



Stepping up to the  
**Challenge**

## Heart of the South West **Partnership**

---

Productivity Strategy - for discussion and consultation - 2017

[www.torbay.gov.uk/devolution](http://www.torbay.gov.uk/devolution)

# Contents

---

**03**

Executive Summary

**04**

Introduction

**07**

Heart of the  
South West

**12**

Our Vision

**13**

Cross-cutting  
themes

**15**

Strategic Objectives

**16**

Leadership and  
Knowledge

**19**

Connectivity and  
Infrastructure

**23**

Working and  
Learning

**26**

Leadership and  
Delivery

**28**

Measuring Change



# Executive Summary

Our ambition is simple - to double the economy in 18 years. In doing so, we will improve the productivity of our businesses, maximise our areas of world-class potential, provide better jobs and generate increased prosperity for our communities.

**It is ambitious** - aiming to double the size of our economy by 2036.

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

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

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

We have identified three strategic objectives which will achieve this ambition:

- developing the leadership and knowledge within businesses in our area
- developing the ability of people in our area to work and learn in a rapidly changing global economy
- strengthening the connectivity and infrastructure our businesses rely on to get goods to market and exploit new opportunities.

We set out ambitious programmes across each of these. We have identified our areas of world-class potential: in nuclear, aerospace and advanced engineering, marine, data analytics, rural productivity and health and care.

We will exploit these to bring new opportunities to our businesses and communities, and we will improve our productivity in a way which builds on the importance of our natural capital.

The Strategy 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, investors and with Government to secure the investment needed to deliver our potential.

Whatever the particular challenges we face now, this Productivity Strategy is looking ahead and preparing for the opportunities of 2036 and beyond. We will develop the foresight to understand the opportunities of the future and how to exploit them for our area.

Our aim is for our businesses, 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

# Introduction

---

The Heart of the South West has an economy worth almost £35 billion, 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. Yet, 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.

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?

**This Strategy is all about *unlocking our natural potential*.**

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. 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 against the UK average.

This Productivity Strategy is about delivering productivity improvements throughout our economy - whether for a small rural business or a 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. We will 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 different in each so the solutions need to reflect that.

**We need to do more to improve our productivity as a *route to a stronger economy*.**

This Strategy 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.

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 the end, this will lead to declining communities, reduced living standards, higher levels of poverty and a greater strain on public services.



# Our ambition is to double the size of our economy by 2036



In preparing 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 and the Local Enterprise Partnership to create and commit to delivering this Strategy together with the Clinical Commissioning Groups. We do so in collaboration with private sector and third sector partners and with government, using whatever resources we have and can attract.

The Strategy is a critical step in the longer journey that we want to take. 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 Heart of the South West



- - Key Road Route
- - - - Key Rail Route
- - - - Planned Infrastructure Improvements
- - - - Proposed Infrastructure Improvements

<span style="color: green;">●</span> - Principal Growth Areas	<span style="color: orange;">●</span> - Renewable energy potential	- Universities	- Innovation Centres	- Yeovil Aerospace	- Data Analytics Centre
<span style="color: red;">●</span> - Secondary Growth Areas	- Enterprise Zones	- Science Parks	- Marine Technology	- Hinkley Point Nuclear Site	

# The Heart of the South West

## Welcome to the Heart of the South West

The Heart of the South West (HotSW)<sup>1</sup> 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.

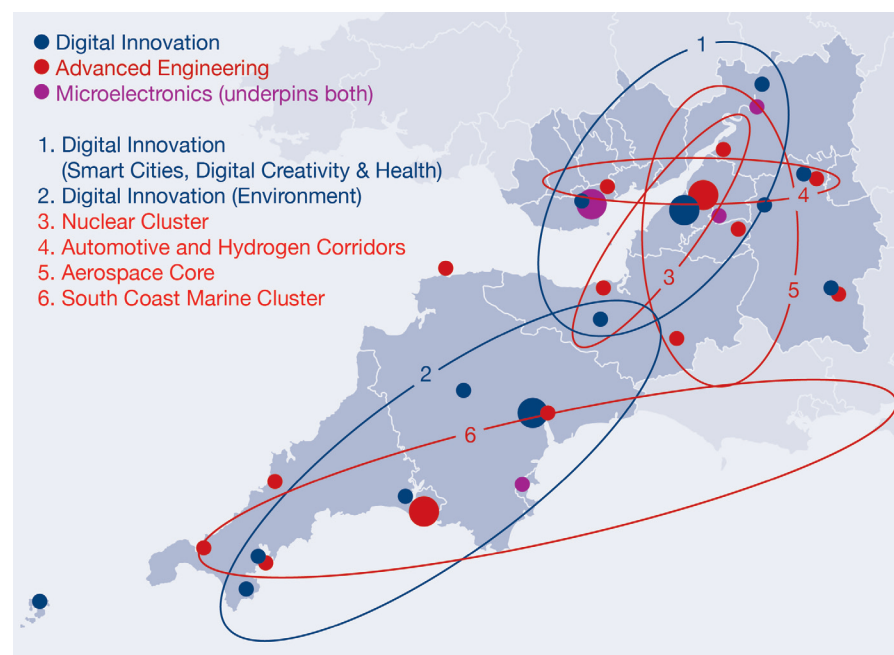
The HotSW has world class potential across several sectors which provide a springboard for productivity growth - in those sectors, through the supply chains and across the area. These are our 'golden opportunities'.

