunities have the potential to link geographies and sectors both within and beyond the HotSW.

VALUING OUR NATURAL CAPITAL

The economy and the environment are closely interrelated. Natural capital is the foundation of all wealth, consumption and production. Materials and energy flows from and to the environment are vital elements of the economic process on both the demand and supply sides of the market. They underpin the processes of employment and productivity that drives growth and living standards, and, thereby, they promote wider wellbeing.

Nature provides most of the raw materials we use; supporting farming, fishing and forestry; helping to attract people to visit, to work and to invest; and keeping staff healthier and more productive. There is growing evidence that having access to the great outdoors brings health benefits.
Recent research\(^8\) has shown that the environmental economy represents about £1.5bn of GVA p.a. and supports about 30,000 jobs – or 8-10% of total annual economic output and employment. The value in the HotSW is likely to represent a similar proportion.

The natural environment on which the economy depends is a significant economic asset in itself, and should be invested in, improved and protected. Furthermore, environmental assets are likely to become more valuable over time in response to rising scarcity and increased amenity and use values.

The HotSW also provides a unique opportunity to pioneer natural capital-led productivity growth. Our dispersed geography means HotSW is known for its rich natural environment and the area is reliant on abundant natural assets to power economic growth. Our coastline, moorland and countryside attract more domestic tourists than any other UK region. Employment in sectors that depend directly on natural capital, such as agriculture and fisheries is also higher than any other UK area.

However, if we overexploit our natural capital as a spur for economic growth, the environment becomes vulnerable to decline. We therefore need to improve and invest in the natural capital that we have to ensure it will continue to provide economic and social benefits.

**DIGITAL TECHNOLOGY**

Digital technology has revolutionised the way we live. It has become a utility like energy or water, and drives social interactions, education and communication in almost every household. The coming digital changes in how we live and work, and how business operates, will be profound.

In parallel, it has also changed a range of business processes from basic invoicing, through to big data analytics and bespoke manufacturing. The transformative effect this has had on the relationship between businesses, customers, products and services, means that all businesses are having to think about how they adopt and utilise technology to interact with consumers and with each other. As a result, all businesses now need to be ‘digital’ businesses. Be they dairy farmers, or construction companies, or firms with new online business models, businesses are more reliant than ever before upon digital technology to streamline their operations to improve productivity, reach their customer base to grow their sales, and create jobs as business thrives.

Looking ahead, there is an increasing need to understand and embrace the opportunities that come from big data, artificial intelligence (AI) and the Internet of Things (IoT).

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\(^8\) Dorset’s Environmental Economy, Ash Futures 2015
STRATEGIC OBJECTIVES

To deliver our vision, we will focus on those activities that will drive up productivity in the economy and help everyone benefit from that improvement.

We will need to take advantage of all the opportunities that we have - unlocking the natural potential in our people, in our environment and especially in our businesses. Businesses are at the heart of creating prosperity and our three themes of Leadership and Knowledge, Connectivity and Infrastructure and Working and Learning are all targeted at enabling our businesses to grow. All our key activities will be aimed at improving productivity.

A range of interventions will support growth and innovation right across our area and with any businesses that wants to improve their productivity. However, we will also step up our interventions to focus on those businesses, places and activities that will have the most impact on our economic performance. These provide the best chance for transforming the economy. Finally, we will also keep looking ahead, to invest in technology, sectors and companies that will ensure we are ready for life in 2036.

To achieve these objectives, we will have to maximise:

- **opportunities from our areas of world-class potential**: nuclear, aerospace and advanced engineering, marine, data analytics, rural productivity, health and care;
- **management capability**: supporting businesses to develop the management skills to grow levels of innovation, export and enterprise is a priority;
- **the potential of our knowledge and research assets**: particularly in Advanced Engineering and Digital Innovation (as identified in the Science and Innovation Audit) to act as a catalyst towards driving innovation within businesses;
- **our pool of highly skilled people**: Develop, attract and retain qualified and adaptable people, ensuring those in education and in work can fulfil their potential by developing their skills as demand changes in the coming years;
the potential of our communications infrastructure: ensuring that our road, rail and broadband networks are as resilient and efficient as possible and ready for future demands;

the opportunity provided by our natural capital: preserving and enhancing what makes HotSW a special place to live and work and finding new ways to create value from those natural assets.

These can be catalysts for long-term growth and productivity improvements

READY FOR THE FUTURE

Although we are aware of a number of wider issues that will affect our economy, such as BREXIT, population increases, less public funding - it is still not clear how these may play out in the HotSW. We need to maintain our understanding of these and other changes.

However, as we look towards 2036 and beyond, a number of more fundamental drivers of change will impact on our region. We will need the foresight to track these drivers and make sure that our politicians, planners, and businesses have the information they need to adapt.

GLOBAL ECONOMY

As the economies of China and then India grow to become the biggest in the world, and move up the value chain, the economic axis will shift eastwards with profound effects on the UK and Europe. There is a need to understand the political and cultural changes that go with that shift.

