

Building Our Industrial Strategy

HM Government Green Paper

Our response



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Delivering a modern Industrial Strategy: Hertfordshire LEP's Agenda for Action



Introduction

The case for a modern
Industrial Strategy

Hertfordshire Local Enterprise Partnership (Hertfordshire LEP) **welcomes the commitment of Government to develop a modern Industrial Strategy.**

Given the uncertainties of the Brexit process, we concur fully with the Secretary of State’s assessment of the three overarching challenges facing the UK. Within the Green Paper, these are summarised **as building on our strengths and extending excellence into the future; ensuring that every place meets its potential; and making the UK one of the most competitive places in the world to start or to grow a business.**

These same three challenges are writ large in Hertfordshire; they map directly onto the four priorities set out in our refreshed SEP (see Figure 1); and we will continue to address them. **Our objectives, therefore, are wholly aligned with those of UK Government – and entirely consistent with the imperatives of a modern Industrial Strategy.**

We welcome the fact that Building Our Industrial Strategy is a Green Paper, not a White Paper.

This signals a genuine intention to listen to, and learn from, different parts of the UK, including areas – like Hertfordshire – which are frequently “under the radar”. It is vital that inputs are gained nation-wide and without a disproportionate focus on those regions which are politically most visible.

In this context, we want Government to understand something of our past successes, current endeavours and future ambitions in responding locally to what the Secretary of State has, rightly, identified as overarching national challenges.

In the remainder of this paper, **we reflect on the three challenges for a modern Industrial Strategy summarised by the Secretary of State.** We set out



Figure 1: Perfectly Placed for Business: Hertfordshire’s Strategic Economic Plan

the assets and potentials that exist within Hertfordshire and we outline how we are already harnessing them to achieve the ambitions in our SEP. We also set out a series of propositions/recommendations which would help us to exploit these assets and potentials more fully, spearheading the delivery of a modern Industrial Strategy.

Hertfordshire's LEP in overview

Hertfordshire Local Enterprise Partnership (LEP) is a private-sector led partnership which was formed in 2011.

As set out in the letter which first invited local authority leaders and business leaders to form local enterprise partnerships, our brief was – and is – to provide “the strategic leadership... to set out local economic priorities” across Hertfordshire and to “create the right environment for business and growth”. At the outset, the then-Secretaries of State for both Business, Innovation and Skills, and for Communities and Local Government, considered that this potentially meant “tackling issues such as planning and housing, local transport and infrastructure priorities, employment and enterprise...”.¹

Over the last six years, we have made substantial headway in many of these domains. We have:

- developed a Growth Strategy and Strategic Economic Plan for Hertfordshire, which have secured considerable traction within the county (evidenced by the recent SEP refresh process)
- secured Growth Deal funding amounting to more than £265m over three, highly competitive, bidding rounds, and made considerable headway in delivering the associated projects and programmes
- started to address major regeneration challenges – mainly linked to the county's New Towns – and put in place local partnerships to deliver long term, funded, regeneration plans

- supported the delivery of national transport priorities insofar as these relate to Hertfordshire, and collaborated with other LEPs where transport priorities cross boundaries
- catalysed a much stronger and more creative dialogue among partners and stakeholders across a county which, throughout the RDA era, had a reputation for opposing growth in general (and housing growth in particular).

In addition, we have invested in the development of our principal, internationally significant, clusters. In life sciences, for example, we have made strategic investments which have levered in national funding (e.g. in relation to Stevenage Bioscience Catalyst (health sciences); Rothamsted Research (plant sciences); University of Hertfordshire Life Sciences Block; and the Stem Cell and Gene Therapy Manufacturing Centre). In parallel, we have used resources from the European Regional Development Fund to provide business support which has helped to animate the cluster. We are in the process of extending this approach into other domains – most immediately advanced engineering and manufacturing (working with Airbus and MBDA); sustainable construction (BRE); and film and screen industries (Warner Brothers and Creative England).

More generally, we have learned a great deal about the economic assets and potential which exist within Hertfordshire. By harnessing these, we are having an impact locally and we are benefitting both Hertfordshire's residents and the UK economy.

¹ Letter from Vince Cable and Eric Pickles to Local Authority Leaders and Business Leaders inviting proposals for the formation of local enterprise partnerships, dated 29th June 2010

Challenge 1

Building on our strengths and extending
our excellence into the future

Our assets and potential...

