



STEPPING UP TO THE CHALLENGE

PRODUCTIVITY STRATEGY
2018

heart of the south west partnership

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THE HEART OF THE SOUTH WEST



EXECUTIVE SUMMARY

Our Opportunity and Vision

The Heart of the South West is a special place with enormous potential in its businesses, its people and its places. Transformational change is taking place in the global, national and local economies, driven by new business models and the potential of digital and new industries. These changes will open new opportunities for our businesses and places, opportunities to develop new ideas, products and services and opportunities to develop new businesses.

Our vision is for all parts of the Heart of the South West to become more prosperous, for people to have a better quality of life and higher living standards. To achieve that, we want to create a more vibrant economy where the benefits can be shared by everyone. Improving our productivity will help us achieve that goal.

Our ambition is simple – to double the size of the economy over 20 years. We have ambitious local plans that outline needs and opportunities for housing and economic growth. To accelerate our progress towards our ambition and vision, improving productivity is our collective focus.

We will raise productivity to drive prosperity for all.



The Productivity Strategy

Productivity is the key to delivering better wages, better jobs, stronger businesses, better public services and a fantastic place for people and businesses to live and work.

This Strategy...

- sets out our long-term ambition to raise productivity, the themes we will focus on, and our approach
- supports the devolution of greater power and autonomy for our area
- outlines how we will support the Government's Industrial Strategy.

It is **ambitious** - aspiring to grow faster than the UK average

It is **focused** - on those programmes which will have the greatest effect

It is **shared** - with a partnership committed to delivery

It is **evidence-based** - building on the drivers of productivity and our unique opportunities

Productivity in the UK is lower than that of the other G7 countries, while the productivity of the Heart of the South West (HotSW) area is lower than the UK average and varies significantly within the area. Higher productivity is characterised by businesses creating more wealth, higher value jobs and contributing to better living standards. We will ensure the benefits of productivity growth are widely felt across our geography, businesses and individuals.

Achieving Our Ambition

We have identified three strategic themes to focus our activity to improve productivity. We will enable measures that can strengthen:

- the leadership and ideas within businesses in our area
- the housing, connectivity and infrastructure our people and businesses rely on for living, moving goods, accessing jobs and training, and exploiting new opportunities
- the ability of people in our area to work, learn and improve their skills in a rapidly changing global economy, and to maximise their economic potential

We have set out ambitious programmes across each of these themes, seeking to build upon the potential within every sector and every individual.

We have identified our areas of world-class capability: in nuclear, aerospace and advanced engineering, marine, data analytics, and healthcare; areas with the potential to further drive and accelerate our growth. We will exploit these to bring new benefits to our businesses and communities and we will develop a sound understanding of the potential of other opportunities as they evolve.

In delivering this Strategy we will recognise the importance of our natural capital and its contribution to our economic success, the essential need for our growth to be inclusive and the transformational opportunity from digital technology.



Our quality of life attracts people to live, learn and work here. We will support new ways of working to nurture new businesses and new sectors as well as making the most of our traditional coastal and rural strengths in food and drink production, agri-tech and tourism.

In developing our long term approach we will also apply a set of cross cutting themes, referred to throughout our strategy, these are:

- Inclusive growth for our people, communities and places
- Capitalising on our distinctive assets
- Maximising the potential from digital technology

Consultation

The Strategy has been consulted on extensively, is based on a wide-ranging evidence base and is owned by all our local authorities, the National Parks, Local Enterprise Partnership and health partners. It will not be possible to deliver all our programmes immediately, but we will work together locally, with other parts of the country, with investors and with Government to secure the investment needed to deliver our potential.

Whatever the challenges we face now, this Productivity Strategy is looking ahead and preparing for the opportunities to 2038 and beyond. Our aim is for our businesses and residents, in whatever place or sector, to realise the benefits of becoming more productive - which, in turn, will lead to increased prosperity for our communities. We will drive productivity and prosperity for all.

The Heart of the South West Productivity Strategy



Ambition: to double the economy by 2038

What we will do...

BUSINESS LEADERSHIP AND IDEAS

Summary/Outcome

Our businesses are strong and are amongst the most innovative and productive in their sector

High-level Aims

- Significantly improve the productivity of existing businesses in both urban and rural areas
- Capitalise on our competitive advantages and transformational (golden) opportunities
- Attract additional, high value, business
- Support and encourage a more equal distribution and take up of opportunities

Programmes

- Business innovation
- Management excellence
- Exports - New markets, new opportunities
- Accessible support to start up and grow
- Attracting business investment and Foreign Direct Investment

HOUSING CONNECTIVITY AND INFRASTRUCTURE

Summary/Outcome

Our businesses have the right physical environment to thrive, connectivity to markets and the space to grow

High-level Aims

- Create vibrant places that are attractive to skilled people and new investment, with infrastructure to support productivity and inclusive growth

Programmes

- Connectivity and resilience
- Housing and land for business
- Improving digital infrastructure and opportunities
- Clean energy infrastructure

EMPLOYMENT, SKILLS AND LEARNING

Summary/Outcome

Our businesses have a skilled workforce and are committed to training and developing talent to capitalise on future opportunities

High-level Aims

- Develop, attract and retain a highly skilled and adaptable workforce
- Enhance education, skills and learning opportunities to improve the economic potential of our workforce

Programmes

- Educating and Retaining the Workforce of the Future
- Creating Pathways to Success for All
- Skills for Our Golden Opportunities
- Supporting our Workforce to Succeed in a Changing Economy

INTRODUCTION

Our Potential

The Heart of the South West has an economy worth almost £35 billion, and covers the administrative areas of Plymouth, Torbay, Somerset and Devon. It is home to almost 1.8 million people, projected to grow 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.

We have a reputation for the best music festivals, amazing coastline, great food and drink, historic market towns and unspoilt moorland. Alongside that we are 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...

...we value 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 uncertainty and see change as an opportunity. We must ask ourselves how we can be better at what we do - at all levels; what we can do differently to create a competitive advantage; and how we can capitalise on new opportunities to deliver a better quality of life for people living and working in Heart of the South West.

▶ *“Productivity isn’t everything, but in the long run it is almost everything. A country’s ability to improve its standard of living over time depends almost entirely on its ability to raise its output per worker.”*

*Paul Krugman
The Age of Diminishing Expectations*





Our Vision, Ambition, Opportunities and Challenges

Our aim is to accelerate how fast our economy grows, to double the economy over the next 20 years, to create a region known for its dynamic, innovative businesses, vibrant well-connected places, rewarding jobs and talented people. A region where people can move through school into higher education, benefit from good jobs with career progression, and enter a rewarding retirement, all whilst enjoying a good quality of life in an outstanding natural environment.

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, leading to improvements in living standards in our towns, cities and villages and helping create stronger communities
- Increasing productivity for all, while sustaining or increasing the number of jobs, will increase the local and national tax take and lead to better funded public services

The public and private sectors in the HotSW are therefore working together on delivering this strategic approach to productivity-led growth

This Strategy, like Government's Industrial Strategy, has a relentless focus on productivity to transform the economy.

For us, applying Government's five foundations of productivity in the HotSW means focussing on:

- Ideas – developing new and better ways of doing things
- People – developing skills for good jobs and greater earning power for all
- Infrastructure – investing in enabling infrastructure
- Business environment – helping businesses to grow
- Places – improving prosperity for all our communities

We have many economic strengths to build on. These include a burgeoning knowledge economy, leading aerospace, nuclear and marine industrial specialisms. We also have an expansive rural and agri-food economy, supporting a growing agri-tech sector, internationally successful food and drink companies, and a thriving tourism industry.

However, we continue to face significant economic challenges, the biggest of which remains raising productivity levels in our area to match our real potential. Raising productivity is core to creating better jobs, improved wages and a better standard of living. 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 against the UK average. The UK's consistently low productivity in comparison to other countries has made improving productivity a national priority. The Heart of the South West's low productivity in relation to the rest of the UK makes it our priority too.

This Strategy sets out how we will step up to address the area's productivity challenge. It is focussed on unlocking the potential in our businesses and people, and in our natural capital. We want our most successful places and sectors to thrive so that they can compete with the best, they are vital for all of us; but we also want to reduce disparity and improve prosperity across the whole HotSW area. We are committed to sustainable and inclusive growth.

Put simply, this strategy is about delivering improved productivity:

Across our geography - Our cities, urban, rural and coastal areas all contribute to our economy. We recognise that productivity growth is currently uneven within the HotSW area. We want to unleash the potential of all our places.

Regardless of business type – We will support all businesses that really want to grow and compete, be they a small rural business or a multinational manufacturing company.

For everyone – We want to maximise every individual's potential to contribute to, and benefit from, our economic success.

A changing national policy context, preparations to leave the European Union and the Government's Industrial Strategy mean now is the time to review our approach to economic growth set out in the area's 2014 Strategic Economic Plan. The Government remains committed to

devolving more freedom and autonomy to local areas. Our partnership has become stronger and more determined to capitalise on this opportunity, and to focus collective energy where it can have the biggest impact.