RESOURCES

Many of our most important resources are being used far faster than their replenishment rate - and so they are are under real pressure. Oil, coal, fresh water, fertile topsoil, copper, uranium and some rare earths are approaching or past their ‘peak’

TECHNOLOGY

Predicting new technologies is foolish. However we do understand some of the more profound trends. The use of big data to drive advances in remote sensing, AI, smart transport, infrastructure, city management and the internet of things will become more important, as will the use of nano and genetic technologies.

CLIMATE CHANGE

There is now widespread agreement that the global climate is changing and may lead to 4°C of warming. The major effects of climate change are not just on weather patterns but on the global economy, sea levels, desertification, food shortages, mass migration and increased conflict.

BIODIVERSITY

Population pressures, over-fishing, and intensive, industrial agriculture are already leading to massive loss of biodiversity and protected environments across the world. In the UK, as habitats come under threat from development, intensive agriculture and warming, some species will become vulnerable.

INEQUALITY

The last 50 years has see a huge reduction in absolute poverty - but a major increase in relative poverty. Economic inequality in the UK is now the highest in recorded history, despite overwhelming evidence to show that more equal societies are both happier and perform better economically.
LEADERSHIP AND KNOWLEDGE - driving business productivity

WHY IS THIS IMPORTANT
Business is at the heart of our region’s economy. It is business that creates the jobs and opportunities for our people; it is business that creates value and profit; and it is business that provides the most of the goods and services.

If we want a more productive economy that can help to drive up prosperity across our communities, then we need to work with business to grow faster, compete more successfully and to innovate constantly. In turn, those successful businesses will provide better, higher-paid jobs; they will produce goods and services that markets need; and they will generate wealth.

The first of our key priorities is to help more businesses to grow and become more ambitious, and innovative. Our evidence shows that one of the most effective ways of doing this is to develop their leadership and knowledge. If we can achieve this, alongside making sure that other support is in place, we will create a step change for our region. For example, we also need to make sure we have a skilled and adaptable workforce so that employers can draw from the local area; and we have to ensure better connectivity within the area and to other major centres.

UNDERSTANDING THE ISSUES
To increase average productivity, we either enable our existing businesses (their workforce and capital) more productive, or we attract additional businesses in higher-productivity industries. This helps to expand the overall business base and workforce with a higher balance of productive economic activities. We aim to do both, the latter approach being targeted to exploit our area’s competitive advantages. These are our identified Golden Opportunities.

2015 forecasts show that the economy is approaching ‘full-employment’. Future growth is therefore to be achieved by a focus on the value of future jobs, i.e. productivity.

Over the last decade, HotSW’s productivity has slipped though it varies enormously from place to place and between different sectors.

And UK productivity rates are low in comparison with competitor economies, for a number of well-known reasons: under investment in skills and competence training; low levels of investment in R&D; lack of effective leadership and a poor record on innovation.

We also know that:
• A lack of skills has also been highlighted as a key barrier to productivity growth, with some SMEs unable to easily find and acquire the necessary talent to drive growth
• Internationalisation and innovation have a major role to play in contributing to SME productivity growth.

CASE STUDY
Langage Farm
A successful dairy business employing 50 people, Langage Farm has established a highly productive relationship with Plymouth University.

By utilising the services and equipment of the University’s Electron Microscopy Centre, they were able to improve the consistency of their products. Following this success, they embarked on a longer-term Knowledge Transfer Partnership with the University. After a year of working with the KTP Associate, Langage Farm has signed a £4.2m deal with a major supermarket - creating 10 new jobs.

Proof that combining business with science can spark innovation and growth for forward-looking companies.
WHAT WE WILL DO

A relentless drive for productivity means that we aim to support business improvements at all levels - whether for start-ups, for growing SMEs or within key industries.

**Management excellence.** In each area, we propose a series of activities that will focus on ambitious, growing businesses in all sectors and in all parts of the region; stepping up support to our business sectors and places which have the greatest potential to bring productivity improvements and a few things that will prepare us for changes in the future.

**New markets, new opportunities.** Across the HotSW area, there are thousands of businesses that have the potential to grow and become more productive. Some sectors are particularly vulnerable at the moment to the decline in migrant labour, partly as a result of BREXIT. Tourism, agriculture and the care sector, for instance, will need to offer better paid, and more attractive jobs to attract local workers. These businesses are an essential part of the wider economy and they will need support to help them through the coming changes.

We know that some businesses, such as in the marine, aerospace, digital, nuclear and environmental science sectors, are already investing and innovating to ensure future growth. Around our major urban areas and our Universities are clusters of dynamic firms that are exploiting new ideas and new technologies. By building on their lead, and commercialising their research, we can create more productive supply chains and more innovative businesses.

**Removing barriers to expansion.** The drivers of change put continuing pressure on us to understand what ideas, technologies and disrupters might affect us in the future. We will need to invest in foresight and find ways to support new products and new business models to ensure a more resilient economy.

We also need to take a step change and help create something different. We need to create a ‘circle of benefit’ within the HotSW economy. We have the research expertise in our universities, we have the business acumen in our best companies, we have the technologies in key sectors. We need to set the challenge to focus all of that on what the local market needs.