- 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 businesses and 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. Significant data analytic capacity is also provided in Taunton by the UK Hydrographic Office

1. This section draws on an Evidence Report published in early 2017, and the responses received.

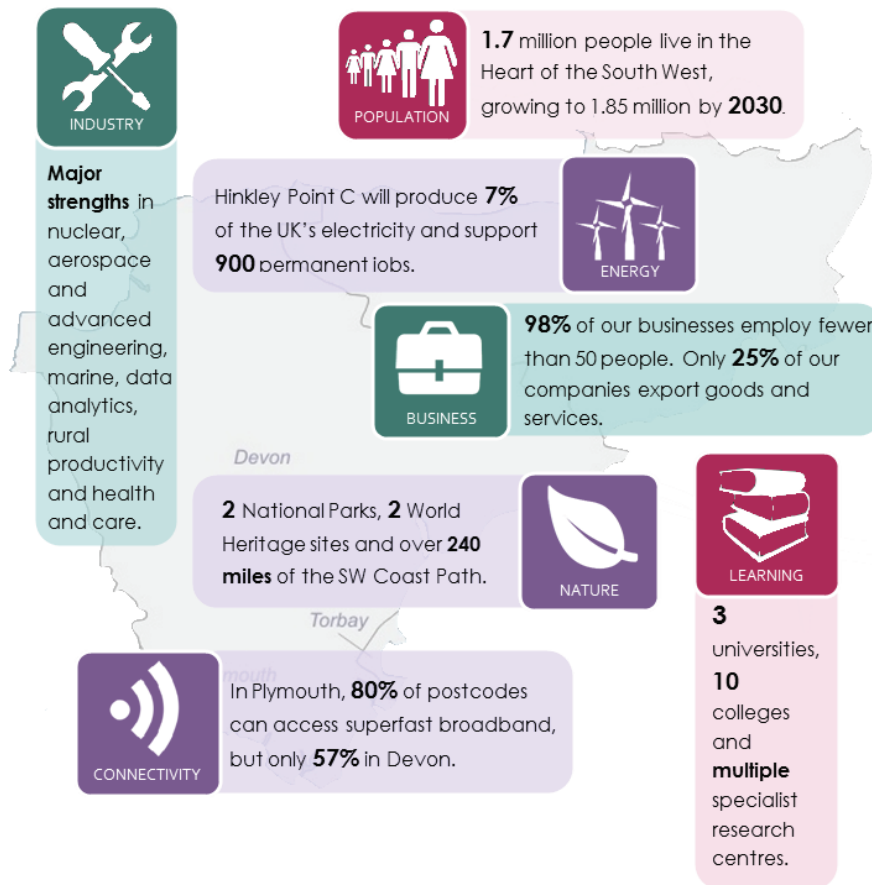
- The agri-tech opportunity extends as a high potential sector throughout Devon and Somerset.
- Expertise and facilities in association genetics, clinical trials and healthcare in Exeter, Plymouth, Torbay and Devon, provide the base for a healthcare cluster with real potential in the field of healthy ageing.

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



The HotSW has a world class knowledge base which includes three universities, two medical schools, ten 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.



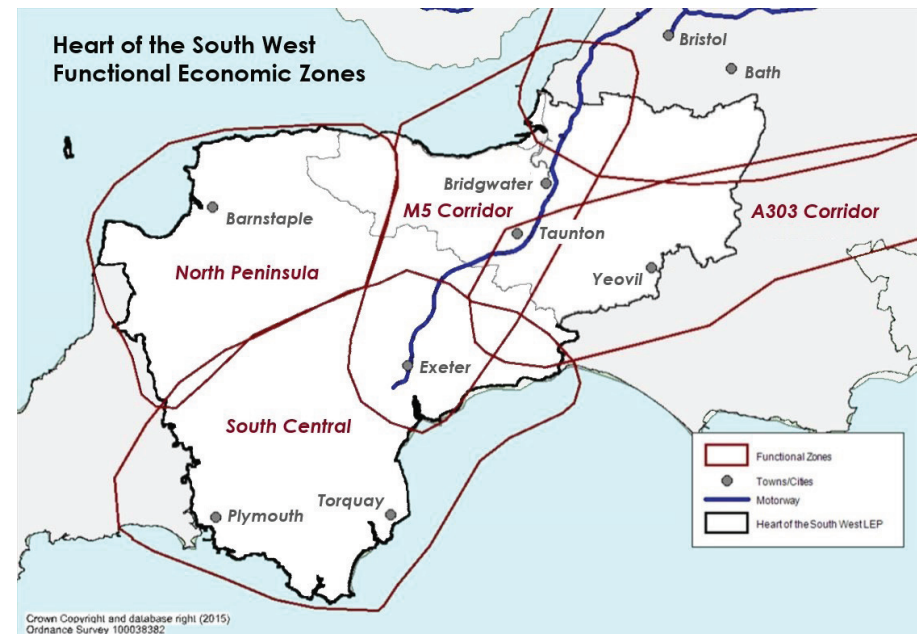


The HotSW also has a major tourist and visitor economy largely built on its natural capital that includes two National Parks, two World Heritage Sites and countless stunning beaches, attracting millions of visitors each year. The HotSW has a strong rural and agricultural core, making a significant contribution to the UK's production and export of foodstuffs. 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 country, with a combined turnover estimated at £1.5bn<sup>2</sup>.

