

Smarter, Faster, Together

The South East LEP's Economic Strategy Statement

October 2018

DRAFT – FOR CONSIDERATION BY THE STRATEGIC BOARD

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A note on the draft *Economic Strategy Statement*

This document has been prepared as a draft Economic Strategy Statement, for discussion by the Strategic Board. Throughout the draft, a number of questions for discussion are highlighted on the proposed key themes and priorities. The draft builds on the consultation that took place earlier in 2018, as well as with each federated area in September. It is also supported by an 'evidence base' document that brings together some of the key relevant data that is summarised here.

Further work will need to take place over the coming weeks on the action plan that will accompany it and on the design of the document: suggestions for images and case studies to support this would be very welcome.

1. Introduction

Welcome to the South East Local Enterprise Partnership's *Economic Strategy Statement*. This document is our prospectus for a more productive and more prosperous economy in which everyone has the opportunity to succeed. It outlines our shared priorities and how we will work *Smarter, Faster and Together* to support long-term growth – both for the South East and for the whole of the UK.

The opportunity...

- 1.1. The area covered by the South East LEP (SELEP) makes a vital contribution to the national economy. Our annual economic output is around £87 billion – around 5% of the UK total. We have one of Britain's most important concentrations of nationally important infrastructure assets, including Britain's largest ports, its only international rail link and two of London's airports; in addition to, nine universities, some 166,000 businesses and a significant share of the country's energy generating capacity. Our population is growing much faster than the UK average, with rapid population growth in both existing towns and cities and in emerging garden settlements. We are an integral part of the Greater South East economy and we have both the capacity and appetite for growth.
- 1.2. This document replaces our previous *Strategic Economic Plan* (SEP). Since the SEP was published in 2014, we can report significant positive change. In 2018, there are 35,000 fewer unemployed people in the SELEP area than there were four years ago. Between 2014 and 2016 (the latest year for which data is available), the economy grew by about 9% (equivalent to £6.8 billion in additional output). The rate of housing delivery has accelerated sharply: between 2013/14 and 2017/18, the number of housing completions increased by over 70% - one of the highest rates of growth in the country, and way ahead of the national average¹.
- 1.3. Alongside this, our previous Strategic Economic Plan made the case for substantial investment in the South East. Since 2014, the LEP has secured some £561 million in Local Growth Fund resources to deliver improved transport infrastructure, regeneration, business premises and skills facilities, in addition to a £160 million European structural and investment programme. Combined, this represents a significant investment in the South East economy.

¹ MHCLG (2018), Housing Statistics

The challenge...

- 1.4. The South East's recent record of economic growth gives us reason to look to the future with optimism. However, there are challenges ahead. In the short term, the immediate economic outlook is one of some uncertainty, particularly associated with Brexit. But we face longer term challenges as well: productivity is lower than it should be; rapid population and housing growth means greater pressure on our infrastructure; and while new technology presents major opportunities for innovation and business growth, it is also 'disruptive' and presents challenges in building a workforce and business base that is fully equipped to respond.

Developing a new strategy

- 1.5. It is in this context, that we have developed this new **strategy statement**. Building on extensive consultation during 2018, **Smarter, Faster, Together** sets out our assessment of the opportunities and challenges that we face, our ambitions for future of the economy and the priorities on which we will focus to achieve them.
- 1.6. *Smarter, Faster, Together* takes a long term view, looking forward to the next decade. However, we recognise that nationally, the policy context is evolving, particularly given the Government's intention to develop Local Industrial Strategies over the next couple of years. We anticipate that a future Local Industrial Strategy will take some time to bring forward. However, this Strategy Statement provides an early 'framework' for a future LIS, highlighting some of the issues that a future LIS should consider, and some areas for future exploration.

Key principles

- 1.7. In addition to the link with a future Local Industrial Strategy, this Strategy Statement is underpinned by three key principles:
 - **Strategic focus:** We have not attempted within this document to describe all the work that SELEP is engaged in – nor all the priorities that will be important at local level. Instead, **this Statement focuses on those priorities which are shared across the South East**, and where by working together, business, universities, colleges and the public sector can make a strategic difference
 - **Local leadership:** Key to the success of the South East LEP is the effectiveness of our 'federated' model (described in Chapter 9) and the strategies adopted within our four economic partnership areas (East Sussex, Essex, Kent and Medway and South Essex). By focusing on our shared priorities, this Strategy Statement aims to *add value* to and *support* activity at local level

- **Evidence-led and pragmatic:** In developing this Statement, we have looked at the economic evidence and the strengths, weaknesses, opportunities and threats that our economy faces. Some of these are long term. However, this is a *strategy for growth in a dynamic free market*: new opportunities and challenges will arise over time, and it needs to be flexible to respond to them.
- 1.8. These principles inform the remainder of this Strategy Statement. Before considering our strategic framework and priority areas for action, the next chapter takes a look at the state of our economy – and the ‘drivers of change’ that will influence future growth.

Questions for discussion on the draft Strategy Statement

Question 1

We have specifically framed this document as a ‘strategy statement’, in recognition of likely future work to develop a local industrial strategy (or more than one strategy) in due course. Do you agree with this approach?

Question 2

Do you agree with the ‘key principles’ highlighted above as a basis for framing this Strategy Statement? Are there any others that we should be taking into account?

1 – page map of the SELEP area and its key assets to be added here

2. The outlook for growth: SELEP's economy and the drivers of change

Our plans for the future are based on both our understanding of the South East as a distinctive – and diverse - economy, and on our assessment of current and future trends. In this chapter, we take a look at the state of its economy and the long-term 'drivers of change' that will influence its future economic growth.