Overlapping innovation ecosystems defined around private sector research strengths

Hertfordshire has outstanding scientific research strengths. Our strengths exist particularly in pharmaceuticals and life sciences; advanced engineering and manufacturing; agri-science; and sustainable construction materials and methods. As a hub for scientific research, we differ from other locations insofar as **our strengths are vested in a dynamic group of world-leading, research-intensive, businesses** – notably GSK, Airbus, MBDA, Roche, Johnson Matthey and Eisai.

These are complemented by **commercially-focused research organisations** of international significance; two outstanding examples are The Building Research Establishment (BRE) and Rothamsted Research. Around these and other major players, **a series of overlapping innovation ecosystems** has evolved. These are core to Hertfordshire's economic dynamism and potential, and they are depicted in schematic spatial terms in the graphic below.

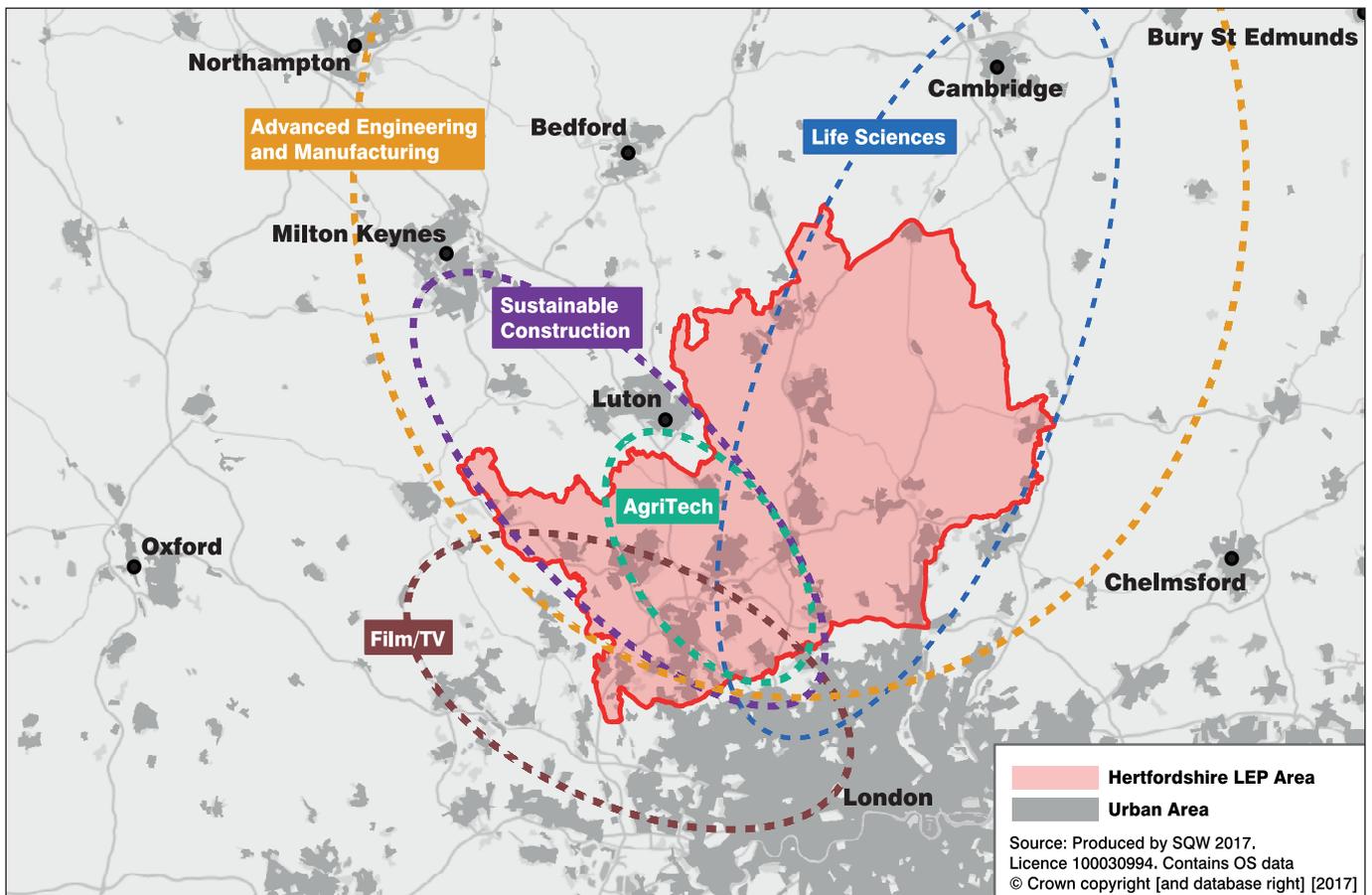


Figure 2: Schematic spatial depiction of major innovation ecosystems within and beyond Hertfordshire