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**CASE STUDY**

iAero

This is a unique cluster project working with the aerospace sector in the South West. It brings together the major aerospace companies with their SME suppliers - aimed at driving up the innovation and productivity throughout the supply chain.

By collaborating with the LEP, local government, universities, technical skill providers and the National Composites Centre, they are bringing faster and better technical innovation - huge benefits to the industry and the wider economy.
For instance, our knowledge of agriculture and rural land management can feed back directly into creating new models for productive and rewarding farming. Our knowledge of clinical sciences and human health can support new ways of delivering care to the vulnerable, especially in rural areas. We will invest in making sure that our research and technology in key sectors pivots towards what the local, and wider, markets need. We can then be a test bed for innovation throughout our economy.
High level interventions
Below we set out the high level delivery activity the partnership will undertake to achieve our ambitions. More detailed projects will be developed under these themes and set out in the partnership’s delivery plan (drafting note - example attached).

Bespoke management programme
• Network of business champions
• Business to business mentoring
• Export programme
• Scale up programme
• Start up support
• Broadband utilisation

Foresight network

‘Golden Opportunities’ sector programme

Prepare for opportunities around data analytics, AI, IoT

Strengthen innovation and business connections, including in rural areas

Access to finance - signposting and investor-readiness

Market the region’s special benefits to attract new talent

Market the region’s unique business opportunities to attract new investment

Transport links; intercity connectivity, broadband, business premises, housing, STEM in schools, graduate retention, new HE facilities, Institute of Technology
CONNECTIVITY AND INFRASTRUCTURE - driving business productivity

WHY IS THIS IMPORTANT

Business depends on a range of conditions on which to prosper and grow. They need excellent transport and communications systems to move people, goods and ideas to markets; they need thriving communities in which to operate and attract staff; and they rely on a range of services from the natural environment.

If our businesses are to become more productive and competitive, then our infrastructure, our environment and our towns and cities must be up to that challenge.

The Government’s Industrial Strategy, launched in 2017, recognises that, across the country, we need to “upgrade our standards of performance on digital, energy, transport, water and flood defence infrastructure, and better align central government infrastructure investment with local growth priorities.”

Our priorities are driven by our critical challenges and opportunities and focus on four key themes: energy, transport and digital connectivity, land for business and housing, and natural capital.

UNDERSTANDING THE ISSUES

To accommodate the changing needs of business and allow for new developments, we need an electricity grid with enough capacity and flexibility to continually adapt to current and future demands. With distributed renewable energy generation becoming more common, with the major new nuclear plant at Hinkley under construction and with a forecast increase in low carbon vehicles, our transmission system has to be up to the job.

Alongside this, we need transport links that can widen access to labour and markets. We know that innovation and productivity improve when creative people and companies cluster together. In this context, the HotSW area faces the particular challenges of distance from major centres and a dispersed population.

Currently, there are just two main routes from London into the HotSW area: the M5/A38 and the A30/A303/A358 corridor of which much is a single carriageway trunk road. Both routes are prone to disruption due to road accidents, adverse weather and congestion making travel times unpredictable and unreliable. Rail links both within the HotSW area and with the rest of the country need investment to improve resilience, journey times and to ensure this time can be used productively.

Although it has improved recently, with 90% of the region having access to superfast broadband, access to and use of superfast broadband and mobile connectivity remains behind many parts of the country. This is critical as high speed internet is an enabler of innovation in many areas of economic and social life - particularly in more remote rural areas.

CASE STUDY

Devon Work Hubs

Devon work hubs is a growing community of friendly and flexible work spaces, perfect for home-based and mobile workers, business start-ups, freelancers and entrepreneurs.

These work hubs offer a nurturing and supportive environment, where remote workers, sole traders and professionals can meet and collaborate with likeminded individuals: perfect for growing business ideas and stimulating innovations.

A key recommendation from the SW Rural Productivity Commission, there is the potential to extend the network into more rural areas.
We need to manage existing and develop new employment sites across the rural area and close to our major urban centres. From small, local work hubs through to major new enterprise zones, businesses rely on land and property to accommodate their changing needs. However, in some places, grid capacity is holding back development. We also have a continued need for considerable investment in housing. This is critical both to address the issue of affordability and to provide housing for skilled people who are attracted by the outstanding natural environment and quality of life.

The HotSW's special environment, as we all know instinctively, is crucial to our well being - in every sense. Without a healthy, diverse, efficiently functioning natural environment, we would not have a functioning economy. Our natural capital contributes a significant amount to annual output and employment and the preservation of its productive capacity is key to future living standards and wellbeing. It makes economic sense to invest in this so that these assets will continue to provide dividends into the future.