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 and rural areas are economically successful in their own right. In achieving this, we recognise that economic activity overlaps across our different places and the wider South West.

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.



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

## Key challenges

- Productivity has slipped from 88.1% of the UK average in 2004 to 86.6% in 2014.
- Productivity varies considerably across the HotSW and across sectors.
- HotSW businesses are less likely to export, invest in innovation and start-ups levels 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 the HotSW to other parts of the UK must be strengthened.
- The population will grow by 150,000 by 2030, most of whom will be over 60.
- Our changing population needs new houses to live in.

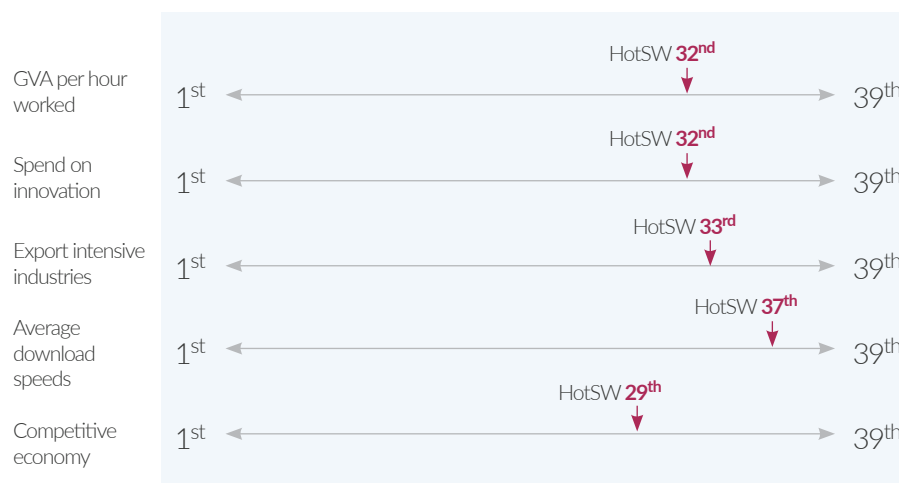
The HotSW productivity gap is real and reflects issues with capital stock, sector composition, firm characteristics, labour skills, and access/distance, to markets. This suggests that, to improve overall productivity, the HotSW Productivity Strategy must tackle higher-level skills, capital investment 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 spillovers 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.

### How HotSW Compares (2015 data)

Relative position among LEP areas





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 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 fundamentally difficult. However we do understand some of the more profound trends. The use of big data to drive advances in remote sensing, Artificial Intelligence (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 seen 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.

## STRENGTHS

- One of the largest non-metropolitan LEP areas outside London and the South East
- Most businesses are SME and provide excellent potential for growth and innovation
- Areas of world-class potential in nuclear, marine, aerospace & advanced engineering, data analytics, rural productivity, health & care
- Strong publicly funded R&D assets
- World class research base
- Over 1000 social enterprises
- Rich in natural capital

## OPPORTUNITIES

- Potential to double to size of the HotSW economy to £70 billion by 2036
- Hinkley Point C
- Shortages in the workforce: an increase in wages could lead towards more capital-intensive modes of production
- Areas of world-class potential
- Network of Enterprise Zones
- South West Marine Energy park
- 'New world' potential to realise high growth in the knowledge economy
- Potential growth corridors between key locations
- Potential to increase exports
- Leverage world-class research base to raise innovation
- Replacement for CAP
- Brexit

## WEAKNESSES

- Low levels of innovation in products and processes
- Low rates of business 'churn'
- Fewer than average large and medium sized companies and smaller businesses less able to absorb advice/ support
- Businesses less likely to trade across Europe or other parts of the world
- Peripheral area with distributed population
- Time and distance to major markets
- Housing availability and affordability

## THREATS

- Ageing and decreasing workforce exacerbates skills shortages
- Low levels of business investment in innovation
- Failure to raise productivity drains talent, investment and businesses
- Uncertainty over CAP
- Risk of being left behind as the economy changes: HotSW ranks amongst the least knowledge driven economies in the country
- Resilience of key transport corridors
- Disruption from Brexit, including potential loss of labour in some sectors

# Our Vision

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 the 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 Strategy is all about.

## We will drive productivity and prosperity for all

This Strategy 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 in physical capital of all kinds. In order to grow the economy and achieve higher living standards across the area, we also need to consider:

- 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.

## Cross Cutting Themes

Businesses are the engine of our economy and the Strategy 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 golden 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 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 Strategy in order to respond to the needs of different places and business sectors.

### Building on our golden opportunities

We recognise that the 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 the 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 drive growth and living standards, and, thereby, they promote wider wellbeing.

Recent research has shown that the environmental economy represents about 8-10% of total annual economic output and employment. 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.

### Using 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 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 and therefore digital take up is key.

