

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Committee	Cabinet
Date:	8 April 2019
Title:	Local Industrial Strategies
Report From:	Director of Economy, Transport & Environment

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1. Purpose of this Report

- 1.1 The purpose of this report is to brief Cabinet on the process for the development of local industrial strategies for the two Hampshire LEP areas, Solent and Enterprise M3, and for Cabinet to consider the nature of key priorities the County Council would wish to have incorporated across both strategies for the benefit of Hampshire.

2. Recommendation(s)

- 2.1 That Cabinet notes the ongoing development of local industrial strategies by the two Hampshire LEPs, and the need to ensure that the wider future economic needs of Hampshire are appropriately considered.
- 2.2 That Cabinet gives approval for full engagement with the processes put in place by the two LEPs to develop their respective local industrial strategies.
- 2.3 That Cabinet approves the key economic priorities set out in this report, which need to be considered on a Hampshire-wide basis, and are largely derived from the submissions to the Vision for Hampshire 2050 Commission of Inquiry, to inform the preparation of the local industrial strategies for the Solent and Enterprise M3 LEP geographies.
- 2.4 Given the Government's stated policy of one local industrial strategy per LEP area, and Hampshire County Council's assertion that we require a consistent strategy across Hampshire, that Cabinet gives approval for the development of proposals for collective governance arrangements in relation to the local industrial strategies with the Solent and Enterprise M3 LEPs, in order to enable the required consistency of approach to best serve the

needs of the Hampshire economy, with proposals and further updates to be reported to Cabinet for approval as necessary.

3. Executive Summary

This report seeks to:

- 3.1 Set out the background to the Government's policy for local industrial strategies to be developed for all LEP areas, the key characteristics of the proposed strategies, and some key guiding principles in their development;
- 3.2 Set out the latest headline priorities expressed by both Hampshire LEPs in relation to their anticipated local industrial strategies;
- 3.3 Consider the County Council's stance in relation to key economic priorities and interventions which need to be considered across the whole of Hampshire and thereby to be reflected in the local industrial strategies for both LEP areas.

4. Background

- 4.1 *"We will work in partnership with places to develop Local Industrial Strategies, which will be developed locally and agreed with government."*

Industrial Strategy: Building a Britain fit for the future (November 2017)
HM Government

Within the Government's national industrial strategy, it has been proposed that a local industrial strategy is developed for each LEP area.

- 4.2 Local industrial strategies are proposed to set out clearly how places will maximise their contribution to improvements in UK productivity, with key characteristics being:
 - To provide a distinctive and long term vision;
 - Based on strengths and assets, and addressing barriers to growth and economic inclusion;
 - Supported by robust and granular evidence;
 - Aligned to the national industrial strategy;
 - To guide future Government funding;
 - To identify opportunities for future collaboration between LEPs, national and local government, and public and private stakeholders to achieve shared priorities.
- 4.3 Government have supported the development of local industrial strategies in 3 waves:

- Wave 1 – Greater Manchester, West Midlands, Oxford-Milton Keynes-Cambridge corridor
- Wave 2 – North East, Tees Valley, West of England, Leicester/Leicestershire, Cheshire and Warrington, Heart of South West
- Wave 3 – all remaining LEP areas including Solent and Enterprise M3

4.4 All local industrial strategies need to be in place by early 2020 and the Government have stated that all future Local Growth Fund allocations will be dependent on local industrial strategies being in place.

5. Guiding Principles

5.1 *“.....the best local industrial strategies will show how places have brought together partners to achieve shared ambitions within and across boundaries”*

Local Industrial Strategies – Policy Prospectus (October 2018)

5.2 In its Policy Prospectus, the Government has set out a number of key guiding principles for the development of local industrial strategies. These include:

- That they should remain strategic – prioritising specific, achievable and long term ambitions - and not contain proposals that require new funding or have spending implications outside of existing budgets available to local areas;
- That they need to be a product of extensive consultation with businesses, a broad range of public partners and the ‘civil society sector’;
- Where assets, opportunities and challenges extend beyond their geographies, LEPs are encouraged to collaborate across these boundaries – “they will better co-ordinate economic policy at the local level and ensure greater collaboration across boundaries”;
- In terms of scope of the local industrial strategy, this should be tailored to the specific needs of the area – “This may involve an emphasis on skills, whilst in others it may be land supply, congestion, or working with relevant local authorities in the delivery of housing where it is a barrier to growth.....it may involve identifying weaknesses in productivity across their local areas or communities, such as in isolated rural or urban communities.”