WHAT WE WILL DO

<table>
<thead>
<tr>
<th>ASPIRATION</th>
<th>Improve our physical and natural assets to support wellbeing and economic opportunities</th>
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</thead>
<tbody>
<tr>
<td>HIGH-LEVEL AIM</td>
<td>Create vibrant places that are attractive to skilled people and new investment, with infrastructure to support productivity growth</td>
</tr>
</tbody>
</table>
| STRATEGIC OBJECTIVE | • Clean energy infrastructure  
• Connectivity and resilience  
• Land for business and housing needs  
• Natural capital to support productivity |

A relentless drive for productivity means that we will make sure that our communications infrastructure is supporting the needs of our key business sectors and our thriving places. In doing so, there will be significant benefits right across our region. Our major towns and cities are crucial to our economic fortunes - so we will build on their strengths, create stronger links with their hinterlands.

**Clean energy infrastructure.** We need to work with neighbouring LEP areas and grid providers to make sure we have a sufficiently flexible system to cope with multiple energy generators, as well as a substantial increase in capacity overall. Alongside major investments to support Hinkley C and the economic opportunities that flow from it, we need to make sure that, at local level, we maximise opportunities to generate clean energy where it is needed. Our Local Plans should encourage solar and energy storage in all new developments - whether domestic or commercial.

**Connectivity and resilience.** Transport improvements can be highly expensive and create environmental impacts. Therefore we should prioritise the critical opportunities for investment that
will have the greatest impact on productivity. Meanwhile, we should aim for efficiency and capacity improvements across the networks. Looking ahead, we will plan for the needs for a new generation of electric and autonomous vehicles, with the Strategic Transport Commission.

Digital connectivity is important to all aspects of modern life, and especially in business. We have to make sure we have a strong level of mobile and broadband access across the whole area. However, rather than continually deliver incremental speed improvements, we plan to leapfrog speeds and bandwidth to enhance our ability to complete in an increasingly digitised future.

**Land for business and housing needs.** Prioritising previously used land, we will support suitable sites for employment uses - identifying gap funding, and making sure that the Local Plan process across the HotSW area is aligned with our ambition to raise productivity. As businesses grow, they have different needs. We will support the concept of a Business Ladder - to provide appropriate space for small businesses to grow over their lifetime and to design those spaces to be flexible.

**A BUSINESS LADDER**

| Bespoke outlet | Bespoke office building |
| Bespoke factory | Managed business centre |
| Industrial park unit |
| Small retail unit | Business park |
| Small industrial unit |
| Market Place | Work Hub |
| Shared workshop |

New housing will be needed to meet our expanding population and we will aim to build around the major new settlements and where public sector land opportunities arise. Major new sites should be built with resilient transport and digital connections. Our aim is to make all new housing more sustainable and with the latest energy and digital infrastructure built in from the outset.

**Natural capital to support productivity.** We know our environment is important for several of our major sectors; for attracting people to live, visit and work in the area and for providing a range of key resources. We will create added value from this natural capital base to deliver real benefits for the wider economy. In particular, we want to understand better the economic value of our environmental assets and we will work with partners to deliver this. We aim to help our farming communities adapt to changes post CAP and do so in a way that enhances our natural capital.

**MAKING CONNECTIONS**

Essentially, we are aiming to connect all our communities to the opportunities for work, training, networking and trade whilst ensuring our communities are vibrant and successful in their own right. Our priorities will be delivered differently in different places, taking account of local needs and opportunities. For instance, North Devon is one of the more peripheral parts of our area. We will be working with partners there to improve the provision of business support and skill development in North Devon and, crucially, to create much faster links to major opportunities in the Exeter area and northwards up the M5 corridor. Strong links to neighbouring areas are fundamental to our economic success. The Heart of the South West is just that - the heart of a wider region and we will work with other LEPs, other sector networks and national partnerships wherever appropriate.
High level interventions

Below we set out the high level delivery activity the partnership will undertake to achieve our ambitions. More detailed projects will be developed under these themes and set out in the partnership’s delivery plan (drafting note - example attached).

CLEAN ENERGY INFRASTRUCTURE

<table>
<thead>
<tr>
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<th>CONNECTIVITY AND RESILIENCE</th>
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<tbody>
<tr>
<td>New partnerships to deliver smart grid and energy storage solutions and a grid that unlocks employment sites</td>
<td>Capacity, resilience and usability of, major road and rail networks</td>
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<tr>
<td>Connective places and opportunity across a dispersed geography</td>
<td>Create infrastructure for electric and autonomous vehicles</td>
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<tr>
<td>Strategic Transport Commission to ensure joined up planning and foresight capacity</td>
<td>100% superfast broadband and 4G coverage</td>
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<tr>
<td>Leapfrog broadband speeds and bandwidth</td>
<td>Create infrastructure for electric and autonomous vehicles</td>
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BUILDING STRONG FOUNDATIONS

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<tr>
<th>BUILDING STRONG FOUNDATIONS</th>
<th>MEETING THE PRODUCTIVITY CHALLENGE</th>
<th>READY FOR THE FUTURE</th>
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<tbody>
<tr>
<td>Future proof new developments</td>
<td>Develop key sites to support the ‘golden opportunities’</td>
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<tr>
<td>Expand EZ concept across coastal and rural areas</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Support release of public land for business needs, over 15 years</td>
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NATURAL CAPITAL TO SUPPORT PRODUCTIVITY