The South East as a 'place'

The South East is a place of scale and diversity

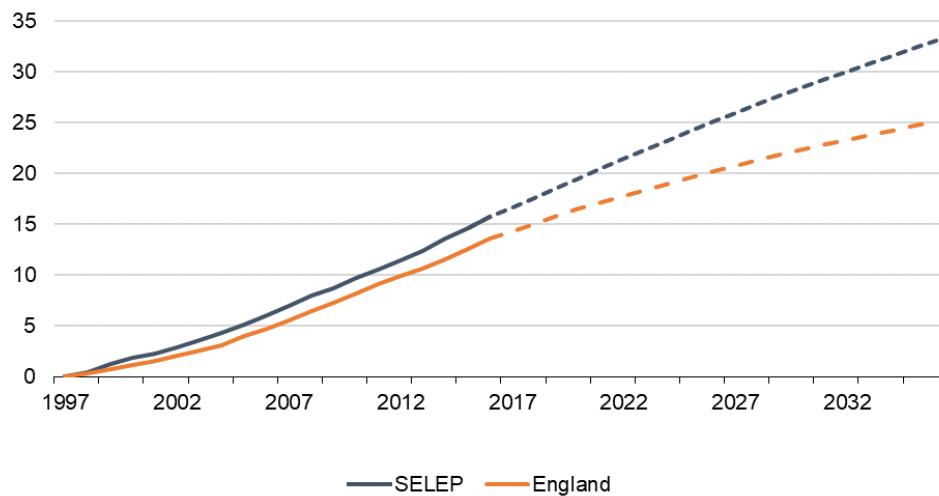
- 2.1. With a population of around 4.2 million, the South East is by some margin the largest LEP area in England outside London, both in terms of population and economic output. It brings together four established and distinct economic areas in East Sussex, Essex, Kent and Medway and South Essex, and is highly diverse: although the area contains large urban areas (particularly Medway and Southend), no single centre dominates. Instead, it contains a wide range of settlement types, including county towns, university cities, ports, seaside towns and industrial centres, in addition to an extensive network of market towns and rural communities

There has been rapid population and housing growth – and there is more in the pipeline

- 2.2. Despite its diversity, all parts of the South East share common challenges and opportunities. Recent years have seen rapid growth in the SELEP area. In the twenty years to 2017, the South East's population increased by 16.6% (compared with around 14% across England). This equates to an increase of around 638,000 people: to put this into context, it is roughly equivalent to 3.5 additional cities the size of Southend, on 2018 estimated population levels.
- 2.3. Looking to the future, **population growth is expected to remain high, with a projected increase of 15% between 2016 and 2036 (about 620,000 additional residents)²**. This compares with population growth of around 10% across England over the same period. Some parts of the area (especially Dartford, Thurrock, Colchester and Uttlesford) will experience especially rapid population growth over the next 20 years – but overall growth is projected to be higher than the England average in all four of SELEP's federated areas.

² These data are taken from ONS forecasts, for consistency across SELEP. However, some local authorities also use locally-developed 'housing-led forecasts', which generally anticipate higher population growth figures.

Figure 1: Index of actual and forecast population growth, 1997-2036 (1997=0)



Source: ONS, Population Projections

- 2.4. This has clear implications for the future pace of housing delivery. In the South East LEP, significant progress has been made (with, for example, housing completions reaching 12,300 in 2017/18)³. But demand for housing will exceed the current rate of delivery: in Essex, Thurrock and Southend alone, there is a need for around 179,000 new homes between 2016 and 2036⁴, and in parts of the SELEP area, the ratio of median house prices to median earnings is among the highest in the country⁵.

The South East has a nationally-important stock of key infrastructure assets

- 2.5. From a **national infrastructure** point of view, the SELEP area is highly significant. In effect, it contains all the UK's infrastructure to the east and southeast of London, including two of London's airports (at Stansted and Southend); major ports including Dover, London Gateway, the Haven Ports and Newhaven; the UK's only rail connection to continental Europe; and an extensive strategic road and rail network.
- 2.6. This 'gateway' function is important to the UK as a whole and yields significant benefits to the SELEP area: the transport and logistics sector employs around 100,000 people locally, and the High Speed One domestic rail network in Kent and Medway built on existing investment in the Channel Tunnel Rail Link. However, ensuring the resilience of the South East's transport networks is a local and national challenge. While SELEP's has made significant investment through its Local Growth Fund programme (based on the priorities set out in the 2014 Strategic Economic Plan), the scale of the challenge is of national

³ MHCLG (2018), Housebuilding Statistics

⁴ Essex County Council (2017), *Greater Essex Growth and Infrastructure Framework 2016-36*

⁵ For example, in Sevenoaks, the median house price: median earnings ratio in 2017 was 16.02 (compared with 7.91 across England as a whole. MHCLG Open Data, House price: earnings)

significance (including through major schemes such as the **Lower Thames Crossing**, currently out to consultation).

Links to neighbouring LEPs and the rest of the UK are vitally important

- 2.7. While SELEP has a large economy in its own right, it is also shaped by – and benefits – from its links with neighbouring areas. **London** has always had a profound influence on the counties to its south and east: historically, much of the South East's agricultural production was sold on the London market, and London's demand for building materials and port-related activity determined much of the area's historic industrial stock. London remains an important employment destination (at the time of the last census, around 86,000 people from the SELEP area commuted to the Cities of London and Westminster alone), and a major market for South East businesses.
- 2.8. Parts of the South East also have particularly strong links to London's future growth. In particular, a shared strategy for the **Thames Gateway** has been advanced for many years, most recently within the recent report of the Thames Estuary 2050 Growth Commission. Elsewhere, there are strong connections with neighbouring LEPs along the **London-Stansted-Cambridge** corridor, linking West Essex with its neighbours in London, Hertfordshire and Cambridgeshire, in the north of Essex in the **Haven Gateway**, and to the west, between East Sussex and the **Gatwick Diamond**.

The South East's economy today

- 2.9. In 2016, the SELEP area generated output of around £87 billion, driven by 170,000 businesses and 1.9 million jobs.