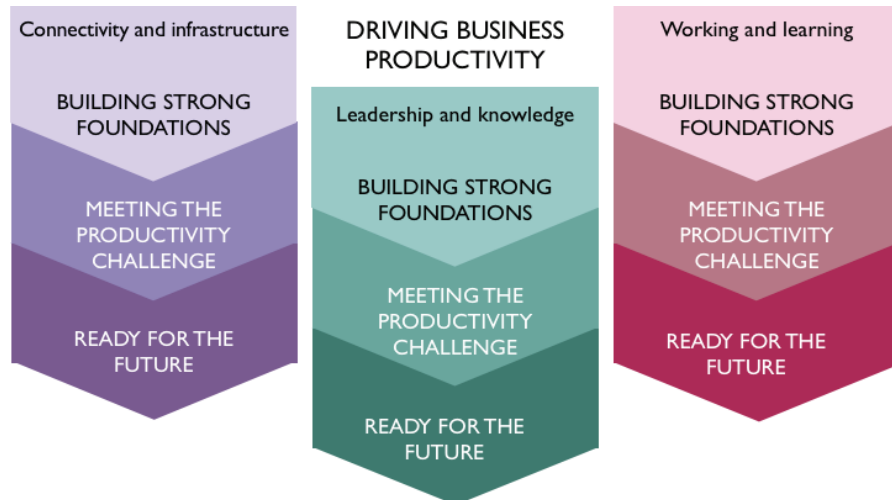
Our evidence base feeds our vision and our cross-cutting themes. We know our potential and the challenges we need to address. In the following pages we describe how we will deliver a transformation in our area's economy by 2036.



# Strategic Objectives

To deliver our vision, we will pull together our evidence base and cross-cutting themes into 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 objectives 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. **This is part of building strong foundations across our area.**

However, we will also step up our interventions to focus on those businesses, places and activities that will have the most impact on **meeting the productivity challenge**. These provide the best chance for transforming the economy.

Our evidence shows that the next 20 years will present several major challenges and opportunities. Some of those are known now, others are yet to emerge. Some will be local and within our ability to influence, others will be global in scale. With a Strategy looking to 2036 and beyond, it is essential that we are **ready for the future**, working as a partnership and as an area to look forward to identify these and be able to act accordingly.

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 the HotSW a special place to live and work and finding new ways to create value from those natural assets.

# Leadership & Knowledge

## Why is this important?

**B**usiness 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 most of the goods and services. 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.

## Understanding the issues

**T**o increase average productivity, we can either enable our existing businesses (their workforce and capital) to be more productive, or we can 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.

Data shows 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, the HotSW's productivity has slipped though it

varies enormously from place to place and between different sectors - often for well-known reasons: under investment in skills and training; low levels of investment in research and development; lack of effective leadership and a poor record on innovation.

We also know that:

- A lack of skills has 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.

## What we will do

<b>Aspiration</b> productivity and prosperity for all	To substantially improve the productivity of businesses in the area
<b>High-level Aim</b> more productive businesses	Help develop innovative, ambitious, growing businesses that can compete internationally
<b>Strategic Objective</b> leadership and knowledge	<b>Programmes</b> <ul style="list-style-type: none"><li>• Management excellence</li><li>• New markets, new opportunities</li><li>• Remove barriers to expansion</li><li>• Attract talent and investment</li></ul>

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.

### 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.



**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 could be particularly vulnerable 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.

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 productive supply chains and 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 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 them the challenge to focus all of that on what the local market needs.