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<tbody>
<tr>
<td>Develop green space pilots using local research knowledge</td>
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<tr>
<td>Create shared vision and methodology for using natural capital stocks and flows</td>
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LAND FOR BUSINESS AND HOUSING NEEDS

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REGIONAL HUB FOR MODULAR HOUSING; UTILISE LOCAL RESEARCH EXCELLENCE; HELP DEVELOP NEW SECTORS

LINKS TO PEOPLE / BUSINESS

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<tbody>
<tr>
<td>Regional hub for modular housing; utilise local research excellence; help develop new sectors</td>
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LINKS TO OTHER AREAS

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Heart of the South West Productivity Plan

27
WORKING AND LEARNING - driving business productivity

WHY IS THIS IMPORTANT
Skilled people underpin the success of a region’s economy. They are a central element in the creation of local prosperity; providing the labour that fuels successful and dynamic businesses; the talent that drives forward enterprise and innovation; and the capacity that directs and attracts investment and competition.

Consequently, the most productive economies are those which grow, attract and retain the most talented people. Economies with the most skilled and active workforce; with the most dynamic labour markets; and with the best education and learning environments, supporting individuals to learn and adapt from cradle to grave, are often those that can best meet new economic challenges and drive forward economic performance. Successful economies also recognise that people develop at different rates so different pathways are important - there must be no closed door to developing talent.

Realising and enabling the potential of every individual to work and learn also has benefits beyond business performance, with skilled and economically active communities tending to be healthier, safer, more confident and more adaptable to change; a virtuous circle of prosperity.

Ensuring our workforce is therefore supported to meet its full economic potential through working and learning is our third priority. It is crucial if we wish to make progress on productivity that individuals are supported to meet their potential. If this can be achieved, our business community will become more diverse and resilient; more innovative and able; and attract additional talent and investment to reinforce a step change in our region.

UNDERSTANDING THE ISSUES
We need a workforce that is able to meet the challenges of today and ready to meet the needs of tomorrow. It will be a workforce prepared for an increasingly knowledge based economy, which can take advantage of the Golden Opportunities emerging across the region, and which maximises the potential of every individual.

We are successful in getting people into work. With almost functional full employment in many areas, we do not face the same overall challenges around worklessness perhaps found elsewhere in the country. Whilst there remain pockets of unemployment, the area benefits from an overall culture of work. We also need to utilise the skills and experience of our ageing population.

We also have areas of strength on skills and learning. Communities such as Exeter and those neighbouring Plymouth currently benefit from a higher proportion of knowledge and service-led opportunities then elsewhere in the area, closely aligned with their significant further and higher education capacity. Similarly, NVQ level 3 performance remains high across Somerset and parts of Devon and Torbay, with a focus on manufacturing and construction, apprenticeships and tertiary training. In turn, many of these areas have better outcomes in terms of skills, wages and economic performance.

However, overall, those in work across HotSW are too often underutilised or underskilled. Too many people are employed in low wage, low skill sectors due, in part, to local challenges around knowledge and aspiration. 23% of HotSW’s workforce in 2016 held less than a GCSE level qualification, whilst 10% less students went on to university from our colleges then elsewhere in the country. We face a net outflow of graduates from the area.
This ‘skills gap’ has a wide range of impacts on our economy. Our lack of dynamism and skills availability often dictates the wider economic trajectory, limiting the types of businesses which are created locally or wish to locate in the area. This can reinforce lower value / lower skilled sectors in parts of our economy and area which poses capacity challenges for existing business with the potential to grow or innovate and reinforces intergenerational issues around aspiration and learning. Our economy also faces significant risks from BREXIT with the potential loss of workforce in care, agriculture and tourism sectors.

**WHAT WE WILL DO**

<table>
<thead>
<tr>
<th>ASPIRATION</th>
<th>Meet the potential of every individual within the area to work and contribute to our shared prosperity</th>
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<tbody>
<tr>
<td>HIGH LEVEL AIM</td>
<td>Develop, attract and retain a highly skilled and adaptable workforce</td>
</tr>
</tbody>
</table>
| STRATEGIC OBJECTIVE | • Skills for a knowledge-led economy  
• Pathways to success  
• Access to work and opportunities  
• Skills for our ‘golden opportunities’ |

Any approach to enhancing productivity in the HotSW requires a clear focus on meeting the area’s skills challenge and emerging needs. We will focus on building the capacity of those already in work and also on preparing those in education to thrive in a more dynamic and diverse future economy. To meet this challenge, we need to be clearer about the roles that partners play, and then agree to work together more effectively.

**Skills for a knowledge-led economy.** We know that one of our most important productivity challenges is attainment and aspiration amongst our young people. Whilst GCSE performance has improved steadily over recent years, HotSW still trails its peers on the proportion of those going to university. This has inevitable consequences for their life chances and the overall output of our economy. We need to improve access to HE provision for those in more remote and rural areas; and there is exciting potential for university provision in Somerset.