Our Partnership

To drive and deliver this Strategy we have come together in a unique partnership. For the first time, all the district, county and unitary authorities have joined with the National Parks, the Local Enterprise Partnership, and health partners to provide collective leadership for the Heart of the South West. This partnership will work with private sector and third sector partners and with Government, using whatever resources we have and can attract.

The partnership is an enabler, providing incentives and interventions that will create supportive infrastructure; encourage collaborative acquisition and dissemination of knowledge; and promote other favourable business and community conditions.

The Strategy is a critical step in the journey that we want to take. Our partnership is united in its desire to step up and raise productivity, to secure the resources we need to do this, and improve living standards for everyone in this area.

Inclusive Growth

While our cities and urban areas play a crucial role in driving economic development and bringing together plans for employment, housing and infrastructure, we want to ensure that our market-towns, coastal resorts and rural areas are economically successful in their own right. We are committed to the principle of sustainable inclusive growth and we will be taking forward the work of the South West Rural Productivity Commission¹.

Evidence Base

In developing this strategy, we undertook robust analyses of our strengths and challenges for the economic growth potential of the area, with a particular focus on raising productivity. These were published as a Green Paper² and associated technical documents³ and form the supporting evidence base to the Strategy. We also consulted widely upon the Green Paper and an earlier draft of this Strategy, through events and online. We are grateful to all those who participated and informed our thinking.

¹ The SW Rural Productivity Commission, Key findings and recommendations 2017 can be found on the Heart of South West LEP website.

² Driving Productivity in the Heart of the South West, Consultation (Green Paper) Jan 2017;

³ Skills and Productivity in the Heart of the South West (Technical paper); Productivity Growth in the Heart of the South West (Technical Paper); Creativity in the Heart of the South West (Technical Paper); Productivity Strategy: Economic Modelling September 2017.

KEY STRENGTHS AND CHALLENGES

Transformational Growth

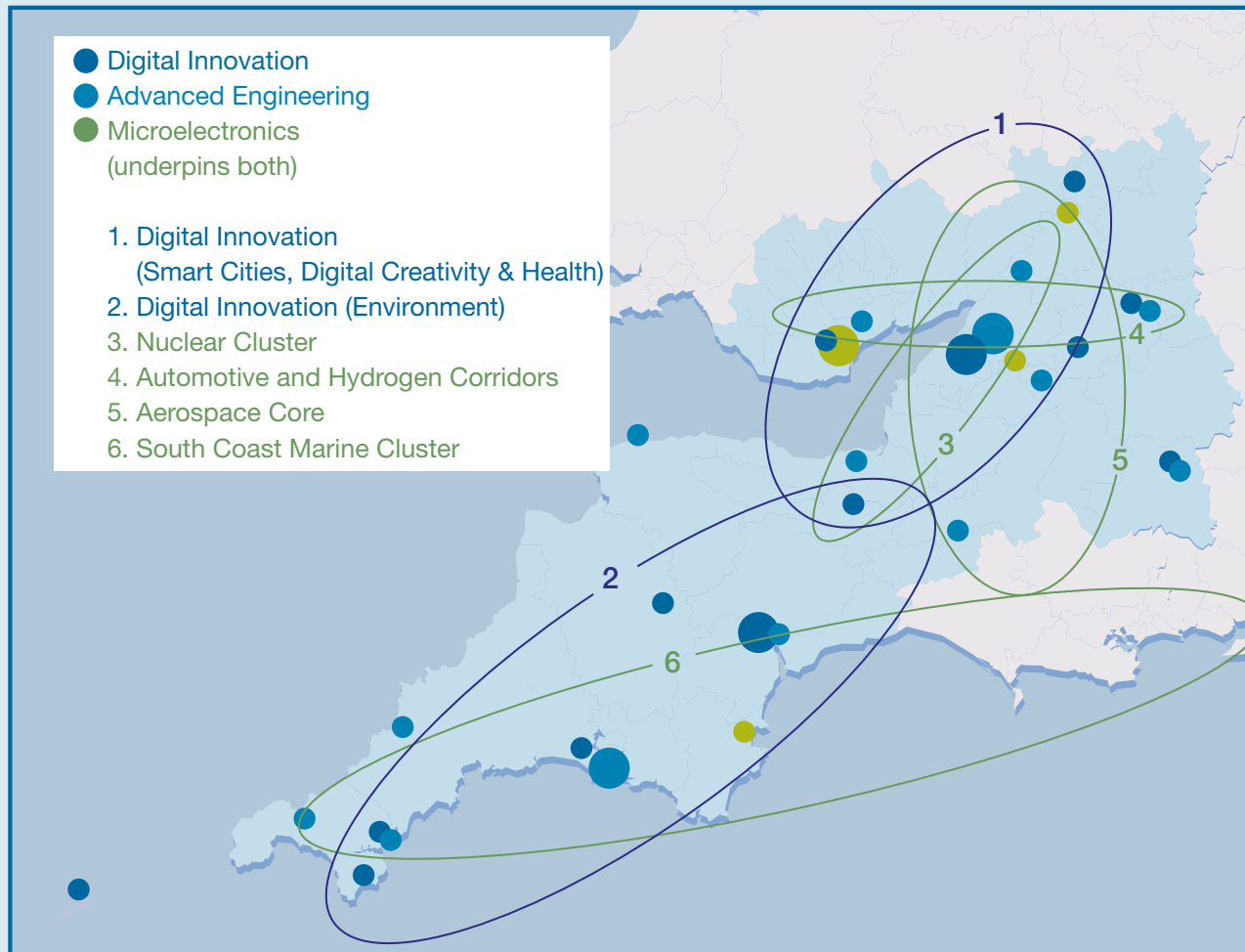
The HotSW region has world class potential across several, high value sectors, with the potential to provide a springboard for accelerated productivity growth – within those sectors – throughout their supply chains and across the area. These transformational sectors are our ‘golden opportunities’:

- Advanced manufacturing ranges from aerospace, with specialism in rotorcraft focussed around Yeovil, to a high-tech, electronic and photonics cluster around Torbay, and engineering in Plymouth
- The marine cluster within which Plymouth sits is home to a community of world-class businesses, specialist research organisations, and other partners, working right across the South Coast to maximise the sector’s potential for growth
- 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 an exceptionally high concentration of climate and environmental science experts, and Europe’s most powerful supercomputer located in the Met Office. It is emerging as a cutting-edge place for enviro-technology, agri-tech and data analytics. The UK Hydrographic Office in Taunton also provides world class maritime data, cartography and navigation expertise
- Expertise and facilities in association genetics, clinical trials and healthcare in Exeter, Plymouth, Torbay and Devon, and our older demographic, provide the base for a healthcare cluster with real potential in the field of healthy ageing

As a region, we have identified a high growth corridor that broadly tracks the A38/M5 spine, and which links to a number of our golden opportunities. Supporting our places to grow at the pace of their ambition, and ensuring that we capitalise on our golden opportunities, will drive transformational growth that benefits the whole region.



A World Class Knowledge Base



The HotSW has a world class knowledge base which includes three universities, two medical schools, ten FE colleges, a specialist maths school, the UK Met Office and numerous research centres. Science parks at Exeter and Plymouth are building a cohort of innovation-led businesses alongside this.

The South West England and South East Wales Science and Innovation Audit found that the area has major areas of world-class potential which have synergies with our 'golden opportunities' and which generate strong links with neighbouring areas.



Strength in Traditional Sectors

The HotSW benefits from a mixture of strong traditional, rural and coastal businesses, including tourism, farming, fisheries and agri-food, food and drink and mixed manufacturing. These businesses continue to underpin much of the employment and production undertaken within the area. There are 30 working fishing ports across the HotSW ranging from England's two largest fishery landings at Brixham and Plymouth to smaller traditional locations. Our tourist and visitor economy attracts millions of visitors per year and our food and drink sector has a significant impact on local and national GVA. Improving outcomes for these businesses, and the people who work in them, is essential in realising the area's ambitions and creating a foundation for future growth.

The HotSW visitor economy and the quality of life in our area relies hugely on our natural capital. The area boasts two National Parks, two World Heritage Sites and countless stunning beaches, attracting millions of visitors each year. The area is known for its cultural assets and creative businesses - with Plymouth in particular having a burgeoning creative sector - providing real opportunities for the economy.

Additionally, the HotSW hosts one of the highest concentrations of social enterprises and community-based businesses in the country⁴, with a combined turnover estimated at £1.5bn.

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.

⁴ HotSW Social Enterprise Sector Report, Wavehill Social and Economic Research - March 2016



A Productivity Challenge

UK productivity is significantly below most developed-world comparators. Output per hour worked in the UK was 15.9% below the average for the rest of the G7 advanced economies in 2015, 22% below that of France and the United States and almost 27% below Germany⁵. Productivity varies considerably around the country, but in 2015, the Heart of the South West ranked 7th lowest of 39 LEPs in terms of output per hour.