The economy is expanding, with strong growth in jobs and businesses

- 2.10. The economy is performing well in employment terms. **Between 2011 and 2016, the number of jobs in the area grew by 162,000** (an increase of around 9%)⁶. In parallel, unemployment has fallen significantly: by September 2018, the number claiming Jobseekers' Allowance or equivalent had fallen by 44,000 since we produced the last Strategic Economic Plan in 2014, and is now at historically low levels.
- 2.11. The South East's business stock – like that of the country as a whole – is overwhelmingly made up of small businesses (with some 90% employing fewer than ten people). Recent growth in the business stock has been strong. There were 24,000 more enterprises in SELEP in 2018, compared with four years previously (an increase of around 16%). While there was some variance across the area, the business stock grew in every local authority area across the LEP. Business views also appear to be broadly positive: despite wider economic uncertainty, the latest results of the British Chamber of Commerce business sentiment

⁶ ONS, Jobs Density

surveys in the South East show some optimism on the part of local firms, with a positive balance anticipating increases in recruitment and sales, although with concerns regarding the availability of skills and business space⁷.

There is a diverse sectoral mix, with established strengths and emerging opportunities

- 2.12. Analysis of SELEP's industrial mix indicates that it has considerable diversity – both at the level of the LEP overall, and within its four economic areas. At the level of the LEP overall, two sectors – **construction** and **transport and logistics** – stand out as having particularly high concentrations of employment (reflecting the scale of the South East's growth agenda and its 'gateway location'). There are also particular strengths in **manufacturing** (where our stock of major businesses includes Ford in Basildon, BAE Systems in Medway and Chelmsford, Raytheon in Harlow and Torr Scientific at Hastings) and **food production** (both in food manufacturing and the South East's extensive (and highly productive) agricultural sector). Across much of the SELEP area, the **tourism** industry is also substantial – linked with both the coast and the quality of our natural and built environment.
- 2.13. Beyond these established sectors, the SELEP area also has significant opportunities in a number of emerging industries. Underpinned by major investment in cultural infrastructure across the area (especially in our coastal towns and through the proposed Thames Estuary Production Corridor), the **creative** sector is expanding rapidly, and there are emerging concentrations of **digital** activity. The **life sciences** sector (including drug discovery in Kent, and medical technologies across SELEP) is also significant, having emerged from a period of substantial restructuring. Finally, there are concentrations of activity in **low carbon and environmental** goods and services, partly linked with the area's large construction industry.

There is a strong and expanding network of universities

- 2.14. The SELEP area has a strong higher education presence. Combined, its nine universities support around 137,000 students at all levels⁸: particularly in places such as Canterbury and Colchester, they make a significant direct contribution to the economy in their own right. The recent *Science and Innovation Audits* for the South and East of England set out some of the universities' key capabilities, highlighting (among other strengths), ICT and data analytics at the University of Essex; bioscience at the University of Kent; engineering at Greenwich and Sussex; and environmental sciences at Anglia Ruskin.

⁷ Kent Invicta Chamber of Commerce, Sussex Chamber of Commerce, Essex Chambers of Commerce (2018): BCC Quarterly Economic Survey 2018Q2 results

⁸ HESA (2018). Note however that some of these (at the Universities of Brighton, Sussex, Greenwich, Anglia Ruskin and University of the Creative Arts) will be based at campuses outside the SELEP area.

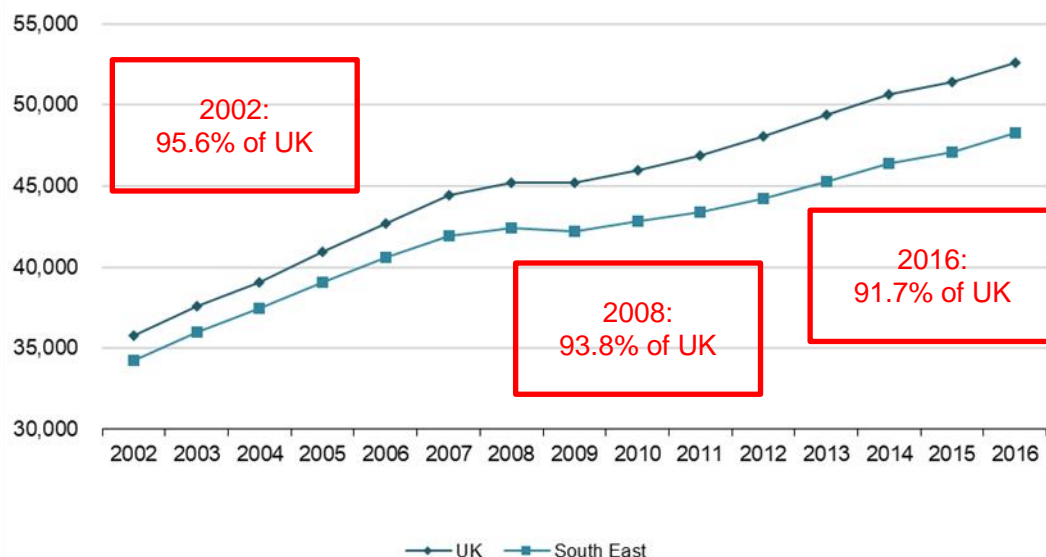
Workforce skill levels remain challenging

- 2.15. The last Strategic Economic Plan placed a strong emphasis on the need to increase SELEP's workforce skills levels, particularly linked with future business demand, and this has been a major focus of the LEP's skills investment. School attainment levels are relatively positive - but the skills profile of the workforce changes slowly. Currently, **around 32% of working age people are qualified to NVQ4 level or higher** – a substantially lower proportion than in most of our neighbouring LEP areas. This masks very considerable local divergence: some places (such as Brentwood and Tunbridge Wells) enjoy very strong workforce skill levels) – but across the LEP area overall, there are still around 175,000 people of working age with no qualifications at all.

The South East's productivity is *relatively weak*

- 2.16. Despite this recent employment and business growth, the UK faces a '**productivity challenge**': while the economy apparently made a strong recovery from recession, Britain's productivity (relative to that of its main competitors in Europe and the United States) has largely failed to grow. Addressing this is a major focus of the Government's Industrial Strategy.
- 2.17. In the South East, productivity (measured as GVA per filled job) was £48,250 in 2016, about 92% of the UK average. This 'deficit' has been present for many years, but has widened somewhat since the 2008/09 recession:

Figure 2: Productivity (GVA per filled job, £)



Source: ONS, Nominal (smoothed) GVA per filled job

- 2.18. The 'productivity deficit' does not apply everywhere in the South East: the west of Essex and west Kent have productivity levels higher than the UK average (and the UK average is

in turn skewed by London's very high productivity levels). But given SELEP's growth potential and its proximity to London and the rest of the South East, there should be an opportunity to improve the area's performance.