We will improve the advice that our young people receive on careers and opportunities whilst in education, and the linkages between our schools, businesses and with FE and HE providers. This will ensure that young people have the fullest understanding of the opportunities available to them while our providers are meeting the changing needs of business. We will look at maximising the substantial opportunities around apprenticeships, and establish a forward focussed skills commission to capture emerging opportunities and better align skills provision across the HotSW area.

**CASE STUDY**

City College Plymouth, STEM Centre

The £13m Regional Centre of Excellence for STEM (science, technology, engineering and maths) opened in September 2017 and boasts a range of fantastic facilities, as well plenty of areas for students to relax and socialise.

The new centre at City College Plymouth enables students to access the quality and quantity of STEM teaching that’s vital to the UK economy. It will also help Plymouth to be recognised as a world leader in STEM development.

The aim is to be the leading provider of innovative and technical education in the South West. The centre will help achieve this, providing productivity, growth, employment and investment.
Pathways to success. We are seeking to establish an enhanced offer to those in work who are willing to retrain and upskill. We will work with partners to reinforce information around apprenticeships for those already in work, highlighting what new routes, like Degree Apprenticeships, could offer. Over the medium term, we will also seek to better align existing funding around reskilling / in work training through a single training fund approach.

Within HotSW, one of our most important ongoing productivity challenges is over attainment and aspiration amongst our young people. We will improve and integrate our careers activity (CIAG) so that young people have the fullest understanding of the opportunities available to them.

Access to work and opportunities. We need to ensure that physical, institutional and financial barriers to accessing work, training and guidance are minimised. A range of interventions will be established to improve transport and digital access to skills provision at all levels. We will work with HE and FE providers to seek more innovative ways to reach out to our more remote rural and coastal communities; and to engage our ageing population. We aim to create more integrated advice and support systems that have a single gateway.

Skills for our ‘Golden Opportunities’. Alongside wider business requirements, we will also seek to maximise the impact of our Golden Opportunities. These offer the potential to have a once in a generation impact of skills performance within our area if relevant workforce opportunities can be fully realised. We will therefore come together with FE and HE colleagues in the first instance to ensure that existing funding and capital investment put into maximise the skills benefits of these projects are being fully aligned and realised across the area. In particular, we will seek to build upon the immediate demands of the construction sector and digital sector in the face of the development at Hinkley Point, within the Exeter Growth area, and emerging within Plymouth. Looking further ahead, partners will then seek to build upon the emerging work of the Skills Commission, with a focus upon both ensuring resources are prioritised for relevant industry led demand within FE and HE.

Separately, ensuring that the area remains at the forefront of relevant sector focus teaching and learning will be crucial to sustain and develop a competitive advantage. We will therefore focus on developing additional asset/s for the area to deliver STEM and other technology led skills provision - building and complementing the existing specialist centres within the HotSW in our FE and HE institutions.

CASE STUDY
Hinkley Point Training Agency
The HPTA is an innovative approach to supporting the recruitment of local labour into the construction of Hinkley Point Power Station.

During the 10 year construction period there will be some 25,000 different job roles with almost 6,000 people employed during peak. The aim is for the project to generate 1,000+ apprenticeships and ensure that at least 34% of all those working on-site are within a 90 minute travel to work zone.

To achieve this and ensure that Hinkley leaves the legacy of a highly skilled sustainable workforce, an education and training supply chain has been formed. This coalition will provide accredited, quality assured training to meet the needs of the main Contractors. Recent HPTA activity includes the development of a L4 Project Management Apprenticeship and a new Pre-apprenticeship, Introduction to Engineering Construction Programme with three of HPTA’s training providers, starting in September 2017.
High level interventions
Below we set out the high level delivery activity the partnership will undertake to achieve our ambitions. More detailed projects will be developed under these themes and set out in the partnership’s delivery plan (drafting note - example attached).

SKILLS FOR A KNOWLEDGE LED ECONOMY

Higher level skills
- Extend degree level qualifications
- Strengthen graduate retention
- Raise HE participation, including university provision in Somerset

PATHWAYS TO SUCCESS

Maximise the potential of apprenticeships
- Flexible funding models
- Degree apprenticeships
- Extend provision, esp Level 3+

Higher level skills
- Extend degree level qualifications
- Strengthen graduate retention
- Raise HE participation, including university provision in Somerset

SKILLS FOR OUR GOLDEN OPPORTUNITIES

Employment support
- extend into peripheral communities
- align provision

ACCESS TO WORK AND OPPORTUNITIES

Establish centres of excellence, and technology institutes, for sector skills

MARKETING OF PLACE; MANAGEMENT AND ENTERPRISE SKILLS; HIGHER LEVEL INNOVATION AND R&D; TRANSPORTATION AND ACCESS

Industry-led strategic skills network
- joined up delivery
- flexible funding opportunities
- foresight capacity

MEETING THE PRODUCTIVITY CHALLENGE

Centres of excellence for English, Maths and digital literacy

READY FOR THE FUTURE

Capital renewal fund
LEADERSHIP AND DELIVERY

This Productivity Plan is owned by both the Joint Committee and the Local Enterprise Partnership. The shared responsibility between all the local authorities and the business-led LEP means that we have a stronger commitment than ever before to set the strategy and deliver the priorities.