To overcome the productivity challenge in our area, a number of key issues need to be addressed:

- Economic outcomes vary significantly within the HotSW. For example, income per head in Exeter is £32,090, which is higher than Bristol, and it was ranked the second fastest growing city in the UK in a recent report by Centre for the Cities. This outstanding performance is a key regional strength. However, income per head in Torridge is just £15,363 putting it in the bottom 10% of all UK local authorities, and overall the growth rate of the HotSW area is below the national average
- Rural areas account for 58% of output and 60% of jobs in the South West. Yet rural productivity is 8% lower than urban areas in the region, and 10% lower than the average for rural areas in England
- Despite some exemplars, our traditional business sectors contain many enterprises with lower than average productivity for their sector
- HotSW businesses are less likely to either export or invest in innovation, and start-ups levels are lower, all of which are drivers of productivity. For example, on average, local firms rank 31st of 39 LEPs on R&D spend per FTE. Overall, economic resilience is also arguably lower than in other areas
- The population is projected to grow by 150,000 to 2030, most of whom will be over 60. An ageing and decreasing workforce,

⁵ International Comparisons of UK Productivity (ICP), final estimates: 2015, Office for National Statistics

⁶ State of the Nation_2017 – Social Mobility in Great Britain, Social Mobility Commission, November 2017

and ongoing challenges with retention and attraction of talented younger people, will exacerbate current skills shortages

- Our changing and growing population will need new homes to live in
- Skills levels vary across the region, with specific pockets of underachievement and underemployment in rural and coastal communities, and with many inner city and urban areas continuing to struggle with deprivation
- Low wage levels and limited in-work progression, as well as poor aspiration and ambition are all barriers to raising productivity
- Our transport networks need strengthening. Resilience, capacity and journey times need improving between areas within the HotSW, and to other parts of the country and internationally. Congestion within urban areas,

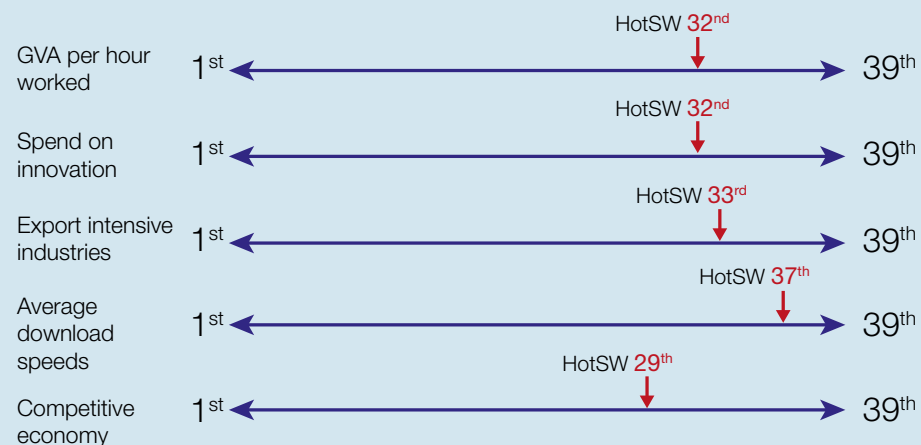
such as Exeter City centre are also considered barriers to growth

- Digital connectivity has patchy coverage or poor quality in parts of the area
- Poor transport links to education and work opportunities are a barrier to social mobility, with West Somerset the worst performing area for social mobility in the whole of England⁶

These points are expanded on in the Strategic Themes. The HotSW productivity gap is real and reflects issues with capital stock, sector composition, firm characteristics, labour skills, as well as access and distance to markets. To improve overall productivity, the HotSW Productivity Strategy must tackle higher-level skills, capital investment and key infrastructure. It must also target the promotion of innovation, new business growth and competitive engagement.

How HotSW Compares (2015 data)

Relative position among LEP areas



⁵ International Comparisons of UK Productivity (ICP), final estimates: 2015, Office for National Statistics

⁶ State of the Nation_2017 – Social Mobility in Great Britain, Social Mobility Commission, November 2017

Sharing the Benefits

The approach must ensure that businesses and communities across the area can benefit from the expected investments and improvements. Knowledge sharing networks of cooperation across the economic area will be needed, spreading 'best practice' across spatial and industrial boundaries.

The 'blend' of these will vary from place to place - one size does not fit all. This is why our partnership is so important.

Understanding Future Changes

Many wider issues will affect our economy, including structural changes in the global economy, growing social inequality, increased pressures on our environment, Brexit, a growing and ageing population, and reduced public funding. It is not clear how these and their impact on HotSW may play out.

Changes in Government policy have a direct bearing on our economy, for example the MoD is a key driver for many advanced engineering businesses in the area from marine to rotorcraft; and agriculture and fisheries policy post Brexit will have significant bearing on our rural and coastal areas. As we go forward, we will need the foresight to make sure that our politicians, planners, and businesses have the information they need to positively influence or adapt to issues that affect our area.

Key Facts



1.8 million people live in the Heart of the South West, growing to 1.95 million by **2030**.



Major strengths in nuclear, aerospace and advanced engineering, data analytics, agri-tech and health and care.



Hinkley Point C will produce **7%** of the UK's electricity and support **900** permanent jobs.



98% of our businesses employ fewer than 50 people. Only **25%** of our companies export goods and services



2 National Parks, **2** World Heritage sites and over **240 miles** of the SW Coast Path.



In Plymouth, **98%** of postcodes can access superfast broadband, but only **57%** in Devon



3 universities, **10** colleges and **multiple** specialist research centres.



OUR APPROACH

To deliver our vision, we need to take advantage of the opportunities we have by unlocking the potential in our people, our places and especially in our businesses.

Strategic Themes

Businesses are at the heart of creating prosperity. Our three strategic themes will focus our activities on enabling our businesses to grow and all our key activities will be aimed at improving productivity. The themes are:

- Business Leadership and Ideas
- Housing, Connectivity and Infrastructure and
- Employment, Skills and Learning

For each of these themes, we will have to maximise:

- » the productivity of all our places. We will take forward the work of the SW Rural Productivity Commission, and go one better in our commitment to sustainable, inclusive growth. We will ensure that we understand the impact of our interventions across the HotSW to ensure all places have the opportunity to benefit.
- » opportunities from our areas of world-class potential: nuclear, aerospace and advanced engineering, marine, data analytics, agri-tech, healthcare;
- » management capability: supporting businesses to develop the management skills to increase productivity and grow levels of new businesses, export and enterprise is a priority;

- » innovation: Increase overall innovation activity across our area as well as increasing 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, in particular ensuring those in lower value occupations and those not working can develop their capacity
- » the potential of our communications infrastructure: ensuring that our air, road, rail and broadband networks are resilient, efficient and ready for future demands
- » the opportunity provided by our natural capital: harnessing and enhancing what makes the HotSW a special place to live and work and find new ways to create value from those natural assets

Cross Cutting Themes

Businesses are the engine of our economy and the strategy is strongly focused on supporting their needs. However we must also be mindful that our interventions also take into account the cross cutting criteria that we've identified. We will act on three 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
- Capitalising on our distinctive assets;
 - Our sectors and business mix
 - Our knowledge and research
 - Our natural capital
- Maximising the potential from digital technology

These are woven through our Strategic Themes, with more detail set out in their own section.

Delivery Plan

Our priorities will be delivered differently in different places, taking account of local needs and opportunities. They will consider existing research, ensure alignment with the Government's Industrial Strategy, and allow for regular horizon scanning of emerging opportunities. More detailed projects will be developed under these themes and set out in the Partnership's Delivery Plan.





STRATEGIC THEMES

Business Leadership & Ideas

Why is this important?

Business is at the heart of our region's economy. It is business that creates the jobs for our people; it is business that creates wealth and opportunities; and it is business that provides the goods and services that markets need. To achieve sustainable growth, we need to work with business to grow faster, compete more successfully and to innovate constantly. It is business that can make practical changes to deliver an increase in productivity. Our aim is to create an enabling environment in which our businesses can thrive, good business practices can flourish, and opportunities are more equally distributed.

Understanding the Issues

Our research⁷ shows that causes of our relatively weak productivity levels include a poor record on innovation, a lack of effective leadership, under investment in skills and training, low propensities to export, and low levels of capital investment.

Increasing average productivity can be achieved by a blend of:

- enabling our existing businesses (their workforce and capital) to be more productive
- increasing investment in our competitive advantages
- attracting 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 all three in a balanced way. We will seek to exploit our area's identified golden opportunities. However, we acknowledge the value of our small businesses across the region and the supply chain across all sectors of the economy, and we will capitalise on our social enterprise presence to drive fairer and more inclusive business practices that benefit our residents and protect our natural capital.

⁷ Productivity Strategy: Economic Modelling – Heart of the South West & Partners, September 2017, Driving Productivity in the Heart of the South West, Consultation (Green Paper) Jan 2017

Innovation

Creating and implementing new or better products and services, driven by new ideas is fundamental to growing businesses and describes innovation as defined in the Industrial Strategy. It includes the introduction of new products and services, upgrades to business processes, new technologies and changes in strategy, management approaches and marketing. Industry 4.0 and automation will have a fundamental impact on the way businesses operate.