CHALLENGE 1: BUILDING ON OUR STRENGTHS AND EXTENDING OUR EXCELLENCE INTO THE FUTURE

Our scientific specialisms and innovation ecosystems are not however static. We are seeing important examples on the ground of **technological and scientific convergence**. Last year, GSK and Google launched a joint venture to research, develop and commercialise bio-electronic therapies. The new company, Galvani Bio-electronics, is based at Glaxo's global R&D centre in

Stevenage and will have a second research hub in San Francisco. The companies will combine their existing intellectual property rights and invest up to £540m over seven years if the collaboration meets certain goals. It therefore constitutes a substantial commitment – and a significant opportunity. Moreover, it illustrates the ways in which our local innovation ecosystems are evolving.

The changing role of universities within our local innovation ecosystems

Within this overall context, **the University of Hertfordshire is playing a crucial role**. Reflecting its historic links to British Aerospace at Hatfield, its pedigree in advanced engineering is widely acknowledged, particularly within the business community². It also has exciting emerging specialisms, not least gaming technologies. But unlike universities elsewhere, it is recognisably part of our wider innovation ecosystems, not the totality of them. We consider that this gives us depth, resilience and a strong market-facing focus. The excellence of its work in supporting SMEs is widely acknowledged, but the University of Hertfordshire has never been a beneficiary of anything like the scale of research funding that has found its way into the higher education institutions within neighbouring LEP areas; this has proved challenging in the past, and there is a case for some level of rebalancing.

However, **we are, increasingly, seeing substantial interest and investment in Hertfordshire from leading research-based universities**. With growing academic recognition that pioneering science – particularly in drug discovery, sustainable construction materials and other applications of global economic and societal significance – must be advanced in collaboration with the private sector, two main drivers are increasingly putting Hertfordshire on the map:

- **the strength and depth of our private sector R&D**, as outlined above, coupled with the **growing interest of the major corporate players in local collaborations and dialogues**
- our well-established long term commitment to – and investment in – **infrastructures for open innovation**.

² See for example “The evolution of the high performance technology and motorsport cluster” Report by SQW, commissioned by MEPC and partners, May 2016

Investing in open innovation with and through our major corporates

Through our investment in, for example, Stevenage Bioscience Catalyst – which is located on GSK’s global R&D site – we have attracted research teams from both University College London (UCL) and the University of Cambridge into Hertfordshire. **For economists, this is an outstanding (but unusual) example of the private sector “crowding in” scientific excellence from world class universities. For the UK economy, it is creating added value and impact, and – with an intrinsic focus on commercial application – it will drive high value economic growth.**

Our dialogue with the major corporates has deepened substantially over recent years and this too is increasingly putting Hertfordshire on the map as the beating heart – geographically and functionally – of the wider Golden Triangle.

For example, we have worked with Airbus to establish a STEM skills centre, based around the Mars Rover test facility. Launched recently by astronaut, Tim Peake, this is inspiring a generation of school children to engage in STEM-based learning and, over the medium term, it will help to remedy national skills shortages relating to STEM subjects. Again, this is a clear national priority and it is recognised as such in the Industrial Strategy Green

Paper. In Hertfordshire, our response is being led by a major private sector partner (working closely with North Hertfordshire College) and a wider range of impacts is starting to flow. This in turn is generating interest from MBDA and Stevenage Bioscience Catalyst in terms of how this model could be developed further.

A second example is the development of our Enterprise Zone, which is focused on envirotech (and encompassing both sustainable construction and agritech). The designated area includes part of the sites occupied by Rothamsted Research and BRE. This means that related businesses – with research-based specialisms in agriscience and sustainable construction – will benefit from relief from business rates and a range of other measures. As they grow, they will also contribute to the delivery of the wider Green Triangle³ initiative.