Our new partnership is also creating strong links with a number of other relevant organisations in the region, such as the two Local Nature Partnerships, the Rural Productivity Commission, business groups and public health bodies.

Of course, our strategic plan sits alongside many others - whether for skills, transport or broadband - and it provides an over-arching context and a clear sense of direction to all we do.

DELIVERING THE PLAN

We will take overall responsibility for the commissioning of different strands of activity; for monitoring progress; for ensuring that it remains fit for purpose and for working with partners to agree different roles. The Productivity Plan sets out our strategic intent for delivering ‘productivity and prosperity for all’ - however

Following the agreement of this Productivity Plan, we will publish a Delivery Plan that will set out in more detail exactly what will be done over the next 16 years, in different parts of the region. We expect that key partners will want to publish their own Investment Frameworks (IF) which will set out clearly what they intend to do to help deliver the overall aims and objectives. Those IFs should begin to profile investment over the next 10 years - demonstrating how our plans can delivered.

In practice, delivery will take place across different geographies and with different groupings of partners depending on how the activities are best delivered and how opportunities arise. For example, the very effective and broad-based partnership that plans and supports developments around Exeter and East Devon will continue; as will groups in North Devon and around Bridgwater.
A NEW ECONOMIC COMPACT

In the private sector, the best businesses are efficient and ambitious, productive and innovative. They train their staff and take risks with their own, and stakeholders money, in the expectation of future returns. They aim to grow profitably, generate value added and, as a consequence, offer satisfying, rewarding and sustainable jobs.

The public sector’s role is to build the foundations that will let the private sector’s entrepreneurship thrive. The public sector will invest in areas of market failure, helping to disseminate the information and knowledge that businesses and workers need to compete - particularly with respect to skills and innovation. It has particular roles in the planning process and regulation, as well as with infrastructure development and the promotion of a culture to invest in competitiveness.

But, to be successful, the partnership between the two needs to operate openly and flexibly. In an age of less public funding, the public sector’s ability to deliver a full range of activities to support business needs will be severely reduced unless a different partnership is forged between local government and businesses at a local level.

There needs to be a mutual commitment to invest in the human, physical and entrepreneurial capital that will help businesses succeed into the future. Companies will need to invest more of their own resources and will need to commit more effort to bringing wider social benefit from their endeavours. Public bodies will have to be more innovative about how they invest in business support measures and may have to look at other ways to enable business to thrive: local planning, making land available, prudential borrowing for infrastructure improvements, joint ventures and information sharing. The partnership is keen to work with the private sector to develop this.

SHAKEN, NOT STIRRED - funding and investment

Our proposals are not about creating a new single funding pot. We believe that we need to be more nimble than that. As we identify priorities for delivery and project opportunities, we will blend together a cocktail of investment from a range of sources. However, all our experience shows that we will need access to some revenue funding alongside capital investments to make the most effective interventions.

<table>
<thead>
<tr>
<th>Local authority</th>
<th>Private sector</th>
<th>Government</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance</td>
<td>• LA funds</td>
<td>• Own investment</td>
<td>• EU funds (until 2020)</td>
</tr>
<tr>
<td></td>
<td>• Business rates</td>
<td>• Borrowing</td>
<td>• UK Shared Prosperity Fund</td>
</tr>
<tr>
<td></td>
<td>• New Homes Bonus</td>
<td></td>
<td>• Departmental budgets (eg DoT)</td>
</tr>
<tr>
<td></td>
<td>• Prudential borrowing</td>
<td></td>
<td>• Innovate UK</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>• Research Councils</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• New economic development and regeneration funding</td>
</tr>
<tr>
<td>Other resources</td>
<td>• Land and property</td>
<td>• Land and property</td>
<td>• Tax incentives</td>
</tr>
<tr>
<td></td>
<td>• Staff time / knowledge</td>
<td>• Expertise / mentoring</td>
<td>• Designations (eg Enterprise Zones)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Meeting space</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• In-kind support</td>
<td></td>
</tr>
<tr>
<td>Other inputs</td>
<td>• Planning powers</td>
<td>• Marketing</td>
<td>• Regulation</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Research</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• KTPs</td>
</tr>
</tbody>
</table>

This table illustrates some different types of resources that may be available to deliver our Productivity Plan. It is not exhaustive, and we will explore all opportunities for local and national funding.
MEASURING CHANGE

This Plan is aimed at achieving results between now and 2036. Not everything is within our control but this Productivity Plan, and the Delivery Plan that sits beside it, will lead to a significant uplift in productivity, and a range of associated economic indicators, over the life of the Plan. However, different activities will be delivered as resources are secured - and some may take several years.

Our ambitions

Our plan is to improve business productivity and to increase the opportunities for people to contribute to and benefit from economic growth. We aim to double the size of our economy by 2036.

Productivity

Overall, we believe that an ambitious but not unreasonable macro target would be to gradually increase average local productivity growth to between 0.3%-0.5% per annum above the national average over the period to 2036. This could raise economic outcomes (total value added) by 5-8% over the currently expected benchmark.