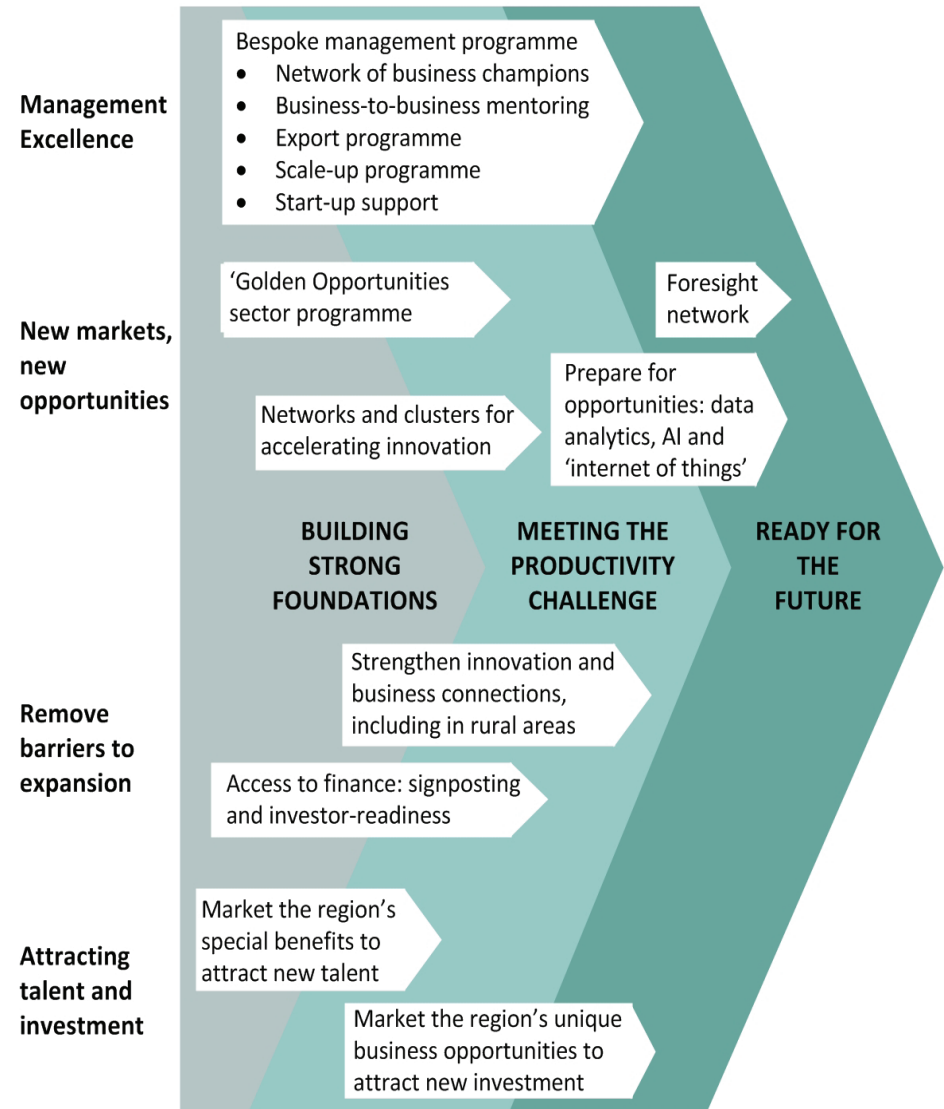
For instance, our knowledge of agriculture and rural land management can feed back directly into creating new models for productive and rewarding farming, post-Brexit. Our knowledge of clinical sciences and human health can support new ways of delivering care to the vulnerable, especially in rural areas.

We will invest in making sure that our research and technology in key sectors pivots towards what local markets need. We can then be a test bed for innovation throughout our economy.



### High level interventions

Opposite, we set out the high level delivery programmes the partnership will undertake to achieve our ambitions. Our priorities will be delivered differently in different places, taking account of local needs and opportunities. More detailed projects will be developed under these themes and set out in the partnership's delivery plan.



**Links to Place and People themes:** Transport, intercity connectivity, broadband, business premises, housing STEM in schools, graduate retention, new Higher Education facilities, technical skills through Further Education

**Links to other opportunities and initiatives:** Sector deals



# Connectivity & Infrastructure

## 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 areas: 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.

## 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.





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. The take up 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 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. We also need a considerable investment in housing - to address the issue of affordability and 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 wellbeing - 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.

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.

## 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, is the potential to extend the network into more areas.



## What we will do

<b>Aspiration</b> productivity and prosperity for all	Improve our physical and natural assets to support wellbeing and economic opportunities
<b>High-level Aim</b> more productive businesses	Create vibrant places that are attractive to skilled people and new investment, with infrastructure to support productivity growth
<b>Strategic Objective</b> connectivity and infrastructure	<b>Programmes</b> <ul style="list-style-type: none"> <li>Clean energy infrastructure</li> <li>Connectivity and resilience</li> <li>Land for business and housing needs</li> <li>Natural capital to support productivity</li> </ul>

**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 of our area and for a new generation of electric and autonomous vehicles, with an Infrastructure Commission to oversee a new infrastructure plan.

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 delivering incremental speed improvements, we plan to leapfrog speeds and bandwidth to enhance our ability to compete in an increasingly digitised future.

**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 which unlocks sites for development. 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.

**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.



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.