We are very excited by what we are seeing in Hertfordshire. We believe it signals a new model for science-focused economic growth, driven by the private sector within well-functioning innovation ecosystems. It is already generating benefits of national significance. In addressing the first challenge identified by the Secretary of State in the Green Paper, we believe it could be significantly “ramped up” over the years ahead.

³The Green Triangle is a collaboration between BRE, Rothamsted Research and the University of Hertfordshire which aims to establish Hertfordshire as a globally renowned centre of excellence in green technology (see www.thegreentriangle.org)

How we would like to contribute further in responding to the first challenge set out by the Secretary of State in the Green Paper...

To achieve a step-change, we would welcome an early dialogue with the Secretary of State and officials from across Government in relation to six propositions. **These cut across Pillars 1, 2 and 8⁴ from the Green Paper.** Among the most important are:

1. A more meaningful collaboration with Innovate UK and RCUK such that funding awards, particularly for innovation, are informed by locally-defined strategic assets to encourage clustering and critical mass

Currently, Innovate UK lacks the capacity for a strong dialogue with LEPs. Opportunities – particularly relating to the clustering processes described above – are being missed. The strength and pedigree of scientific research in Hertfordshire should be “crowding in” innovation grants, but between April 2010 and March 2017, Hertfordshire accounted for 18% (by value) of Innovate UK grants across the East of England Science and Innovation Audit area (and, as a benchmark, 22% of jobs). Hertfordshire defines the core of the Golden Triangle and its research and innovation model is distinctive in being led by the private sector, but this is not being reflected in funding decisions.

2. A strong local input into the development of sector deals which are defined around “real” local innovation ecosystems and premised on technological convergence whilst also taking nationally-defined strengths into account fully

We welcome the commitment to sector deals, but we are concerned about the exclusive emphasis on the national scale (which risks missing locally defined

cross-sector synergies). In this context, two insights from Hertfordshire are important. First, the significance of local innovation ecosystems must be recognised as a key driver of both innovation and collaboration. Second, the potential of convergent technologies (which do not map straightforwardly onto industrial sectors as conventionally defined) must be harnessed rather than dissipated. The example above – of GSK collaborating actively with Google – illustrates the growing irrelevance of sectoral boundaries and there is a need to move beyond out-dated and rigid constructs. Our preference would be for approaches which are altogether more fluid and which reflect the real – and dynamic – geographies of local innovation ecosystems.

3. The designation of Stevenage as a national “test bed” for the commercialisation of convergent technologies across local innovation ecosystems [linking to Recommendation 9 (below)]

One specific proposal – which we would like to discuss with Government – is that Stevenage should be positioned as “test bed” for actively encouraging open innovation across convergent technologies. It already has a significant pedigree and track record, and it has substantial scientific assets linked to its major corporate R&D. But just as important, we are

⁴industrial-strategy-10-pillars.pdf

CHALLENGE 1: BUILDING ON OUR STRENGTHS AND EXTENDING OUR EXCELLENCE INTO THE FUTURE

seeing ventures led by our private sector partners to deepen the level and form of collaboration – a process which, as intimated above, is attracting attention (and investment) from both the University of Cambridge and University College London. Stevenage is 20 minutes (by rail) from London St Pancras and about 30 minutes from Cambridge, so it is supremely well located. We would like to draw these strands together and advance a collaborative project – led by the private sector – to respond specifically to the first overarching national challenge identified by the Secretary of State. We firmly believe that Stevenage can be a nationally-significant “test bed” in these terms.

Stevenage is a first wave New Town. This recommendation links strongly to Recommendation 9 which is presented later in this paper.

4. Demand-led approaches to higher level skills provision across the real geographies of local innovation ecosystems

We would like to see a continuing evolution of approaches to higher level skills provision, led by the private sector. At one level, this ground is already well-trodden, but we believe that much could be achieved if patterns of provision were properly and appropriately aligned with the real geographies of local innovation ecosystems outlined above. For Hertfordshire, this will mean working with partners in London and Cambridge in respect of life sciences; with London and Buckinghamshire in relation to film/TV/media; and working with Cambridgeshire, Essex, (former) Bedfordshire, Buckinghamshire, Northamptonshire and Oxfordshire in respect of advanced engineering. In addition, as depicted in Figure 2, there is a need to recognise the cross-sectoral dimension. In other words, there will be a need for fluidity and flexibility. We are encouraged by the progress that we have seen,

working with our Further Education Colleges in starting to anticipate and respond to these imperatives. We are convinced that more can be achieved.