To achieve such a shift in performance requires higher investment and R&D ratios (closer to G7 averages). This will need to be achieved, if at all, by private businesses. The development community, as assembled under the productivity plan, is an enabler, providing incentives and interventions that will:

- create supportive infrastructure to build connectivity in its widest sense - real, virtual and psychological
- encourage collaborative acquisition and dissemination of knowledge
- promote other favourable business and community conditions, especially competitive aspiration and market engagement.
However, there are a myriad of factors involved in raising productivity performance and many are beyond local control or influence. There are no clear, objective and quantifiable linkages between action and effect.

Moving the productivity rate towards ‘2% per annum’ would be a significant but realistic achievement. It could mean moving HSW real GVA growth from about 2.3% per annum to 2.8% per annum and holding employment growth to 0.8% per annum.

A more ambitious target would be to raise productivity growth by 0.5% a year above the projected local and national baseline. This would indicate productivity growth of 2.2% per annum and real GVA growth of slightly over 3% per annum.

**Productivity indicators**

<table>
<thead>
<tr>
<th>Indicator - per annum</th>
<th>Baseline</th>
<th>Significant</th>
<th>Ambitious</th>
</tr>
</thead>
<tbody>
<tr>
<td>Productivity rate</td>
<td>1.7%</td>
<td>2%</td>
<td>2.2%</td>
</tr>
<tr>
<td>Real GVA growth</td>
<td>2.3%</td>
<td>2.8%</td>
<td>3%</td>
</tr>
<tr>
<td>Employment growth</td>
<td>0.6%</td>
<td>0.8%</td>
<td>0.8%</td>
</tr>
</tbody>
</table>

**Prosperity for all**

Improving absolute and relative productivity is seen as a key component of economic growth. However, it is recognised that that growth should have the potential to benefit all individuals and areas. Inclusive growth is giving the opportunity for individuals to benefit from and contribute to economic growth through higher value activity.

Essentially, this is about providing access to employment and access to better employment. The mix between the two will vary from place to place across HotSW and success will be measured through the indicators on the page below.

Traditional measures of economic growth do not necessarily reflect the experiences of individuals; growth has not necessarily meant improvements in well-being and traditional measures of economic growth do not allow for an understanding of the distributional impact of growth.

However, it is important to recognise that there are a range of factors – mostly national policy – that are more significant influencing factors. National policies and fiscal, monetary and economic decision-making has a large bearing on the growth and inclusiveness of local economies. Policies such as deficit reduction, welfare reforms, tax and spending decisions, housing policy, and public service reform impact significantly upon living standards, and it could be argued that in some cases act against local efforts to promote economic inclusion.

Consequently, we have identified a number of indicators that have readily available data and will represent progress towards our aim of prosperity for all. By using these indicators, we can:

- identify strengths and weaknesses across policy areas to inform future activities;
- create a means of monitoring performance against inclusive growth objectives and potentially benchmarking outcomes against other areas
- use a tool that is flexible, easily understood and accessible, and can be owned by the partnership moving forward

The high-level indicators shown below are taken from a longer list included in Annex ??
Making choices

Making choices over which specific projects and programmes to support will depend on the appraisal of those projects in relation to the outputs and outcomes they generate, the risks and rewards, and the persistence of those benefits in qualitative and quantitative terms.

In doing so, we would expect to consider the ‘5 case for action’:

- the strategic case – matching the requirements of current policy intentions and desires;
- the financial case – sound funding and affordability;
- the commercial case – business logic and profitability;
- the management case – practical achievability; and
- the economic case – net ‘additionality’.

Net ‘additionality’ measures a range of factors in order to judge the net addition to economic activity. This involves analysis of:

- **Deadweight** – what would have happened without the intervention – the reference or baseline case
- **Leakage** – impact that is ‘lost’ outside the target area, people or sector
- **Displacement** – effects of the ‘new’ activity on other existing activities
- **Substitution** – when firms or others change effective behaviour to accommodate a ‘new’ policy
- **Multipliers** – a combination of the direct, indirect and induced impacts from intervention.

The partners will develop an investment framework which captures these and ensures we are making the best use of scarce resources.

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**Prosperity for all indicators**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Ambition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings - distribution</td>
<td>% gap between the median and mean average earnings (full-time)</td>
</tr>
<tr>
<td>Economic inactivity</td>
<td>% of working-age population who are economically inactive but who want a job</td>
</tr>
<tr>
<td>Workless households</td>
<td>% of working-age households with no-one in work</td>
</tr>
<tr>
<td>Gross disposable household income</td>
<td>Gross Disposable household Income per head</td>
</tr>
<tr>
<td>Output (GVA)</td>
<td>Difference between top and bottom HotSW local authority – GVA per head</td>
</tr>
<tr>
<td>Earnings</td>
<td>Difference between top and bottom HotSW local authority – median average</td>
</tr>
</tbody>
</table>

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**So this is our plan. A plan to double the size of the HotSW economy by 2036, a plan to raise living standard across the area, to provide better jobs and better places to live. Our challenge is now to deliver this ambition. We invite you to join the challenge.**