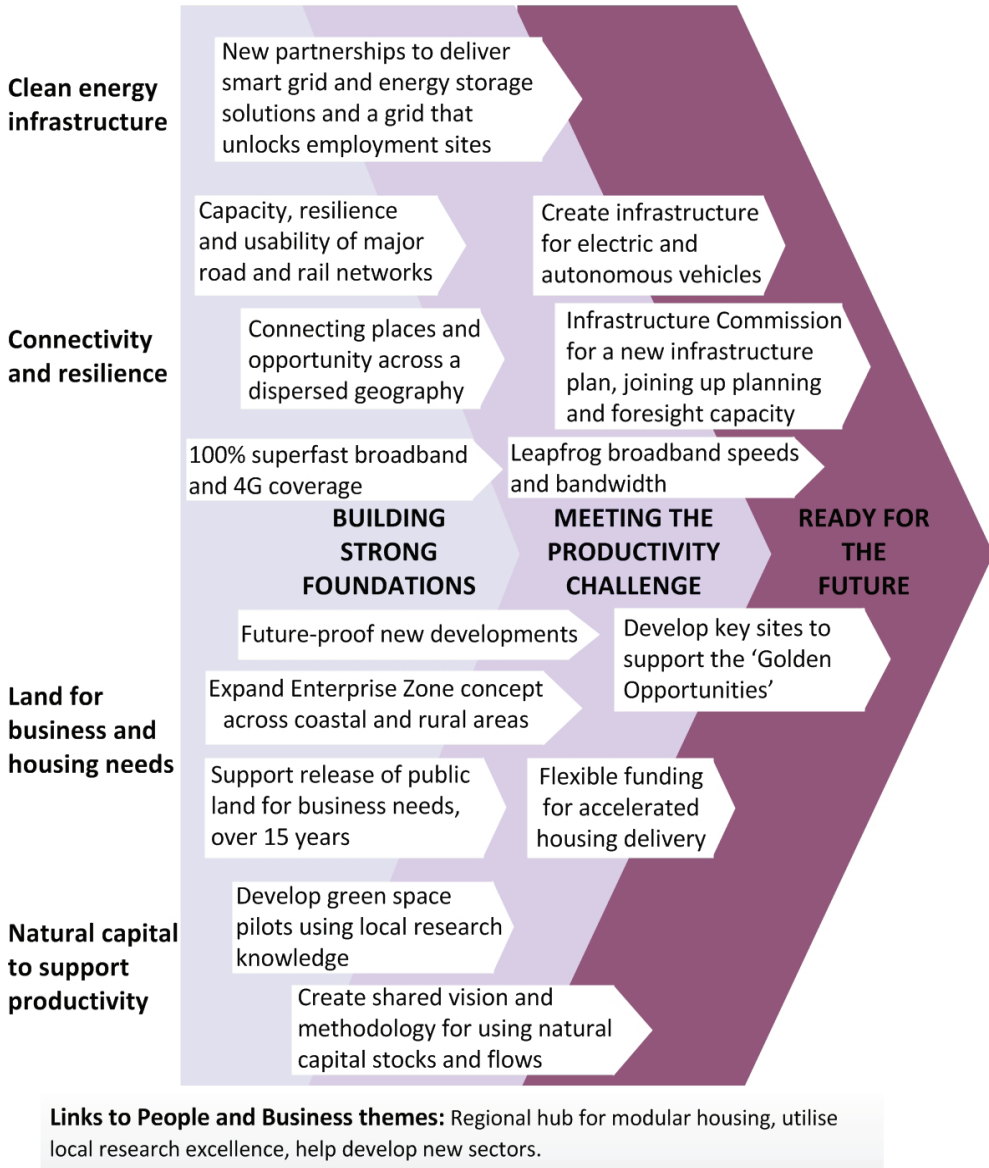
**Natural capital to support productivity.** We know our environment is important for several of our major sectors; for attracting people to live,

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.

The SW Rural Productivity Commission has identified five strategic recommendations, published in their separate report. This Productivity Strategy supports all of them and has specific proposals linked to three of them: digital infrastructure, rural proofing and the impact of Brexit.

**High level interventions**

Opposite, we set out the high level delivery programmes the partnership will undertake to achieve our ambitions. Our priorities will be delivered differently in different places, taking account of local needs and opportunities. More detailed projects will be developed under these themes and set out in the partnership’s delivery plan.



# Working & Learning

## Why is this important?

People with skills and experience 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 throughout their lives, 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.

## Understanding the issues

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. Consequently, we need to utilise the skills and experience of our ageing population.

We also have areas of strength in skills and learning. Communities such as Exeter and those neighbouring Plymouth currently benefit from a higher proportion of knowledge and service-led opportunities than 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.

However, overall, those in work across the HotSW are too often under-utilised or under-skilled. 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 schools and colleges than elsewhere in the country. We face a net outflow of graduates from the area. Our economy also faces significant risks from Brexit with the potential loss of workforce in care, agriculture and tourism sectors.

## What we will do

<b>Aspiration</b> productivity and prosperity for all	Meet the potential of every individual within the area to work and contribute to our shared prosperity
<b>High-level Aim</b> more productive businesses	Develop, attract and retain a highly skilled and adaptable workforce
<b>Strategic Objective</b> working and learning	<b>Programmes</b> <ul style="list-style-type: none"> <li>• Skills for a knowledge-led economy</li> <li>• Pathways to success</li> <li>• Access to work and opportunities</li> <li>• Skills for our 'golden opportunities'</li> </ul>

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.

**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, the HotSW still trails its peers on the proportion of those going to university. We need to improve access to HE provision especially 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. We will look at maximising the substantial opportunities around apprenticeships, and establish a forward-focussed business-led Skills Task Force to capture emerging opportunities and better align skills provision across the HotSW area.

**Pathways to success.** We will enhance the offer to those in work who are willing to retrain and up-skill, working with partners to promote apprenticeships and Degree Apprenticeships. We will also seek to better align existing funding around re-skilling / in work training through a single training fund approach.

Within the HotSW, one of our most important ongoing productivity challenges is attainment and aspiration amongst our young people. We will improve and integrate our careers education, information, advice and guidance activity (CEIAG) 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. We will therefore come together with FE and HE colleagues to ensure that existing funding and capital investment put in to 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 within Plymouth. Partners will build on the emerging work of the Skills Task Force, with a focus ensuring resources are prioritised for relevant industry-led demand within FE and HE.