5. A commitment to invest fully and appropriately in outward-facing universities (like the University of Hertfordshire)

Over the last decade, national research funding awards have been increasingly concentrated in a small group of universities. We would like to see RCUK adopt a broader perspective that pays far more attention to local economic growth priorities and ambitions – essentially so that RCUK funding decisions can reflect local areas’ capacity and inclination to “sweat” the investment. In seeking to achieve economic growth, research funding only contributes if the wider innovation ecosystem is effective. In Hertfordshire, much has been achieved with limited national research investment, but we think an injection of resource into publicly funded research could yield substantial impacts. One very specific mechanism for achieving this could be the introduction of (something like) regionally-defined CASE Awards such that there is a greater volume of students being placed in leading local companies by locally-based research organisations and universities.

6. A response from UK Government to the priorities which are being evidenced through Science and Innovation Audits

Finally, although still work in progress, we will want to work with Government in advancing the priorities that are identified through the East of England Science and Innovation Audit. This will mean working closely with neighbouring LEPs and it will be premised on the real geographies of local innovation ecosystems across life sciences, agritech, advanced materials and manufacturing, and ICT. We believe that much can be achieved through it.

Challenge 2

Ensuring that every place meets its potential by working to close the gap between our best performing companies, industries, places and people and those which are less productive

CHALLENGE 2: ENSURING EVERY PLACE MEETS ITS POTENTIAL BY WORKING TO CLOSE THE GAP BETWEEN OUR BEST PERFORMING COMPANIES, INDUSTRIES, PLACES AND PEOPLE AND THOSE WHICH ARE LESS PRODUCTIVE

Our assets and potential...

The Secretary of State's second challenge is concerned, fundamentally, with *"tails of underperformance"*. He draws a stark contrast between "the best" (companies, industries, places and people) and *"the rest"*. His contention is that *"the rest"* must be equipped to close the gap significantly if the UK is to thrive. His argument is not about rebalancing in an engineered redistributive sense but more like "levelling up" and ensuring that every company, industry, place and person is as good as it/he/she can be. This creates a series of responsibilities and imperatives for both *"the best"* and *"the rest"*: both need to thrive.

In Hertfordshire, the steps that are needed for *"the best"* to thrive are, in part, those discussed above – and we believe they are crucially important. However even for *"the best"*, it is important to understand the full range of constraints as well as opportunities, not least so that "the best" continue to get better.

In Hertfordshire, the town which again stands out in these terms is Stevenage. It can claim, justifiably, to be home to some of the best science in the UK, both in pharmaceuticals and in advanced engineering. Yet as a place, it is facing many challenges. Stevenage is a first wave New Town. Its urban fabric is decaying. There is an urgent need for regeneration and investment. Moreover, as

evidenced through most conventional indicators, the resident population of Stevenage is experiencing socio-economic deprivation of an inter-generational form. Ultimately, *"the best"* science is vested in a place with an outstanding location but which continues to struggle in important respects. This all requires careful navigation and investment. Over-simplistic arguments relating to national rebalancing must be avoided.

Over the last three years, Hertfordshire LEP – working closely with Stevenage Borough Council and Hertfordshire County Council, and with strong support from the likes of Airbus, GSK and MBDA – has made substantial progress in relation to the long-term regeneration of Stevenage. A regeneration framework for Stevenage Central has been developed and agreed, and delivery partnerships are advancing its delivery. Through Local Growth Fund, significant resources have been secured for the town and these are leveraging in private sector investment. A package of town centre infrastructure-based projects will be advanced over the next 3-5 years. These should support the transformational journey, although more investment will be needed. This venture is a long term one. The regeneration of the place needs to go hand-in-hand with the commercialisation of the science, particularly when the latter is amongst the finest in the UK.

CHALLENGE 2: ENSURING EVERY PLACE MEETS ITS POTENTIAL BY WORKING TO CLOSE THE GAP BETWEEN OUR BEST PERFORMING COMPANIES, INDUSTRIES, PLACES AND PEOPLE AND THOSE WHICH ARE LESS PRODUCTIVE

More generally, “places” need to be aligned with – and contributing to – the delivery of a modern Industrial Strategy. **This means ensuring that priorities linked to local innovation ecosystems should be a central consideration in terms of the decisions that are made regarding investment in the “supply side” defined more broadly.** Three elements are especially important.