Our Green Paper highlighted local strengths in publicly funded research and development (R&D) but a low ranking on overall business engagement in innovation, in both proportionate and absolute terms. The UK Innovation Survey also ranks the HotSW LEP within the bottom third for innovation activity overall⁸. This poor performance is accentuated by poor performance in securing government funding for innovation in the area: HotSW receives only 9% of Innovate UK funding in the South West despite being home to over 30% of its population⁹.

Businesses, across our golden opportunity sectors and beyond, are investing and innovating to ensure future growth. The HotSW is home to globally-recognised universities and research institutions; clusters of dynamic firms are exploiting new ideas and technologies; our Science Parks are key 'anchors' for retaining graduates and young talent. By building on their lead, and commercialising their research, we can encourage more innovation in our businesses, as well as productive supply chains across our urban and rural areas alike.

Business leadership

Effective management practices drive productivity amongst businesses. Firms grow by being aspirational, generating new ideas, taking risks, and allocating resources efficiently. Established evidence shows that UK businesses underperform on the adoption of effective management practices relative to top performing countries¹⁰. Recent research shows how Heart of the South West is especially affected by this compared with the UK average¹¹. Compounding this are long standing issues with business leaders, especially within SMEs and those looking to start a business, being able to access appropriate information and guidance to support them in their growth ambitions.

Entrepreneurship and competitiveness

Business start-ups are proven to bring new ideas to existing markets and introduce competition. However, there is a comparatively stable business environment in our area, with lower competitive market pressures. This is evidenced by a low rate of dynamic change (business births and deaths). The HotSW area's low entrepreneurship level is in part driven by underlying low confidence and aversion to risks, as well as difficulties in accessing finance and premises owing to low supply and high cost. The same barriers prevent existing businesses from diversifying into new markets and achieving economies of scale. Our research into scale-ups showed that the main barriers for potential high growth businesses are skills gaps, management capacity, capital and relationships as well as

⁸ BEIS, UK Innovation Survey 2015, found under: <https://www.gov.uk/government/publications/uk-innovation-survey-2015-analysed-by-local-enterprise-partnerships>

⁹ Innovate UK, Data Mapper Tool, December 2017 BEIS, UK Innovation Survey 2015, found under: <https://www.gov.uk/government/publications/uk-innovation-survey-2015-analysed-by-local-enterprise-partnerships>

¹⁰ Management Practices Across Firms and Countries Survey, 2012

¹¹ Unlocking Regional Growth, CBI 2017





tightly defined eligibility criteria that were barriers to accessing innovation programmes¹². The inaccessibility of programmes owing to discrepancy between national definitions and our businesses was also a main finding from the SW Rural Productivity Commission report. Evidence shows that businesses that are involved in more markets, especially through overseas exports, are more productive, add more value, employ more people, pay better wages, innovate more, and therefore grow better and survive.

Exports

The HotSW suffers from comparatively lower propensities to export than other parts of the country, with many businesses lacking the awareness, or confidence to expand into overseas markets. The benefits of exports are significant, both to the individual business, and to the economy as a whole. Exporting allows firms to specialise in activities of comparative advantage relative to other areas and countries; achieves economies of scale (decreasing production costs as well as prices to consumers), encourages exposure to greater competition and new ideas (which encourages greater efficiency); boosts economic growth and the demand for jobs; and boosts business for the underlying local supply chains.

Capital Investment

Firms grow by creating and satisfying demand and do so by adding value. Over time, this means increasing capacity through investment in new plant and machinery. The HotSW Green Paper highlights deficiencies of local capacity and resilience in connectivity. Generally, HotSW businesses suffer from the UK's relative lack of incentives for investment in the most productive capital machinery. Capital investment by UK

firms, generally, is relatively weak, and capital investment in the HotSW area is weaker than the national average. The Office for Budget Responsibility believes that the fall in business investment since the 2008/09 recession has significantly depressed productivity growth, and this needs addressing from the bottom up.

Consultation responses have highlighted a need for general business infrastructure, such as workspace, innovation centres and Science Parks. The SW Rural Productivity Commission report suggests that work hubs with good quality digital infrastructure can play an important role in dispersed rural geographies in creating economies of scale and creative collaboration space.

We also know that:

- A lack of skills, particularly high-level and science, technology, engineering and mathematics (STEM) skills, has been highlighted as a key barrier to productivity growth, with some small and medium-sized enterprises (SMEs) unable to easily find and acquire the necessary talent to drive growth
- Key infrastructure – such as broadband, employment land, transport, intercity connectivity and connectivity with the rest of the region, the rest of the country and internationally – has historically been a significant barrier to productive business

These issues are addressed under the Employment, Skills and Learning, and Housing, Connectivity and Infrastructure sections, and are acknowledged as key demands from business as baseline enablers to day-to-day business, as well as to achieving growth aspirations.

¹² Ash Futures/South West Growth Service. Scale-Ups Research, 2017

The following pages describe the outcomes we will be aiming for and the programmes we will use to achieve them.

CASE STUDY

ICE CREAM AND MICROSCOPES?

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, opening up the potential of accessing new larger-scale customers. This was followed by a longer-term Knowledge Transfer Partnership with the University. The change in their products enabled by the Centre and the work of the KTP Associate meant that after a year Langage Farm was able to sign a £4.2m deal with a major supermarket.



What we will do

Summary/Outcome

Our businesses are strong and are amongst the most innovative and productive in their sector.

High-level Aims

- Significantly improve the productivity of existing businesses in both urban and rural areas
- Capitalise on our competitive advantages and transformational (golden) opportunities
- Attract additional, high value, business
- Support and encourage a more equal distribution and take up of opportunities

Programmes

- Business innovation
- Management excellence
- Exports - New markets, new opportunities
- Accessible support to start up and grow
- Attracting business investment and Foreign Direct Investment

Programme: Business innovation

We will support all our businesses to adapt to innovative trends and technologies, create new products and services and implement new practices.

We will invest in making sure that our research and technology in key sectors pivot towards local market demands, allowing us to become a test bed for innovation. 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 will work together to focus all of that on what the local market demands.

We will support all our businesses, in rural and urban areas, to create and implement new ways of working and become more innovative. Connecting our businesses with existing research and innovation capabilities is a priority for us, as well as providing further enabling capital infrastructure and facilitating networks and clusters to drive the creation of new ideas.

Our social enterprise base is significant, and our evidence shows that these firms are more likely to innovate, grow, and survive than standard SMEs, as well more likely to pay fairly. Therefore, they present an opportunity to drive more inclusive, productive growth. We will take forward the findings of the SW Rural Productivity Commission and will impact assess our proposed interventions and ensure opportunities are available to all businesses that want to grow.

We also recognise that alongside building on these opportunities and stepping up, we will need to invest in foresight and find ways to support new products and new business models to ensure a more resilient economy. The drivers of change put continuing pressure on us to understand what ideas, technologies and disrupters might affect us in the future and we will strengthen our ability to understand these.