We will therefore focus on developing additional assets 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

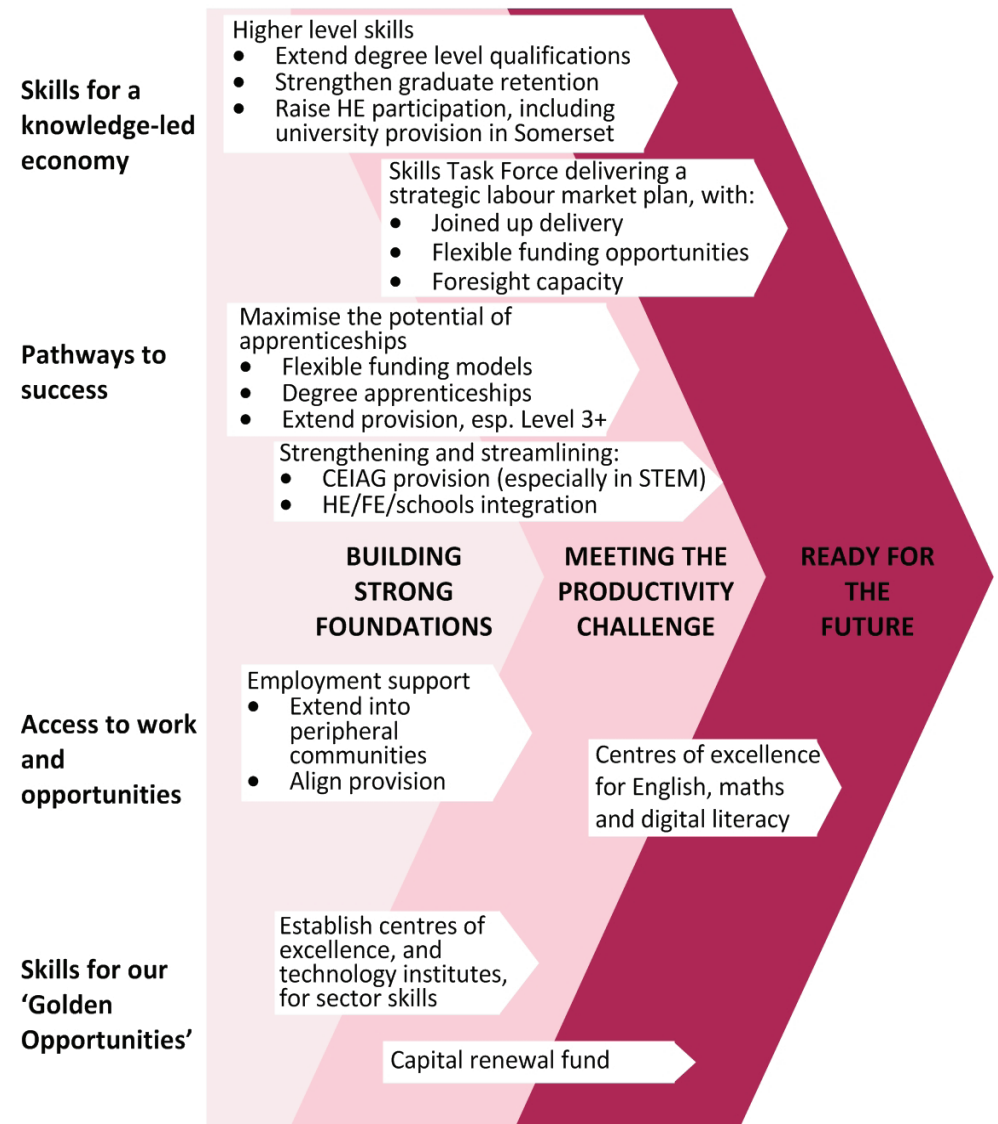
The HPTA is an innovative approach to supporting the recruitment of local labour into the construction of Hinkley Point Power Station. During the 10 year construction period there will be some 25,000 different job roles with almost 6,000 people employed during peak. The aim is for the project to generate 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

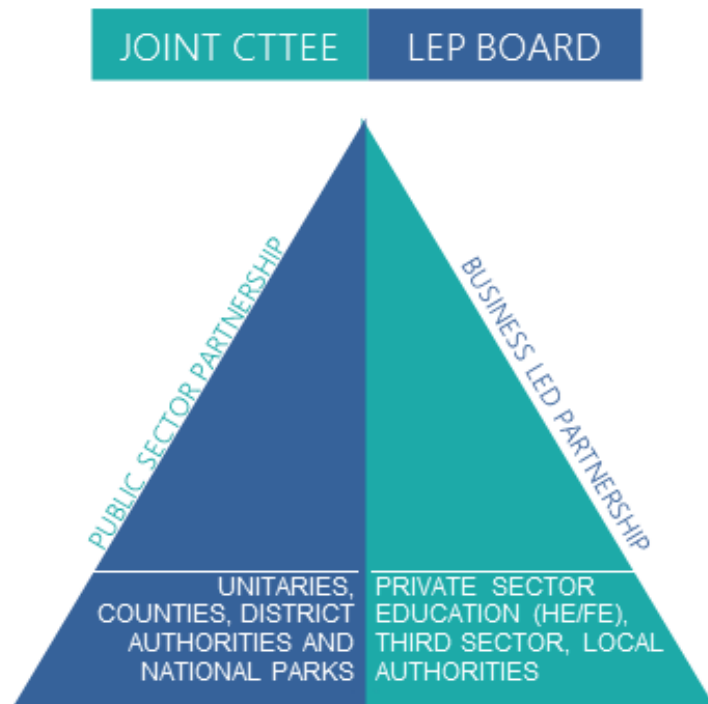
Opposite, we set out the high level delivery programmes the partnership will undertake to achieve our ambitions. Our priorities will be delivered differently in different places, taking account of local needs and opportunities. More detailed projects will be developed under these themes and set out in the partnership's delivery plan.