- First, to be “the best” – and particularly to retain that position – it is imperative that an appropriately large and skilled workforce can be recruited, nurtured and housed.

Hertfordshire has committed to substantial housing growth and in the east of the county (on the border with Essex), the new Garden Town of Harlow & Gilston is a very significant venture. This builds upon a long legacy of accelerated urban growth in Hertfordshire. Historically some mistakes were made, but the commitment now is to build new and expanded communities that are wholly aligned with the growth potential linked to “the best” science in the country.

- Second, appropriate provision must be made for employment premises, sites and land.

Over the last couple of years, a huge volume of employment land has been lost to residential uses under Permitted Development Rights. Some of these sites were not fit for purpose and a change of use was helpful, particularly in relation to town centres which were anyway having to reinvent themselves. But we are at a point now where the loss of employment land is becoming a real concern. Securing an adequate and appropriate supply will be essential if the full potential of Hertfordshire’s scientific and knowledge-based pedigree is to be realised. In this context, there are particular and immediate opportunities; one example is that linked to the Warner Brothers’ site – at the heart of the film/TV cluster – in south west Hertfordshire where we are seeing significant opportunities in media and the creative industries.

- Third, strategic infrastructure provision must be aligned with the functional economic geographies linked to local innovation ecosystems, recognising that these are often sub-national in scale.

We are very supportive of the steps that are being taken – including by the National Infrastructure Commission – to help realise the potential of the Cambridge – Milton Keynes – Oxford Corridor through, in the first instance, east-west rail and the Oxford-Cambridge Expressway. Whilst neither of these infrastructures will be physically located within Hertfordshire, they will contribute significantly to realising the wider potential linked to our science-based assets and capabilities at the core of the Golden Triangle.

How we would like to contribute further in responding to the second challenge set out by the Secretary of State in the Green Paper...

To ensure that the full potential of “the best” is realised – in the context of a bar that is constantly being raised – and that “the rest” can close the gap, we would welcome an early dialogue around some specific proposals/recommendations. **These relate principally to Pillars 3, 9 and 10⁵ from the Green Paper.**

7. Devolved, place-specific, investment funds in areas – like Hertfordshire – which are unlikely to see fully-fledged devolution deals

Hertfordshire has not benefited from devolved investment funds – unlike many other areas of the UK – and it is unlikely to see a formal devolution deal. Yet we have shown that we can make tough choices and the LEP has been exemplary with regard to the delivery of resources from Local Growth Fund and European Structural and Investment Funds. We accept fully that the days of substantial grant funding are behind us and investment funds will need to be structured on a revolving basis – but this is precisely how we have operated our very successful Growing Places Fund.

What we want to see is more investment flexibility, so that we can target resources on places which need funding certainty and can make a substantial contribution to the delivery of a modern Industrial Strategy. Stevenage is a case in point, but Watford, Hemel Hempstead and – on a smaller scale – towns like Hatfield and Broxbourne could all deliver substantial long term returns to the Exchequer through locally configured and controlled investment funding arrangements.

8. Full recognition of the economic significance and potential of areas which are neither large

cities/city-regions nor sparsely populated and peripherally located

For the last five years, sub-national economic policy has been dominated by the major cities (and the Northern Powerhouse) and – in a more minor way – by areas that are clearly lagging and/or peripheral. In general, very little attention has been paid to the shire counties in England, yet these areas – of which Hertfordshire is one – have a great deal to contribute to the delivery of a modern Industrial Strategy. Their role needs to be recognised and understood, and it needs to be supported. Within these areas are some of the fastest growing parts of the UK and many of the principal knowledge-based assets yet their growth trajectory and prospects receive scant attention from UK Government. We would like to see a real challenge to the shire counties – not just in terms of accommodating housing (although that is important) but in driving additional economic growth and spear-heading the delivery of a modern Industrial Strategy.