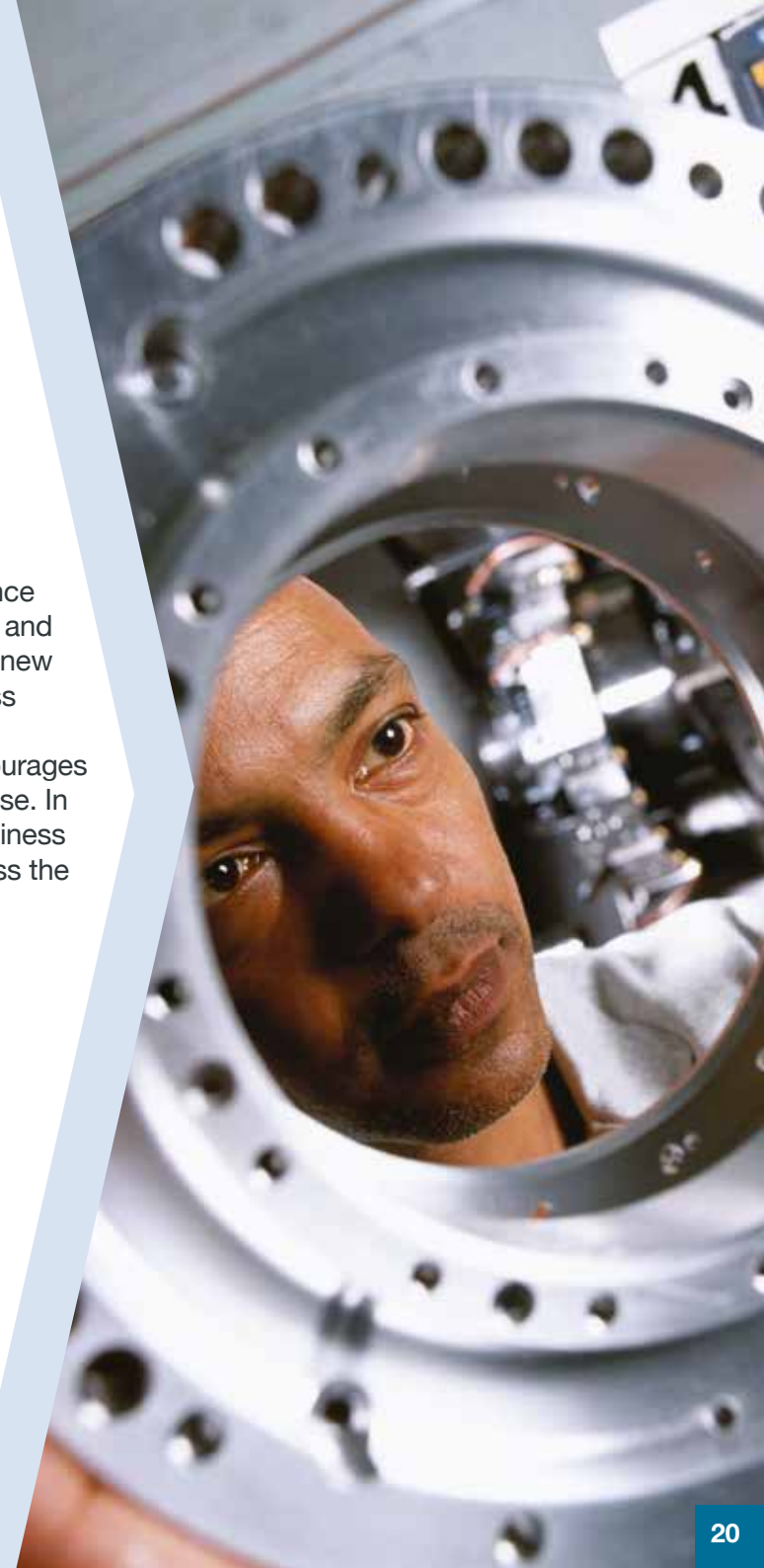
Programme: Management excellence

We want to stimulate a culture of management excellence across all HotSW businesses. Driving entrepreneurship and greater ambition increases productivity by establishing new business models of value, and driving dynamic business change. It also increases competitiveness, builds the resilience to outside macroeconomic shocks, and encourages the confidence to take up new opportunities as they arise. In stimulating this culture we will take steps to ensure business leaders and those looking to start a business can access the right support at the right time.

Programme: Exports - new markets, new opportunities

Across all geographical parts of the HotSW, there are thousands of businesses across all sectors that have the potential to grow and become more productive. Most of these are micros and SMEs, and have the potential to export; however, many lack the confidence, or the management skills and awareness to do so; strong business networks, and digital platforms and training are key in achieving this.

At the same time, there are opportunities to expand into new markets, for example: the Mayflower 400 celebrations and the developments leading up to these present significant





opportunities for our businesses to expand into U.S. markets.

We will step up the support available for existing businesses to export for the first time, and encourage its take up. We recognise the importance of broadband and transport connectivity as enablers for growing markets, and will support measures to increase digital proficiency to exploit growth opportunities.

Programme: Accessible business support to start up and grow

There is a strong evidence to suggest that businesses which access good quality and impartial business advice are more likely to grow. Businesses need help navigating business support, therefore guaranteeing effective co-ordination of our investments is key.

We will ensure that investments in business support are levered off other investments, particularly investments in innovation centres, science parks and business support spaces.

Our Growth Hub will make it easier to find and access business support (such as for business growth and expansion into new markets) and remove barriers for start-up and scale-up businesses (in urban, rural and coastal areas).

Programme: Investment and Foreign Direct Investment

We want the world to know that the HotSW has everything needed for businesses to start, grow and flourish. A supportive environment for all sizes of business, cutting-edge sectors, world-leading research, a skilled labour force, a great quality of life. We will work with our tourism industry and market the HotSW area, to businesses and talented people, as a place to invest and grow, and more than just a great place to visit.

We will support capital investment that enables growth, for example on enabling infrastructure, and will explore with our partners how to make appropriate access to finance more available – from accelerators to business angels.

HOUSING, CONNECTIVITY & INFRASTRUCTURE

Why is this important?

Supporting our businesses to become more productive and competitive means our infrastructure, and the built environment in our towns, cities and rural areas must be up to that challenge. In particular, meeting the housing needs of the growing and changing population is essential if businesses are to have access to the skills they need, and people are to have access to rewarding jobs.

Business needs 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.

The Government has recognised the need to “... better align central government infrastructure investment with local growth priorities.”¹³

Our priorities in the HotSW are driven by our critical challenges and opportunities and focus on four key areas: transport and digital connectivity; housing and land for business; energy; and natural capital.

These broadly mirror the infrastructure priorities in the Government’s Industrial Strategy: efficient transport systems; clean and affordable energy; digital infrastructure; and housing.

Understanding the issues

The HotSW region has a large and diverse physical and economic geography, including urban, rural and coastal areas. This is both a strength and distinctive quality, but also creates challenges. Our cities and urban areas are keen to support rapid growth, including large housing developments and new sites for business and services. These areas form a corridor that broadly tracks the A38/M5. These areas will require the right physical and digital infrastructure to support faster growth, at scale.

Our rural and coastal areas also have a lot to offer, and capitalising on their potential will be essential to boosting productivity to satisfy our inclusive growth principle. The South West Rural Productivity Commission report made a number of recommendations which we will seek to take forward. We are committed to:

1. Establishing a Joint Task Force of SW LEPs to take forward the report’s detailed recommendations at the right scale – locally, regionally, nationally.
2. Rural-proofing local economic policies, and calling on government to do the same, including with regard to future investment through the National Productivity and Infrastructure Fund (NPIF), other funds relating to the Industrial Strategy, the Housing Infrastructure Fund, and the proposed Shared Prosperity Fund.

¹³ Building our Industrial Strategy, Green Paper January 2017



Transport and Digital Connectivity

In producing this strategy, the most common concern among consultees was connectivity; the need to strengthen the capacity, resilience and usability of major transport links – be they road, rail or air – to connect places and opportunities across a dispersed geography or internationally – and the need for a broadband and mobile infrastructure fit for an emerging digital economy and especially critical to realise the opportunities in a dispersed economy.

Housing and land for business

Our area struggles to keep pace with demand for new housing, and as our economy grows we will need to provide even more homes for our increasing population and workforce. We need to achieve a step change in the delivery of new homes by tackling a range of barriers. Working more effectively with Government and private developers, and being more proactive as local authorities, we will use a range of methods to deliver at scale and at pace in those areas that have identified a need, and where housing will drive growth. We also need to find innovative ways to address the issue of affordability so that we can attract new workers with the skills we need.

We need to maximise the potential from existing employment sites and develop new ones in the right locations across city, urban, rural and coastal areas. From small, local work hubs through to major new enterprise zones, businesses rely on land and property to accommodate their changing needs. We will aim to release public sector land as far as possible for housing and employment, and maximise our use of brownfield sites.

Energy

To accommodate the changing needs of business and to enable new development sites, we need an electricity grid with enough capacity and flexibility to continually adapt to current and future demands. With distributed clean renewable energy generation becoming more common, the new nuclear plant at Hinkley, and the national aspiration to promote a significant increase in the use of low carbon vehicles, our energy system infrastructure, along with the digital data connectivity that will be needed to support the smart operation of an effective and efficient network, must be robust, resilient and up to the job.

Natural Capital

The Heart of the South West has a major strategic asset in its natural capital, one of our most distinctive features. Recently

commissioned research¹⁴ highlights that we have a unique opportunity to develop the area into a centre of excellence for managing natural capital for the prosperity and well-being of our citizens, businesses, visitors and investors. This is backed up by leading research institutions including University of Exeter, University of Plymouth and Plymouth Marine Lab and the UK Natural Environment Research Council (see <http://www.sweep.ac.uk>).

Safeguarding and augmenting our natural capital helps increase productivity by attracting inward investment, underpinning sustainable development, strengthening the productivity of businesses (by reducing costs/risks, and creating new revenue streams), improving the resilience of communities (such as to flooding and coastal erosion), and maintaining a healthy and productive workforce – due to benefits attributable to having access to nature.

Realising this potential will require working closely with our expert partners, including our Universities and environmental non-governmental organisations.

¹⁴ 'Natural Capital in the Heart of the South West: Understanding its value, realising its potential' – publication pending



The following pages describe the outcomes we will be aiming for and the programmes we will use to achieve them.

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.

The 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 of the SW Rural Productivity Commission, is to extend the network into more areas.



CASE STUDY

Upstream Thinking project

Working with landowners, the project is making changes to the way land is managed in order to keep pesticides, fertilisers and animal waste out of the rivers. This brings huge benefits to wildlife and the moorland environment - but it also improves water quality and reduces water treatment costs.

South West Water have seen substantial financial and operational benefits to their investment in natural capital.



What we will do

Summary/Outcome

Our businesses have the right physical environment to thrive, connectivity to markets and the space to grow

High-level Aims

- Create vibrant places that are attractive to skilled people and new investment, with infrastructure to support productivity and inclusive growth

Programmes

- Connectivity and resilience
- Housing and land for business
- Improving digital infrastructure and opportunities
- Clean energy infrastructure

Programme: Connectivity and resilience

To boost productivity and inclusive growth both inter and intra-regional better connectivity is needed to improve resilience, ensure better access to markets, support a stronger HotSW investment proposition, and to better share the benefits of productivity growth between urban, rural and coastal areas.