The South East's economy tomorrow: Future trends

- 2.19. Looking to the future, the South East's economy will be shaped by a number of social and technological trends, highlighted in the Government's Industrial Strategy as 'grand challenges' that will impact the UK as whole:

'Grand challenges': Future technology trends impacting on economic growth

- **The impact of 'digital enabling technologies'** and the increasing ability to analyse vast volumes of data. This has already had a profound impact on the economy (for example in the transformation of much of the media and retail sectors). Examples particularly relevant to some of the key sectors in the South East include:
 - in manufacturing, the growth of additive manufacturing, and the ability to create prototypes, or small batches of finished goods without extensive production capacity
 - in life sciences and medical technologies, the ability of computing to drive down the costs of drug discovery and the development of connected medical devices
 - in health and social care, using data to monitor patient response, ultimately helping to improve medical outcomes and drive down care costs
 - in the construction industry, the use of robotics in modular and prefabricated construction
- **the ageing population**, and the associated implications for the labour market (highlighted above) and for future healthcare demand (and the goods and services that will need to be provided to support) and housing policy
- **decarbonisation**, and the need for greater resource efficiency, driven both by Government regulation, and by the advent of lower carbon technologies
- **the future of mobility**, in the light of (over the next decade) the introduction of electric and autonomous vehicles, with potentially significant implications for the South East's large transport and logistics sector and for the way in which we plan towns, cities and transport systems.

- 2.20. These 'technology trends' have a number of implications for our future strategy. In the first place, they will create opportunities for firms at the 'leading edge' of innovation – such as

those involved in the development and commercialisation of new technology. But they will also have an impact on the wider business base, as firms come under increasing pressure to adopt new technologies in order to remain competitive. This will have particular implications both for future workforce skills and management capacity – but improving levels of technology adoption and adaption across the economy are likely to have significant future productivity benefits⁹.

- 2.21. Technology will also have broader 'disruptive' consequences. The impact of this on the retail sector is already visible in many town centres and high streets, and in some sectors and occupations, employment will fall, even if jobs are created in aggregate.

Bringing it together: Opportunities and challenges

- 2.22. This brief overview of the SELEP area's economy highlights a number of implications for our economic strategy:

- first, **the scale and diversity of the area is a major strength**: it means that we can share capacity and resources and – as the overview indicates – there are many challenges and opportunities that we have in common. But it also means that we cannot capture everything in a single central strategy – so across the LEP, activity needs to be driven locally, while we work together on the issues that impact the area as a whole
- second, **the scale of planned growth is significant** – but ensuring that it is delivered, with the right infrastructure, and with the right employment opportunities to support it, is essential
- third, while we have a diverse and growing business base and as substantial stock of 'knowledge' assets, **our productivity levels are lower than they should be**, given our location. This has clear implications for the need to promote workforce skills – and support productivity growth both in those sectors and firms at the 'leading edge' and across the board.

- 2.23. In summary, this means that we need to:

- work '**smarter**' – translating our impressive jobs and business growth into a long-term increase in prosperity
- move '**faster**' – towards the delivery of the housing and infrastructure that we need, and to ensure the efficient connectivity that will underpin productivity gain
- work '**together**' – both across SELEP, and with our neighbours in London and across the Greater South East.

⁹ See for example the report of the *Made Smarter Review*, 2017

Questions for discussion on the draft Strategy Statement

Question 3

The overview of the economy presented in Chapter 2 is necessarily broad (within the context of a relatively concise document) and will inevitably miss many local opportunities and challenges. Do you think that it captures the key issues that will impact on the SELEP area overall? Are there any critical issues that are missing?

Question 4

Do you agree with the interpretation of the issues highlighted? Are there any conclusions or identified implications that you disagree with?

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3. Strategy: Ambitions for the future

Looking ahead to the next ten years, we want to create an economy that is '*smarter*'; we want to move '*faster*' in delivering the infrastructure and connectivity we need for the economy that we want; and we want to work better '*together*' across SELEP and with our neighbours. This chapter introduces our key ambitions and the key priorities that flow from it.

Smarter, faster, together: Headline ambitions

- 3.1. Through this strategy, we aim to:

Work smarter: Increasing the productivity of the South East LEP area

- 3.2. **By 2030, we aim to bridge the gap in GVA per filled job between the South East and the rest of the UK.** This is a challenging goal: achieving it would be worth around £20 billion to the SELEP economy¹⁰. However, it is not unrealistic, given our location and the performance of our neighbours¹¹.

- 3.3. This ambition has two further implications:

- **We need to raise productivity across the SELEP area.** While productivity levels vary across the SELEP area, only two of the LEP's 'NUTS3' areas currently enjoy productivity at a level greater than the UK average. As the LEP is a 'polycentric' area in which all localities have a more or less equal economic role, it follows that to achieve our ambition, we will need to achieve an uplift across the board
- **Productivity improvements matter in every sector**, including those at the 'leading edge' of innovation, and those in the wider economy. Within an economy such as SELEP's – with a diverse sectoral mix and several sector strengths that are quite locally concentrated, it follows that we will need to focus on the whole economy, while recognising that some sectors will face specific opportunities and challenges.

Deliver faster: Accelerating housing and infrastructure delivery to meet planned growth

- 3.4. Over the next decade, we aim to build on our recent success to bridge the gap between planned housing need and the pace of delivery. This will mean exploring new solutions to meet viability gaps – which remain significant across much of the SELEP area. It will also

¹⁰ Based on East of England Forecasting Model projected labour productivity for SELEP and the UK, at 2018 prices

¹¹ Achieving UK average productivity levels would bring SELEP approximately into line with Coast to Capital LEP – although Coast to Capital's productivity *growth rate* has been slower than that of SELEP over the past decade

mean ensuring that the strategic infrastructure that SELEP needs to support growth and ensure resilience will need to be secured.