6. Solent LEP

6.1 In its initial considerations around a local industrial strategy, the Solent LEP has set out a vision “to create a dynamic, vibrant, inclusive and internationally competitive region” with key themes around:

- Securing the prosperity of this key coastal gateway to unlock growth in the region and wider UK;
- Securing and enhancing the position of the Solent as a global maritime hub and as a centre of maritime innovation;
- Promoting our world class natural environment and heritage assets;
- Supporting the renaissance of our coastal communities;
- Enabling the development of sustainable new communities;
- Developing the skills and talents of the resident labour market;
- Supporting the acceleration of digital transformation in the Solent coastal gateway.

6.2 In terms of the process to develop their local industrial strategy, the Solent LEP will utilise the Solent Growth Forum to consult with local authorities at a senior political level, and has also committed to meeting regularly with a group of regeneration and economic development officers from all the local authorities within the Solent LEP area – including Hampshire County Council.

7. Enterprise M3 LEP

7.1 Having already published in September 2018 a refreshed Strategic Economic Plan, this effectively sets the ‘course’ in broad terms for their local industrial strategy. With an ambitious annual growth target of 4% (historic average growth is circa 2.9%), the Strategic Economic Plan set out priorities around:

- 5G region - A step change in digital connectivity;
- Mobility and connectivity - better connections between businesses and their staff, supply chains and markets offer one of the best means of enhancing productivity;
- Heathrow gateway region - A gateway to global markets. Heathrow expansion is a unique opportunity to grow the sub-regional economy and our exports;
- Clean growth and energy - Articulating the full potential for the EM3 area to make better use of energy to improve productivity and promote an innovation, skills and employment dividend from clean growth;
- People - Workforce transformation to respond to the implications of new business models, particularly increased digitisation and working for a better supported and healthier workforce;
- Housing - Increasing supply and greater diversity of housing is fundamental to improving recruitment and retention of the people business needs;
- Towns - Creating homes and vibrant communities for healthy, sustainable lifestyles in the network of relatively small but successful places which is a major feature of the EM3 area;
- Smart specialisation - A high tech, high value area. More innovation and greater commercialisation of knowledge in our leading sectors is critical

to increasing output and supporting the most productive, high value add SMEs;

- Exporting - Selling beyond local markets – particularly by high value add businesses – significantly increases demand and helps stimulate more investment.

8. Achieving a coherent strategy for Hampshire

- 8.1 The County Council's response to the recent LEP Review was to promote the concept of a single LEP for the whole of Hampshire, this stance being derived from our view that this would serve the needs of the local economy in a more coherent manner and simplify associated governance arrangements. As the Government appears to have accepted the proposals submitted jointly by the two Hampshire LEPs, it is even more critical that we are able to articulate the economic priorities which are relevant across the wider county geography.
- 8.2 The Vision for Hampshire 2050 Commission of Inquiry has highlighted the clear economic interdependence of Southampton and Portsmouth and the wider Hampshire area. And the newly revised LEP areas still do not reflect the reality or complexity of the Hampshire economy – for example, within Hampshire itself, around 81,000 people commute daily between the two LEP areas, with significant in and out commuting between Winchester (in Enterprise M3), Southampton and Eastleigh (both in Solent).
- 8.3 As both the Solent and Enterprise M3 LEPs embark on their respective processes to develop local industrial strategies, this is therefore a pertinent time to clarify the County Council's views in relation to:
- The appropriate level of vision and ambition that the strategies should articulate – for example the Greater Manchester local industrial strategy is aligning with significant multi-billion pound elements of their devolution deal, including budgets associated with health and social care and adult education;
 - What key proposed interventions the individual local industrial strategies should prioritise – which will have a lasting positive impact on our local productivity and prosperity. The County Council supports the view that the most appropriate role of the public sector in improving the business environment in Hampshire is to focus on the 'wider drivers of growth' – that is planning, housing, skills and transport – plus in a 21st century context digital infrastructure;
 - How the strategies should collectively and coherently embrace critical agendas across the wider Hampshire geography – for example, we have a number of key sectors which span across the two LEP geographies, such as digital, financial services, and aerospace and defence – and many major infrastructure needs (transport and digital) have cross border implications;

- Appropriate governance arrangements both for the development of the local industrial strategies and future oversight of programmes associated with the strategies – a Hampshire ‘prosperity board’ could incorporate both LEPs and other key stakeholders and ensure that Hampshire’s needs are fulfilled through these strategies.