Our area is connected to other parts of the country by our principal road corridors (M5/A38) and mainline rail services. Exeter airport and Bristol airport, just outside our boundary in North Somerset, have regular flights to a number of domestic, European and international destinations. Our ports, including the major seaport at Plymouth, serve as gateways to our area for passengers and freight.

Inter-area and international transport routes are vital to the region's success, but so too are secondary corridors and the broader arterial road network (including the A303/A358/A30, A37, North Devon Link Road) and rail network. A key issue for road and rail is resilience, with our strategic transport infrastructure vulnerable to flooding. Capacity and journey times are also considerations for meeting the transport needs of people and businesses.

Within our area, there are congestion hotspots. Exeter city centre is considered one of the busiest cities to navigate at peak times, drivers can spend a quarter

of their time in congestion at an average speed of 4.6mph. Congestion and delays to journeys are a barrier to growth but also have severe air quality and health implications.

We will aim to secure a bigger proportion of national investment in transport infrastructure and will work more cohesively as an area to agree priorities that will unlock growth.

As per our Clean Growth ambitions, we will look to exploit opportunities in electric and autonomous vehicles, whilst also encouraging existing sustainable modes of transport (such as cycling).

Programmes: Housing and land for business

New housing will be needed to meet our expanding population and we will aim to build on sites that will support our economy. Increased demand for housing is likely to come from an aging population and young professionals. Major new sites will 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.

Where possible we will prioritise previously used land and will look to maximise the reuse public sector 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 accelerate productivity and promote inclusive growth. 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.

Programme: Improving digital infrastructure and opportunities

Digital connectivity is vital to productivity in a digital economy. We are committed to delivering superfast broadband to homes and businesses irrespective of location. We will maintain pressure on the government to implement the Universal Service Obligation (USO) for broadband as promised by 2020 and call on Government to raise the USO to >30Mbps by 2025, whilst continuing to invest in local superfast broadband partnerships like Connecting Devon and Somerset. Alongside this we will continue to aim for pervasive mobile network and data coverage and will seek to enable timely rollout of new digital infrastructure technologies as they become viable.

Programme: Clean energy infrastructure

The HotSW region has considerable potential for the development of renewable energy resources, including solar, wind, marine and waste. We are working with Cornwall and the Isles of Scilly and Dorset LEPs on an energy strategy that will identify strengths and capabilities as well as proposing the way forward to overcome challenges and barriers, such as the limitations of the current energy grid infrastructure. In so doing we will seek to maximise the benefits of affordable clean energy for communities, businesses and our economy. This includes the major investments to support Hinkley Point C and the economic opportunities that flow from it. We need to make sure that, at the local level, we maximise opportunities to generate and consume affordable clean energy when and where it is needed ¹⁵.

¹⁵ The Joint LEP Energy Strategy is due to be completed and agreed by the end of March 2018. The outcomes from the strategy, covering three LEP areas, will be considered when developing the Productivity Strategy Delivery Plan as well as informing the delivery programme of the forthcoming SW Energy Capacity Hub.

EMPLOYMENT, SKILLS AND LEARNING

Why is this important?

People's skills and experience underpin the success of an area's economy. People are a central element in the creation of local prosperity; providing the labour that fuels successful businesses; the talent that drives forward enterprise and innovation; and the capacity that attracts investment and competition.

The most productive economies are those which grow, attract and retain the most talented people. Economies with the most skilled and active workforce and with the best education and life-long learning environments, are often those best able to meet new economic challenges and opportunities. Successful economies recognise that people develop at different rates and that different pathways are important; there must be no closed door to developing talent. Improving both access to employment and the quality of that employment is key to both raising productivity and achieving the prosperity that flows from that. Realising and enabling the potential of every individual to work and learn has benefits beyond business performance, with the most skilled communities tending to be healthier, safer, more confident and more adaptable to change – a virtuous circle of prosperity.

Ensuring our workforce is consistently supported to meet its full economic potential through enhanced education, skills and employment opportunities is imperative. This will allow us to build on opportunities as they arise, across the HotSW and nationally, as well as address any challenges to ongoing sustained growth.

Understanding the issues

Making the most of people's potential

In the HotSW we are successful in getting people into work. With almost functional full employment in many areas, we do not face the same challenges around worklessness perhaps found elsewhere in the country.

Instead, the HotSW faces issues around fulfilling the potential of its residents, whether those not working due to barriers to employment or learning; those in work who lack the skills to move to a better position; or those in education who lack the ambition or knowledge to pursue wider career choices.

In 2016, 23% of the HotSW's workforce still held less than a GCSE level qualification, whilst 10% fewer students went on to university than elsewhere in the country. Within the workforce, only 50% of those with a disability were in full time employment, whilst unemployment in our most deprived wards was four times that of our best performing. The aspiration and achievement of our young people has to be improved, ensuring they are well prepared for the future labour market, as well as ambitious and entrepreneurial.

Too many young people are still leaving the area after their studies; and too many talented older people decided to retire early. The area also continued to face a range of wider structural labour challenges, with gender wage equality amongst the lowest in the UK in parts of the HotSW, and a rapidly ageing population starting to infringe on labour availability.



Whilst the HotSW has seen significant improvements in interaction between business and education over recent years, there remain significant gaps between destinations and the needs of the labour market, as well as gaps in young people's own knowledge on entering the world of work (notably with regards employability and wider transferrable skills, like digital literacy).

Unemployment and underemployment represent an ongoing loss to our overall economic potential, which has a direct impact for our economy and creates a wider cost in terms of housing, health, crime and education.

These factors all contribute to our economy having a series of workforce gaps; whether in higher value occupations where graduates have migrated to London and other locations; or whether in companies seeking technical skills around construction, health, engineering or farming; or in communities with higher levels of worklessness. With Brexit potentially further constraining labour supply in some of these areas, the HotSW faces growing pressures in fuelling its growing economy.

Areas of strength

Despite these challenges, the HotSW has significant areas of strength around employment, skills and learning. We benefit overall from a talented workforce with a range of sectoral expertise, as well as a strong learning environment on which to build. We also have improving educational capacity across the area; good quality Further Education and Higher Education institutions; and businesses committed to lifelong learning.

As a result, some of our communities, such as those around Exeter and Plymouth, benefit from a higher proportion of knowledge and service-led opportunities than elsewhere in the region. This is closely aligned with our high quality further and higher education capacity. Similarly, NVQ Level 3 performance remains high across Somerset and parts of Devon and Torbay, aligned to an increase in specialisms in advanced manufacturing, digital careers and health occupations. Our rural areas also benefit from niche specialisations, in areas like tourism, land management and agriculture/food manufacture, reflecting the natural assets-based economy which has traditionally.

Our golden opportunities require access to the right people and talent if they are to meet their potential, as well as access to the right research, teaching and learning environments if they are to achieve their ambitions. Our skills development capacity will be central in defining the HotSW as a place to invest in these sectors.

A changing future

Whilst supporting high-value opportunities is vital, it will also be important to ensure that the rest of the economy, and particularly its workforce, are supported to evolve over the next decade. As highlighted through the Government's Industrial Strategy, our businesses and their workers will likely face a period of considerable change through to 2030, with a range of digital technologies and wider disruptive developments modifying the way we work and live. Changes like Brexit and the effects of wider national economic performance have the potential to drive further shifts in behaviour; including the demand for labour; automation and modernisation; and affecting consumer patterns.

Ensuring that the workforce of our most important traditional sectors (such as tourism and farming), and those sectors which underpin wider economic performance (such as construction and logistics), are ready for change is critical to the wider improvement of productivity.

Sharing benefits and developing potential

If the HotSW is to thrive it needs to ensure that the success of our best performing areas is replicated across everywhere and routes to success are available to all those who wish to learn and advance.

Any approach to enhancing productivity in the HotSW requires a clear focus on meeting the area's skills challenge and emerging needs. We will therefore focus on building the capacity of those without work, those already in work and those in education, to thrive in a more diverse future economy. We will also seek to meet the needs of our emerging golden opportunities and future sectors, as well as our existing business base, recognising the importance of both in terms of driving growth and ensuring inclusion.

The following pages describe the outcomes we will be aiming for and the programmes we will use to achieve them.

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.



What we will do

Summary/Outcome

Our businesses have a skilled workforce and are committed to training and developing talent to capitalise on future opportunities

High-level Aims

- Develop, attract and retain a highly skilled and adaptable workforce
- Enhance education, skills and learning opportunities to improve the economic potential of our workforce

Programmes

- Educating and Retaining the Workforce of the Future
- Creating Pathways to Success for All
- Skills for Our Golden Opportunities
- Supporting our Workforce to Succeed in a Changing Economy

Programme: Educating, Retaining and Attracting the Workforce of the Future

We will improve the advice that our young people receive on careers and opportunities throughout their education, building on the content of the Government's recent Career Strategy. This will include a focus on primary, secondary and tertiary levels by 2020, recognising that careers advice should be integrated throughout learning.

We will simultaneously seek to better support schools to provide students with the skills they need for work, including around independent decision making, enterprise and other work ready disciplines. This will be particularly important in areas demonstrated to have a long-term challenge around aspiration, such as the West Somerset Opportunity Area, where partners will work closely with Government and others to enhance social mobility opportunities.