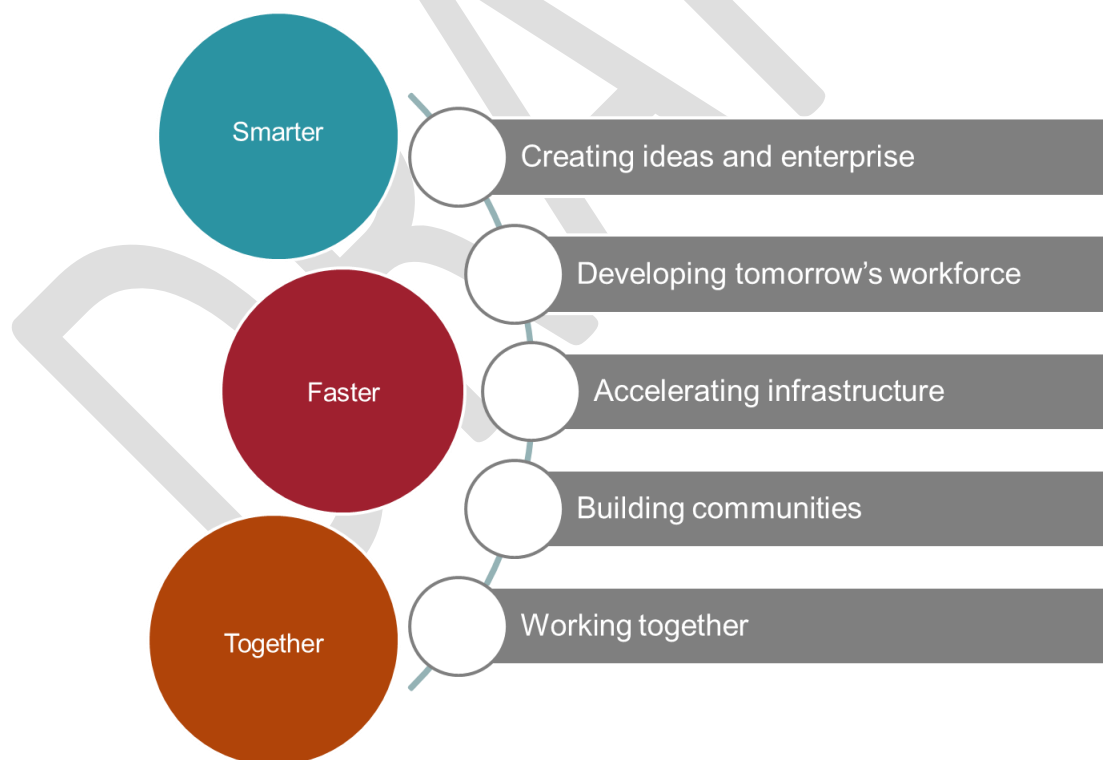
Work better together: Collaborating across the Greater South East, with Government and with business

- 3.5. Alongside both of the above, we aim to contribute to an increasingly coherent voice for the Greater South East, recognising the importance of our connections with London and our neighbours and that many of the challenges and opportunities that we face are shared with them – and we will build an increasingly strong relationship with business and with our other partners within the LEP.

Beyond the headlines; making it happen: Priorities to deliver our ambitions

- 3.6. To deliver our ambitions, our strategy identifies five priorities to guide SELEP's actions over the coming years:

Figure 3: Smarter, Faster, Together: Our five priorities for action



- 3.7. The each of the chapters that follow, we set out the opportunities and challenges associated with each of our priorities and explain their implications for action over the coming decade.

4. Priority 1: Creating ideas and enterprise

Creating, adapting and adopting new ideas is at the heart of our ambition for a 'smarter' economy. This means supporting our innovative capacity in our 'leading edge' businesses – but it also means increasing the opportunities for creativity across the economy, enabling businesses with the potential for growth to expand.

Where we are now

- 4.1. The previous Strategic Economic Plan set out an ambition to create *"the most enterprising economy in Britain"*. There is clear evidence that the South East is highly entrepreneurial, and there has been significant success over the past few years. Start-up and survival rates are strong, and the overall business stock has expanded rapidly, within the context of (at LEP-wide level) a diverse sectoral mix. Linked with our earlier ambition, business growth has been a high priority for SELEP, reflected in the establishment and delivery of our Growth Hub, Enterprise Zone programme and major business growth initiatives delivered locally and via our universities.
- 4.2. In aggregate, we have a substantial stock of innovative activity, through our universities and research centres as well as through the business base. However, there are indications that business capacity for innovation is not as high as it could be: business expenditure on research and development is relatively low for example, as is participation in Government-backed innovation programmes¹².

Priorities for the future

- 4.3. Looking ahead, we aim to focus on actions that are likely to generate an increase in productivity over time. Building on our Growth Hub and existing activity, we will seek to:
 - **Encourage those businesses with the capacity for innovation and growth to scale up:** While the SELEP economy is very effective in generating large numbers of new enterprises, most of them remain micro (in fact, micro businesses account for a higher proportion of business stock than in any other LEP outside London). This is likely to involve coaching, management and leadership skills.
 - **Increase the adoption of new technologies and processes:** Last year's Government review of productivity in the manufacturing sector highlighted the 'gap' between the UK's 'leading edge' innovators and the ability of the broader

¹² SELEP, *Evidence Base 2017*

SME population to adopt new systems and processes, faced with the high costs (in terms of, for example, reskilling or temporary constraints on production)¹³. Bridging the gap could help to increase productivity within individual businesses – but a failure to do so could equally lead to a long term loss of competitiveness.

- **Respond to the increasing need for workspace flexibility:** In consultation, businesses highlighted increasing demand for flexible workspace, set against falling supply (particularly in the light of the widespread loss of commercial space through permitted development rights). Across the South East, there is a strong record in bringing forward new managed workspace and innovation centre space (for example in the network of workspaces delivered in East Sussex), although recent research indicates a shortfall in supply across a wide range of business space types¹⁴.
- **Increase our export capacity:** Nationally, exporting correlates with higher productivity. Perhaps surprisingly, given its proximity to nearby European markets, the proportion of firms in the SELEP area that export is relatively low¹⁵, although a number of programmes are in place to increase international trade. Post-Brexit, driving up the UK's export ability is likely to be a high priority, and one from which the South East could benefit.