9. **Headline Priorities**

9.1 The ongoing Hampshire 2050 Commission of Inquiry has highlighted some critical factors to ensure the future prosperity of the county and hence is a useful starting point in relation to headline priorities which we would want to see featuring in the emerging local industrial strategies. Below are listed some critical agendas which are relevant at a pan Hampshire level:

- Building on our strengths and assets as an adaptable, knowledge intensive economy – including further growth of our specialisms in developing and deploying enabling digital technologies, supported through leading digital infrastructure and investment in digital skills. We need to ensure that Hampshire is home to a highly effective innovation ecosystem to enable the commercialisation locally of emerging technologies – leveraging our leading universities and other research assets, our outstanding lifestyle offer, international connectivity and clusters of innovative businesses;
- To further enhance our competitiveness as an international gateway and globally connected economy – making Hampshire more attractive to foreign direct investment, especially in knowledge intensive sectors, and to sustain our status as a key conduit for UK exports (including growing the capacity of Southampton Port, a key element of the UK’s export infrastructure and positioning Southampton as the UK’s first smart port and maritime innovation hub - part of the recent Maritime 2050 proposals from Government). This agenda should also incorporate supporting the growth of Southampton Airport and its potential as a multi-modal transport hub;
- Investment in strategic transport connectivity – especially in relation to faster access to both London and Heathrow which will contribute to our future competitiveness;
- To ensure that our key urban centres fulfil their roles as key economic drivers, as hubs of commercial and innovation activity, and as magnets for talented individuals and knowledge intensive businesses. This includes provision of high quality grade A office space (including co-working space) and outstanding public realm to encourage interaction and collaboration. As mentioned above, the economies of Southampton and Portsmouth have a clear interdependence with the rest of Hampshire, and the two cities represent significant economic growth potential for the wider region;
- Rural Hampshire – we need to ensure that the rural parts of Hampshire contribute more effectively to the wider economy of the county, with effective mechanisms and infrastructure in place to support and enable

growth in knowledge intensive employment. For example, our strategy to support the establishment of managed innovation centres across the county is contributing to this objective. Local transport provision, digital connectivity and housing affordability are clearly key factors;

- Skills and employability – in the future it will be critical that as well as digital skills, development of interpersonal and analytical skills are effectively embedded in the education curriculum. Aligned with that, we need a more coherent and visible careers strategy, particularly related to STEM and our key sectors.

10. Conclusions

- 10.1 That Hampshire County Council should continue to play an active part in the development of the local industrial strategies for both the Solent and Enterprise LEP areas;
- 10.2 That, in engaging in the development of the local industrial strategies, Hampshire County Council should promote the key economic priorities listed above, which are largely derived from the findings of the Vision for Hampshire 2050 Commission of Inquiry;
- 10.3 That Hampshire County Council should, in conjunction with the Solent and Enterprise M3 LEPs, develop proposals for collective governance arrangements to enable the required consistency of approach to best serve the needs of the Hampshire economy.

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

Hampshire maintains strong and sustainable economic growth and prosperity:	yes
People in Hampshire live safe, healthy and independent lives:	yes
People in Hampshire enjoy a rich and diverse environment:	yes
People in Hampshire enjoy being part of strong, inclusive communities:	yes

Other Significant Links

Links to previous Member decisions:	
<u>Title</u>	<u>Date</u>
Direct links to specific legislation or Government Directives	
<u>Title</u> Local Industrial Strategies – Policy Prospectus https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/744544/local-industrial-strategies-policy-prospectus.pdf	<u>Date</u> 1 October 2018

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

<u>Document</u>	<u>Location</u>
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EQUALITIES IMPACT ASSESSMENT:

1. Equality Duty

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant protected characteristic that are connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic that are different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

2. Equalities Impact Assessment:

This proposal will have minimal impact on groups with protected characteristics, as the local industrial strategies are being developed to enable our local economy to contribute positively to the growth of UK productivity.

However, we do anticipate that, if effective, these strategies will have a positive effect on poverty levels in Hampshire, as growth in the local economy should create more and better value employment opportunities.