Reinforcing this approach, we will build upon the good practice already in place across the area with a Business and Education Partnership, enhancing linkages between our schools, businesses, and further and higher providers. This will include working with the strengthened Careers Enterprise Company as lead advisory body, and through any emergent Skills Advisory Panel's role around labour market intelligence. We will also improve knowledge of alternative career pathways, including ways into entrepreneurship, ensuring that apprenticeships and other technical training routes are given ample weight alongside academic qualifications, as costed and valuable career paths.

On higher level skills, we will continue to work with business and further and higher education partners to enhance access to delivery across the area. This will allow us to meet the existing and emerging needs of our business community, and provide local learning

opportunities for our students as well as for those in work. There will be ongoing activity to reinforce our capacity around science, technology, engineering and mathematics and related high value technical skills disciplines; a shared bid for an Institute of Technology; and ongoing coordination to be at the forefront of T Level implementation. Similarly, we will continue to focus on securing complementary Higher Education capacity within those areas of the HotSW which currently lack local provision, notably the ambition for a University of Somerset and wider provision within Northern Devon and Torbay.

Finally, as part of our shared approach to higher level skills development, partners will come together to consider how they might better align activity to attract and retain qualified individuals within the HotSW, both those newly trained and those with experience. This will include working with employers, higher and further education colleges and wider stakeholders.

Programme: Creating Pathways to Success for All

To achieve our ambition for productivity, the HotSW will need to harness the potential of its entire workforce.

We will therefore enhance the offer to those in work who are willing to retrain and up-skill, as well to those outside of work but wanting to return. We will seek to harness existing and developing support for adults, including the emerging content of the Careers Strategy; the Government's ambitions for technical training and T Levels; pilot activity around Career Learning; and other opportunities to create an environment in which adult retraining and career progression is supported. We will also work with partners to promote apprenticeships in all forms, including Degree Apprenticeships.

For those facing an existing barrier to work, we will join local and national partners, including local authorities, our colleges, Jobcentre Plus and wider providers to

create a “no wrong door” approach to support. We will seek to build on the Government’s ambitions in its Careers Strategy; its Improving Lives White Paper; and its developing approach to adult learning and engagement, to support pathways to work and training for those furthest from the labour market. This will include those physically unable to reach employment and skills provision due to transport issues; those with a childcare need or other personal barrier; and those with a disability or wider health related barrier.

A range of interventions will be established to improve transport and digital access to skills provision at all levels, in particular help around basic numeracy and literacy, and wider employability skills.

We will also work with employers, Jobcentre Plus and further and higher education providers to seek innovative ways to better link together more remote rural and coastal communities, and wider groups that are underrepresented in our workforce, to areas of growth and demand. This will include engagement with our ageing population and seeking to improve the gender balance of parts of our economy. In taking forward such support, we aim to create more integrated advice and support systems, moving towards a single gateway for end users.

Programme: Skills for our ‘Golden Opportunities’

We will seek to maximise the impact of our golden opportunities through skills investment. We will come together with further and higher education colleagues to ensure that existing capital and revenue investments are being fully aligned. We will seek to build upon sector specific investments that are already in place, such as the National Nuclear College in Somerset, the STEM Centre at City of Plymouth College, or the Robotics and Engineering Centre at Exeter College. We will also seek to secure wider capacity for key sectors like advanced engineering, aerospace and marine development, nuclear, and digital technologies from emerging Government announcements and initiatives,

like the ongoing Institute of Technology process and the Sector deals announced as part of the Industrial Strategy.

We will also work together to facilitate and drive forward joint working around labour market intelligence in our golden opportunity sectors, and across the wider economy. This will include initiatives such as the Digital Skills Partnership, mapping the specific needs and opportunities related to digital skills and capacity across our economy over the next decade, and the creation of a wider Skills Advisory Panel for the HotSW area, providing a single view of skills demand and training need across our economy.

Programme: Supporting our Workforce to Succeed in a Changing Economy

The HotSW Partnership will work with our traditionally areas of strength to develop new skills capacity for a changing environment. In particular, we will seek to work with the tourism, farming and the construction sectors to identify emerging opportunities, gaps and challenges; and seek to deliver added value and improved outcomes for their workforce. This could include integration of digital skills, science, technology, engineering and mathematics content, and other high value/ innovative elements into their activity.

We will also seek to enhance and promote skills and training provision across the wider economy, including into sectors like social care, the wider public sector and retail activity. The strength of the area’s further and higher education sectors is a major opportunity in creating this training and development. We will also seek to embed and promote new practices and learning methodologies into the education sector itself, as well as work with the sector and wider business community to ensure that content and delivery approaches are both relevant and suitably quality assured.

CROSS-CUTTING THEMES

As highlighted previously, our cross cutting themes are integral to our approach to raising productivity. They are woven into our Strategic Themes but are key areas of focus in their own right. This section explains the opportunity they present.

Inclusive growth for our communities and places

We will make sure that everyone in the HotSW 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 smaller 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. We will be flexible in how we deliver the Strategy in order to respond to the needs of different places and business sectors and ensure benefits are delivered across the Heart of the South West.

Further developing an idea from the SW Rural Productivity Commission's recommendation to "rural proof" activity, we will impact-assess the inclusivity of all our interventions, socially and spatially, to understand where and by whom any (positive and negative) impacts are likely to be felt.

Capitalising on our distinctive assets

Sectors and business mix

We have world class capabilities in high productivity sectors which stretch across different geographies in the HotSW and beyond. We have 'golden opportunities' with our globally significant clusters in aerospace and advanced engineering, data analytics, agri-tech and health, which have transformational potential for our area. We have three strategically located enterprise zones for businesses to come in and capitalise on our strengths: Huntspill Energy Park near Bridgwater allocated for energy innovation and generation complements the investment at Hinkley C and a new nuclear cluster; Oceansgate in Plymouth is a marine and maritime site with deep water access; and Exeter and East Devon Enterprise zone has four sites complementing the environmental science and data analytics cluster. We have world class people who have the talent and capacity to drive forward new enterprise development and innovation across LEP areas. We are already collaborating beyond our boundaries through Nuclear South West, South West Aerospace and the South Coast Marine Cluster and we want to make sure more businesses across the whole area benefit from these opportunities.

Most of the businesses in the HotSW are small and medium sized enterprises (SME) employing fewer than five people, providing potential for growth and innovation, given the right investment in infrastructure, skills development and support. Putting a package of such measures together with incentives, such as those seen in Enterprise Zones, informs some of the ways local areas are thinking about regeneration, particularly in coastal areas such as Torbay, or northern Devon and Somerset.





Knowledge and research

Research expertise in and around our universities provide us with important knowledge assets. As well as environmental science and big data analytics, Exeter has world-leading expertise in agri-tech, water security, mathematical modelling and advanced materials. Plymouth is a centre of expertise for marine research. Expertise and facilities in association genetics, clinical trials and healthcare across the HotSW are the base for an emerging medical devices and healthcare cluster, while the Academic Health Sciences Network, spanning two LEPS, shows a close working relationship between the NHS, academia and commerce.

Natural capital

The economy and the environment are closely interrelated and Housing, Connectivity & Infrastructure sets out the importance of natural capital and its opportunity. Harnessing and nurturing our natural capital while avoiding over-exploitation can be a spur to economic growth, and HotSW is the ideal location to trail blaze natural capital-led productivity growth. It is rich in natural capital, with a spectacular coastline and substantial land areas within National Parks and Areas of Outstanding Natural Beauty. The area is reliant on abundant natural assets and ecosystem services that derive from them to power economic growth. These assets in turn rely on the agri-food industry that maintains them and which forms a major part of our rural economy; our farmers are both food producers and land managers. Our coastline, moorlands and countryside attract more domestic tourists than any other UK region. Employment in sectors that depend directly on natural capital, such as agri-food and fisheries, is proportionately higher than any other UK area. Our natural capital has an important influence on the economic success and demographic trends in our area, attracting skilled inward migration. There is scope to build on this, enticing enterprises and entrepreneurs

to move to the HotSW for the quality of life that our area offers. The SW Rural Productivity Commission cites many examples of successful innovative rural based businesses working in different ways and in symbiosis with urban centres – particularly given the right digital and/or transport connectivity.

Our quality of life, supported by our stunning environment, strong and enterprising communities, our cultural heritage, together with our centres of knowledge and anchor industries, endow the Heart of the South West with New World potential.

Maximising the potential from digital technology

Digital technology has become a utility like energy or water, and drives social interactions, education and communication in almost every household. In parallel, it has changed a range of business processes from basic invoicing, through to big data analytics and bespoke manufacturing, and it has opened up previously unimagined business opportunities, for example the rise of streaming services. The transformative effect this has had on the relationship between businesses, customers, products and services, means that all businesses have 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, making digital take-up key. The need to improve digital connectivity has consistently been a major concern of consultees in the HotSW area.

There is strong evidence that digital skills and tools can improve performance and lead to higher levels of productivity¹⁶. We need to support all our businesses, particularly in rural and peripheral areas to increase their digital capability and take advantage of new digital infrastructure.