4.4. Alongside these priorities, two considerations are important:

- first, **there is already a lot happening**, delivered by central and local government, by the 'U9' group of universities and by the private sector. This includes the South East Growth Hub and a range of sector-specific and general support programmes supported through European funding, as well as locally-delivered schemes, such as the Kent and Medway Business Fund. Looking to the future, the aim should be to neither duplicate existing provision, nor to centralise it – rather, our focus is on addressing significant gaps where they exist, and on developing a stronger 'network' of support, at local level and across the LEP
- second, **some (although not all) solutions are likely to be sector-specific**. For example, the workspace needs of businesses in the creative sector will be different from those in manufacturing; building on the recommendations of the Government's *Made Smarter* review, the approach to technology adoption is also likely to have a sectoral dimension. This reflects the 'sector-focused' approach adopted by Government within the Industrial Strategy. Our working groups (such as the Creative Economy Network) will have an important role in developing solutions, alongside industry-led sector groups more broadly.

¹³ Made Smarter Review (2017)

¹⁴ Essex County Council (2016), *Grow on Space Study*

¹⁵ BIS (2013), *Inward investment and trade in LEPs*

Questions for discussion on the draft Strategy Statement

Question 5

Within this priority, are these 'areas for action' the right ones? Do they provide sufficient scope, flexibility and ambition?

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5. Priority 2: Developing tomorrow's workforce

A skilled workforce will be vital in delivering the productivity gains that this strategy demands. But higher skills are also the route to better pay, better jobs, and better progression in work.

Where we are now

- 5.1. The scale of the employment opportunity in the SELEP area is significant, with rising job numbers overall and some 400,000 vacancies advertised across the LEP in 2016/17¹⁶. However, the area's workforce skills position is challenging:
- Only 33% of people aged 16-64 are qualified to NVQ4+, compared with 38% across Great Britain (and over 50% in London). This is a significant shortfall – and the impact on local businesses is likely to be even greater, given the propensity of people with higher skills to out-commute
 - At the other end of the spectrum, 176,000 people of working age lack any form of qualification
 - The variance in skills outcomes across the SELEP area is profound: in seven districts, over 40% are qualified to NVQ4 or higher; in one (Castle Point) the proportion falls to just 13%
 - At the same time, some key routes to skills progression are under pressure. The number of apprenticeship starts has flatlined in recent years, and participation in further education has fallen, in the context of significant funding pressures.
- 5.2. In this context, there has been a coordinated effort across SELEP and the employment and skills bodies within its federated areas to build a strong dialogue between skills providers and employer demand and to improve the 'demand and supply' evidence base. Earlier in 2018, the LEP published its **Skills Strategy**, setting out a partnership vision, a five year ambition for skills and a 'route map' of key actions:

SELEP Skills Strategy Vision

"To help deliver a flourishing and inclusive economy across the biggest LEP area in the country equipping employers, adults and young people with the skills, conditions and aptitudes required for significant growth today and tomorrow."

¹⁶ South East LEP, Skills Strategy

Priorities for the future

- 5.3. Consistent with the Skills Strategy, and working with our Skills Advisory Group we aim to:
- **Increase apprenticeships and industry-relevant qualifications for all ages**, particularly at higher and degree level, reversing the recent stagnation in apprenticeship starts. As part of this, the Skills Strategy's five year plan emphasises the need to support employers in engaging with the range of qualifications on offer, including the Government's new T-Levels from 2020
 - **Simplify the skills landscape for employers:** a perennial challenge, given the complexity of the system and the frequency with which schemes are introduced and changed, but one in which the LEP is currently making headway with (for example) the establishment of the employer-led Skills Advisory Panel
 - **Raise awareness of the wide range of employment opportunities that exist in the SELEP area**, in the context of growth and the delivery of the National Careers Strategy.
- 5.4. In addition to these priorities, it is worth noting that the majority of those who will be in the workforce in twenty years' time are already in the workforce today. In the context of the technology trends outlined in Chapter 2, **retraining the existing workforce** will be important, both to mitigate the labour market downsides of technology-driven change, and to ensure that SELEP's businesses can adapt in the ways outlined in relation to Priority 1. The Government's National Retraining Scheme announced in 2017 (and subsequently expanded in 2018) is intended to support this: we will support the delivery of this over the coming years.
- 5.5. Finally, in the context of a tight labour market – especially for people with advanced STEM skills – there is a particular challenge for skills providers in recruiting teaching staff. This is likely to be a long term issue, and we will need to explore potential solutions with employers and providers.

Questions for discussion on the draft Strategy Statement

Question 6

The areas for action within this priority are based on the priorities set out in the agreed Skills Strategy. In addition to these, are there any other issues that we should be considering?

6. Priority 3: Accelerating infrastructure

To deliver our ambitions for a 'smarter', 'faster' LEP, we must ensure that we secure the right infrastructure to support future growth. Since our first SEP was published in 2014, we have developed a strong track record, although infrastructure funding gaps remain significant.

Where we are now

Delivering strategic infrastructure

- 6.1. Since we published our Strategic Economic Plan in 2014, the South East LEP has made a significant contribution to infrastructure delivery through the allocation of some £580 million from the Local Growth Fund. This has contributed to a number of strategically important schemes – such as the widening of the A13, improvements to Junction 8 of the M11 at Harlow and Junction 10a at Ashford. Looking to the future, the approach that Government will take to local transport infrastructure funding is currently unknown. However, as the recent *Growth and Infrastructure Frameworks* in Kent and Medway and Essex, Thurrock and Southend demonstrate, the scale of the investment required to deliver the infrastructure needed to support planned growth is far greater¹⁷.
- 6.2. From a strategic perspective, the major, long-term infrastructure priorities are well articulated. In particular, they include the **Lower Thames Crossing**, linking Kent, Thurrock and Essex, the design of which is currently out for consultation, and which will have substantial impacts on the surrounding road network (including the potential to alter strategic traffic flows between Dover and the North). Other major corridors include (in South Essex) the A13 and A127; (in Essex) the A12, A120, A133 and M11; (in Kent and Medway) the A2/M2/A299, M20 and A21; and (in East Sussex) the A259/A27, A22 and A21. As set out in Chapter 2, many of these are important national strategic assets.