**Links to Place and People themes:** Marketing of Place, management and enterprise skills, higher level of innovation and R&D, transportation and access

# 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 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 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 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 2036, in different parts of the region - demonstrating how our plans can be 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. 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.

## 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. 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. The partnership is keen to work with the private sector to develop this.

**Shaken, not stirred - funding and investment**

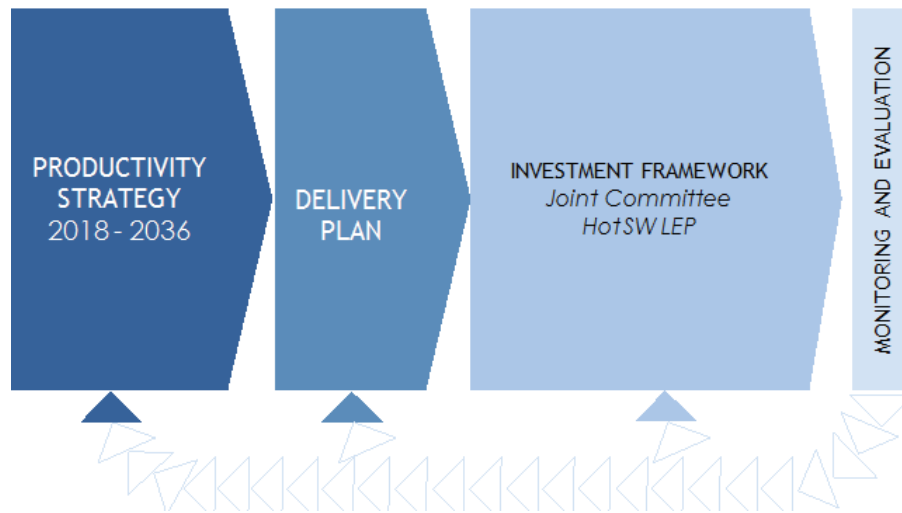
Our proposals are not about creating a new single funding pot. We believe that we need to be more nimble than that. As we identify priorities for delivery and project opportunities, we will blend together a cocktail of investment from a range of sources. However, all our experience shows that we will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

	Local Authority	Private sector	Government	Other
<b>Finance</b>	<ul style="list-style-type: none"> <li>• LA funds</li> <li>• Business rates</li> <li>• New Homes Bonus</li> <li>• Prudential borrowing</li> </ul>	<ul style="list-style-type: none"> <li>• Own investment</li> <li>• Borrowing</li> </ul>	<ul style="list-style-type: none"> <li>• EU funds (until 2020)</li> <li>• UK Shared Prosperity Fund</li> <li>• Departmental budgets (eg DoT)</li> <li>• Innovate UK</li> <li>• Research Councils</li> <li>• New economic development and regeneration funding</li> </ul>	<ul style="list-style-type: none"> <li>• Small grant funds</li> <li>• Bursaries</li> </ul>
<b>Other resources</b>	<ul style="list-style-type: none"> <li>• Land and property</li> <li>• Staff time / knowledge</li> </ul>	<ul style="list-style-type: none"> <li>• Land and property</li> <li>• Expertise / mentoring</li> <li>• Meeting space</li> <li>• In-kind support</li> </ul>	<ul style="list-style-type: none"> <li>• Tax incentives</li> <li>• Designations (eg Enterprise Zones)</li> </ul>	
<b>Other inputs</b>	<ul style="list-style-type: none"> <li>• Planning powers</li> </ul>	<ul style="list-style-type: none"> <li>• Marketing</li> </ul>	<ul style="list-style-type: none"> <li>• Regulation</li> </ul>	<ul style="list-style-type: none"> <li>• Research</li> <li>• KTPs</li> </ul>



# Measuring Change

This Strategy is aimed at achieving results between now and 2036. Not everything is within our control but this Productivity Strategy, 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 Strategy. 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 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 HotSW 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.

## What we will do

Ambition indicator - per annum	Baseline	Significant	Ambitious
Productivity rate	1.7%	2%	2.2%
Real GVA growth	2.3%	2.8%	3%
Employment growth	0.6%	0.8%	0.8%

Productivity growth of 2.2% per year is therefore our aim; this is ambitious and is a step change for the HotSW but other parts of the country and other parts of the world have achieved these levels of growth.

## 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 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 well-being 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. 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 the delivery plan.

## Prosperity for all indicators

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



## Prosperity for all

**M**aking 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 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.

### **So this is our strategy.**

**A strategy to double the size of the HotSW economy by 2036, 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. Please take part in our consultation [www.torbay.gov.uk/devolution](http://www.torbay.gov.uk/devolution)**



Third Way Bridge, Taunton



 Northern, Eastern and Western Devon Clinical Commissioning Group
  South Devon and Torbay Clinical Commissioning Group
  Somerset Clinical Commissioning Group