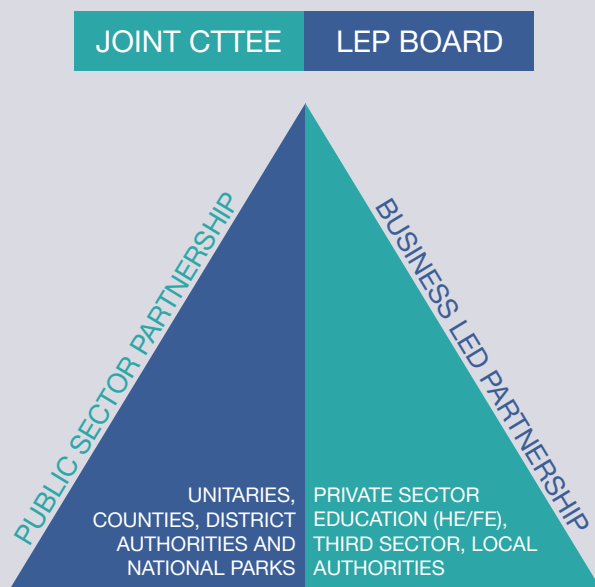
¹⁶ Nesta, Sage. The State of Small Business. Putting UK entrepreneurs on the map. (Nesta 2017)

LEADERSHIP & DELIVERY

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

Our 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 health bodies.

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



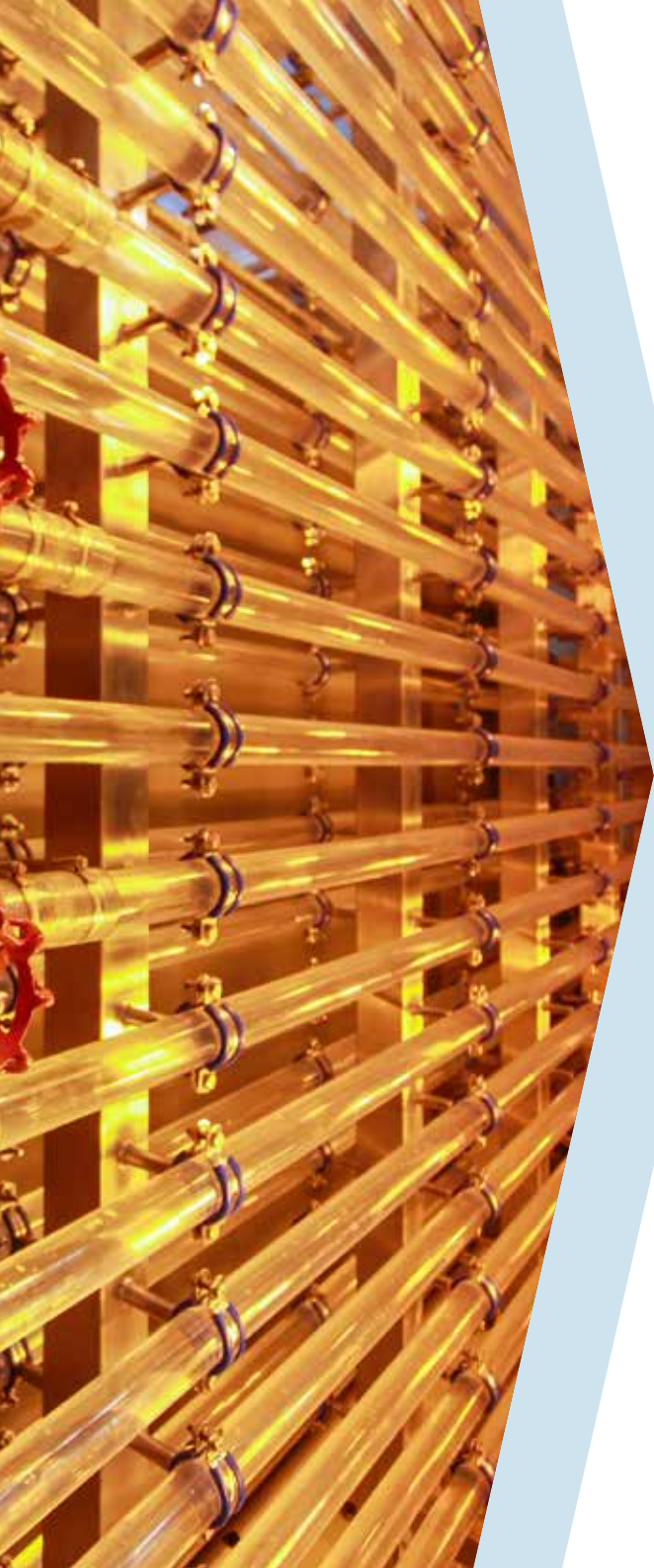
Delivering the plan

We will take overall responsibility for commissioning 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 Strategy sets out our strategic intent for delivering ‘productivity and prosperity for all’.

Following the agreement of this Productivity Strategy, we will publish a Delivery Plan that will set out in more detail exactly what will be done, phasing in rolling programmes through to 2038, in different parts of the region – demonstrating how our plans can be delivered.

Delivery will be a combination of interventions that apply everywhere (for example improving digital connectivity across the whole area) and interventions which happen in a particular place but which offer opportunities for surrounding areas (such as marine). In this way it will be multi-layered and multi-dimensional; working across different geographies and with different groupings of partners depending on how the activities are best delivered and how opportunities arise. 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. We must therefore work with other LEPs, other sector networks and national partnerships wherever appropriate.





A new economic compact

In the private sector, the best businesses are efficient and ambitious, productive and innovative. They train their staff and take prudent risks with their own and stakeholders' money in the expectation of future returns. They aim to grow profitably, productively 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. 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. 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. Local authorities 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. Our partnership is keen to work with the private sector to develop this, and with government to develop investment models.

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.

MEASURING CHANGE

This Strategy is aimed at achieving results over the next two decades. Not everything is within our control, but this Productivity Strategy, and the delivery plan that sits beside it, aims to uplift productivity and a range of associated economic indicators over the life of the Strategy. However, different activities will be delivered as resources are secured and some may take several years.

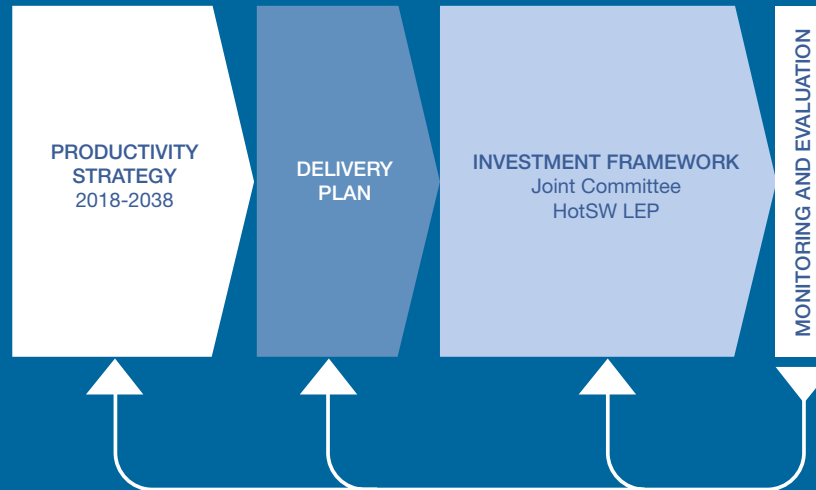
Our ambitions for productivity

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 over 20 years through raising productivity.

Overall, we believe that an ambitious but not unreasonable macro target might be to increase average local productivity growth to between 0.3%-0.5% per annum above the national average over the period of this strategy.

To achieve such a shift in performance requires higher investment and research and development ratios (closer to G7 averages). This will need to be achieved by businesses. The partnership assembled under the Productivity Strategy, is an enabler, providing incentives and interventions that will:

- create supportive infrastructure to build connectivity in its widest sense - real and virtual
- 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. Moving the productivity rate towards '2% per annum' would be a significant but realistic achievement. It could mean moving the HotSW area's 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 is 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. This is a challenging aspiration and a step change for Heart of the South West, but it is a level of growth that has been achieved in other parts of the UK and the world.



Prosperity for all

Improving absolute and relative productivity is a key component of economic growth. However, it is recognised that this 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 emphasis between the two will vary from place to place across HotSW and success will be measured through the indicators in the table opposite.

Economic growth has not necessarily meant improvements in sense of wellbeing and traditional measures of economic growth do not allow for an understanding of the distributional impact of growth.

National policies and fiscal, monetary and economic decision-making have 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. These will be published with our delivery plan. 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

Making choices over which specific projects and programmes to support to deliver our strategy, 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 cases 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'

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

The Heart of the South West Partnership Productivity Strategy is focussed on accelerating the rate at which our economy grows by focussing on improving our productivity; to raise living standards across the area, to provide better jobs and create better places to live.

**WE NOW
NEED TO
DELIVER
THIS
STRATEGY**

**WE INVITE
YOU TO
JOIN THE
CHALLENGE.**