Accelerating housing

- 6.3. Since the 2014, substantial progress has been made in increasing the delivery of new housing: over 12,000 homes were completed in 2017/18, a **70% increase on four years previously**. While actual completions continue to lag behind planned need (a significant issue in an area in which the ratio of house prices to earnings is above the national average in all but one district)¹⁸, positive progress has been made in working with planning authorities and with developers' groups in each of SELEP's economic areas.

¹⁷ The recent 2018 update to the Kent and Medway Growth and Infrastructure Framework estimates a total funding gap to 2031 of 3.6 billion.

¹⁸ MHCLG, Earnings to House Price Ratio. The England average is 7.9; in Medway, it is 9.5, and in Sevenoaks (the highest ratio in the SELEP area) it is 16.02

- 6.4. High levels of housing and infrastructure investment also create economic opportunity within the SELEP area's important construction sector (worth around £9 billion to the SELEP economy), and the potential added value to be gained from supporting business growth in sustainable methods of construction is well-established.

Ensuring utilities and communications infrastructure

- 6.5. Our growth agenda will only be delivered if we are able to ensure efficient and sustainable utilities networks. Working with our neighbouring LEPs, we are progressing the **South2East Energy Strategy**, which sets out how local energy generation to support heat, power and transport could be developed, making use of private sector investment.
- 6.6. The increasing importance of digital technology in driving the future of the economy also means that our digital communications networks will need to become ever faster and more sophisticated, in all parts of the SELEP area, and the local broadband partnerships in East Sussex, Kent and Medway, and Essex, Thurrock and Southend are well advanced in ensuring superfast broadband access to the great majority of homes.

Priorities for the future

- 6.7. Key areas for action over the next few years include:
- **Securing sustained improvements in our national infrastructure stock**, including the delivery of the Lower Thames Crossing and consequential improvements that will be needed on the wider road network
 - **Securing, with Government support, investment in the local infrastructure that unlocks housing and employment growth**, developing new funding solutions in the light of the identified overall 'gap'
 - **Sustaining efforts to drive up levels of housing (and commercial development) delivery over time**, building on our existing successful track record and the protocols and mechanisms for information sharing that have been put in place (with the support of the LEP's Housing and Development Group) between local authorities and developers
 - **Developing new approaches to ensuring energy provision**, in particular building on the emerging South2East Energy Strategy and, more broadly, building the case for the opportunities associated with the nuclear and renewables sector.

Questions for discussion on the draft Strategy Statement

Question 7

We have deliberately avoided reference to specific schemes in this section (given the potentially large number of potential priorities). Do you agree? Have the right priorities for the future been listed as key areas for action?

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7. Priority 4: Creating places

The scale of growth that the South East will see over the coming decade is significant, and some of the changes facing businesses and people in work will be transformational. But greater productivity is only useful if it improves living standards and the communities within which we live: as well as delivering 'growth', we need to create places to which South East residents and businesses aspire.

Where we are now

- 7.1. The previous chapter highlighted the scale of our growth ambitions and the very substantial infrastructure investment that will be needed to deliver them. However, while this is a key part of our 'economic growth' story, it is not the only part. First, to be successful and sustainable, communities need to be about more than just housing delivery. Second, most economic growth will take place in existing businesses and existing communities: we need to ensure that our towns and cities remain (and become increasingly) attractive places to live, work and invest.
- 7.2. Given the scale and settlement pattern of the LEP area, there is no obvious economic 'hierarchy' of towns. This is also true of each of the four economic areas: all have a range of places of similar size and importance, and all of them will make a contribution to economic growth (as will our rural communities). However, many face common challenges, associated with changing retail patterns and the need to develop a new or specialist 'offer'.

Priorities for the future

- 7.3. Over the next few years, potential priority areas include:
 - **Supporting places as they adapt to the impact of changing technology.** For example, many town centres have suffered from technology-driven changes to retail patterns - but beyond retail, there is high demand for town centre workspace (often particularly attractive to businesses in the creative sector), which can help drive footfall and support the remaining retail offer, as well as supporting the objectives set out in Priority 1.

Cultural renaissance and regeneration can also be important in the 'repurposing' of our towns and cities (for example in many of our coastal towns), where it has a wider economic impact; and for many rural parts of the SELEP area, new technology is having a transformational impact on businesses' ability to trade in wider markets
 - **Developing the scope for 'smart city' initiatives,** building on investment in better digital connectivity to create opportunities to develop new business propositions through the use of public data, in both rural and urban locations

- **Developing the 'economic narrative' for our major new settlements**, linked with wider economic development strategy (and consistent with planning policy).
- **Supporting businesses' role within the community.** Many businesses in the South East are at the heart of public and community service delivery – for example, in social care, training, environmental services and transport. All will be impacted by the long term trends set out in Chapter 2, as well as public service cost pressures but will be vital for the success of new and existing communities. It will be important that the growth of social enterprises and other public service businesses is supported through the actions set out in Priority 1.

Questions for discussion on the draft Strategy Statement

Question 8

The actions in this chapter are intended to link back to the productivity objectives we set out at the start. Do you agree with them? Are there any others that should be added?

8. Priority 5: Working together

While the South East LEP covers a large and complex geography in its own right, it is by no means isolated. Our links to London and other parts of the Greater South East are vital, and we will need to build on our wider regional connections.

Where we are now

Working together with our neighbours...

- 8.1. Functionally, there are very strong links between the SELEP area and its neighbours. Most of the LEP area is in viable commuting distance of the capital, and the commuter flows are very significant, especially from those districts on the fringes of the M25 (such as Sevenoaks, Dartford, Thurrock, Brentwood and Epping Forest). Potentially, these connections could become more significant as technology and changing working practices reduce the need for the daily commute, making more distant locations (such as the South Coast towns) viable options. Aside from commuting patterns, London is also a major market for businesses in the South East.
- 8.2. Within the Thames Gateway, there is a long established joint strategy, based on the shared growth potential (and similarities in industrial and land use terms) of East London, South Essex and North Kent. Beyond London, there are also important connections between West Essex, Hertfordshire and Cambridgeshire along the M11 Corridor, and between North Essex and Suffolk across the Haven Gateway. In the west, Brighton is a major employment location serving much of East Sussex, as is Gatwick.
- 8.3. In addition, several key transport routes run across LEP boundaries. These include the A12 and Great Eastern Main Line via Essex to Norwich, and all of the commuter rail network into London (including the TfL Rail and (soon) Crossrail service to Shenfield).
- 8.4. Increasingly, we are looking to neighbouring LEPs to develop a shared approach to key issues, where there are likely to be benefits and economies of scale in doing so. The current **South2East Energy Strategy** (developed in partnership with Enterprise M3 and Coast to Capital LEPs) provides an example of this. To plan future strategic transport investment, we are also an integral part of two **sub-national transport bodies** (Transport for the South East, covering East Sussex, Kent and Medway; and Transport East, covering Essex, Southend and Thurrock).

Working together with Government

- 8.5. Our relationship with Government is also important. The Government is a sponsor of much of the work that the LEP does, and is therefore a vital strategic partner. This will be

reinforced by the Government's decision to progress Local Industrial Strategies through a 'co-development' process. Potentially, this offers an opportunity for a strengthened relationship, focused on a strategic partnership between central Government and business, local government and education leadership.

Working together across the South East LEP

- 8.6. Finally – but most importantly – our relationships between businesses, local authorities, universities and colleges have been greatly strengthened over time by the successful implementation of our federated model and its vital role in ensuring local leadership and effective delivery.

Priorities for the future

- 8.7. Building on our existing links, we will seek to develop our relationship with London, our neighbouring LEPs, Government and business. In particular, we will:
- **Work with partners to develop a new economic narrative for the Thames Estuary**, building on the work of the Thames Estuary 2050 Growth Commission earlier in 2018.
 - **Build stronger relationships across the Greater South East**, linked (for example) with the regional roles delivered by Transport for the South East and Transport East
 - **Develop the South East LEP's role in dialogue with Government**, building on the opportunity presented by future Local Industrial Strategies (and our collaboration in wider regional initiatives)
 - **Strengthen our wider relationships with the South East's business community**, working through our business Board members and representative bodies to build a strong business-led voice for the South East economy.

Questions for discussion on the draft Strategy Statement

Question 9

Does this section sufficiently articulate our (future/ potential) relationships with London and the Greater South East?

Are there any other important/ strategic partnerships we should be highlighting?

9. Moving forward

This Economic Strategy Statement sets out the South East LEP's shared priorities, looking ahead to the next 5-10 years. But it does so in the context of a changing policy environment – so we will need to adapt and revise it over time.

Delivering the Economic Strategy Statement

9.1. The Strategy Statement will guide the work of the South East LEP and its Executive Team, working with the Strategic Board, our working groups and the four federated areas. In this context, we will:

- **Continue to deliver** our major c.£720 million programme of Local Growth Fund and European investment – ensuring that funding is invested efficiently and effectively in high quality projects and programmes, in line with our Assurance Framework
- **Focus our actions** in line with the priorities set out in this Strategy Statement. The Action Plan set out in Annex A indicates what we will do over the next 12-18 months: this will be regularly updated alongside our Annual Report and Business Plan
- **Maintain a dialogue with Government** on the issues that matter to the South East – planning for the future of our successful Enterprise Zones, building the case for future infrastructure solutions and developing SELEP's role within the Greater South East economy

Future strategy development

- 9.2. The next year is likely to see greater clarity on the Government's approach to Local Industrial Strategies, and a LIS is likely to demand a greater strong evidence base, looking at (for example) the drivers of SELEP's relatively low productivity and its dynamics at local or sectoral level.
- 9.3. We have hinted at some of these issues in this document, which are explored in more detail in the accompanying evidence base. Armed with this, we have a 'starting point' from which a Local Industrial Strategy can be developed.

Annex A: Action Plan

To accompany the Economic Strategy Statement, we will develop an Action Plan, linked with the key areas for action set out in the document. This will be developed over the coming month, and will be prepared for the final version of the ESS in December.

Table 1: Action Plan (indicative template)

Priority (our key objectives)	Action area (our priority areas for intervention over the next 5 years)	Actions (what we are going to do over the next 12-18 months) – for discussion
Priority 1: Creating ideas and enterprise	<p>Encourage those businesses with the capacity for innovation and growth to scale up</p> <p>Increase the adoption of new technologies and processes</p> <p>Respond to the increasing need for workspace flexibility</p> <p>Increase our export capacity</p>	
Priority 2: Developing tomorrow's workforce	<p>Increase apprenticeships and industry-relevant qualifications for all ages</p> <p>Simplify the skills landscape for employers</p> <p>Raise awareness of the wide range of employment opportunities that exist in the SELEP area</p>	
Priority 3: Accelerating infrastructure	<p>Secure sustained improvements in our national infrastructure stock</p> <p>Secure, with Government support, investment in the local infrastructure that unlocks housing and employment growth</p> <p>Sustain efforts to drive up levels of housing (and commercial development) delivery over time</p> <p>Develop new approaches to ensuring energy provision</p>	
Priority 4: Creating places	<p>Support places as they adapt to the impact of changing technology</p> <p>Develop the scope for 'smart city' initiatives</p>	

Priority (our key objectives)	Action area (our priority areas for intervention over the next 5 years)	Actions (what we are going to do over the next 12-18 months) – for discussion
	<p>Develop the 'economic narrative' for our major new settlements</p> <p>Support businesses' role within the community</p>	
Priority 5: Working together	<p>Work with partners to develop a new economic narrative for the Thames Estuary</p> <p>Build stronger relationships across the Greater South East</p> <p>Develop the South East LEP's role in dialogue with Government</p> <p>Strengthen our wider relationships with the South East's business community</p>	