9. A Science-Based Growth Commission which links the imperatives of a modern Industrial Strategy to the specific assets, opportunities and challenges of the first wave New Towns, and directs investment in response

Across southern England, the volume of private sector science-based assets associated with the first wave

⁵industrial-strategy-10-pillars.pdf

CHALLENGE 2: ENSURING EVERY PLACE MEETS ITS POTENTIAL BY WORKING TO CLOSE THE GAP BETWEEN OUR BEST PERFORMING COMPANIES, INDUSTRIES, PLACES AND PEOPLE AND THOSE WHICH ARE LESS PRODUCTIVE

New Towns (designated under the New Towns Act 1946) is striking. These assets need to be “sweated” if the challenges identified in the Green Paper are to be addressed. Hertfordshire accounts for some of these settlements – Hemel Hempstead, Welwyn Garden City, Hatfield and Stevenage – but there are New Towns elsewhere that share similar strengths and weaknesses (e.g. Harlow, Bracknell, Basildon). As home to a significant slice of the nation’s scientific asset base, the first wave New Towns ought to be a “project” in their own right: their infrastructures are approaching 70 years old (and in urgent need of investment), and they must function better as the places in which significant private sector science is already vested. In general terms, this points to the need for a Science-Based Growth Commission which links the imperatives of a modern Industrial Strategy to the specific assets, opportunities and challenges of the first wave New Towns. This is an area in which Hertfordshire LEP is very keen to play a leading role. More specifically, it adds additional weight to our third recommendation (set out above) which proposes that Stevenage – a first wave New Town – should be a national “test bed” for the commercialisation of convergent technologies within overlapping local innovation ecosystems.

10. Encouragement for the development of a new generation of Garden Towns with a clear functional purpose in relation to knowledge-based economic growth

Alongside a bold vision for the first wave New Towns, there is a need to align emerging plans for new Garden Towns firmly with the wider ambitions set out in the Green Paper. They ought to be designed as exemplars in knowledge-based growth for the current generation of Garden Towns will have a substantial influence on the competitiveness of the UK economy in the medium term.

11. Tools and resources to equip local planning authorities better given pressures for changes

of use linked to Permitted Development Rights, and to ensure that there is an appropriate stock of employment land consistent with the delivery of a modern Industrial Strategy

Many local planning authorities are significantly under resourced, particularly in areas which are facing substantial development pressures. They need to be equipped to make wise decisions regarding employment sites and premises, recognising that – once lost – this asset base will be very difficult to reclaim. The relationships between business growth and employment provision are changing profoundly – and this itself needs to be understood better – but in some form, there will still be a need for a good stock of premises and sites. These should be aligned with the demands of local innovation ecosystems, and they should also reflect more generally stated business growth ambitions. There is an important disconnect currently and this needs to be addressed.

12. A planned approach to strategic infrastructure that maps onto the principal local innovation ecosystems, particularly when these cross administrative boundaries

Finally, we think there is a need for UK Government and its agencies (such as Highways England, Network Rail and Broadband Delivery UK) to align decisions relating to strategic infrastructure with a far more reflective understanding of key local innovation ecosystems – both those that exist currently and those that would exist if infrastructure provision was better. This will require more nuanced approaches to prioritisation and appraisal – although we do believe that Department for Transport’s recent work in seeking to capture wider economic benefits is itself an important step forward. We need to ensure that infrastructure investment is informed by clear economic potential – not simply current patterns of congestion – and the changing geographies of innovation ecosystems ought to be a material consideration in this context, if the challenges identified in the Green Paper are to be addressed.

Challenge 3

Making the UK one of the most competitive places in the world to start or to grow a business

Our assets and potential...

At over 90%, Hertfordshire and neighbouring Buckinghamshire Thames Valley have the highest proportion of micro businesses (defined as 0-9 employees) within their respective business stocks across 39 LEP areas in England (Source: ONS Business Counts – Enterprises, 2016)⁶. Data from the Enterprise Research Centre suggest that at 60 per 10,000 population, the rate of business start-up in Hertfordshire was the second highest among 38 LEP areas (excluding London) in 2015. The county also has 98,000 self-employed residents, over 12% of the economically active population. All the data indicate that **Hertfordshire must be recognised as a county with significant strengths in enterprise and entrepreneurship.**

However, **Hertfordshire's performance in scaling up and growing businesses from small to medium size is less impressive.** Data from the Enterprise Research Centre provide some important insights:

- the proportion of surviving 2012 start-ups with turnover that grew from less than £500k to over £1m by 2015 was 13th highest across 38 LEP areas (excluding London)
- at 7.4%, the “high growth incidence rate” between 2012 and 2015 was 13th highest across 38 LEP areas (excluding London).

The inference is that **the engine of enterprise in Hertfordshire – which is outstanding – becomes**

mid-ranking as the lens shifts from start-up to scale-up. And this is in the context of a county which has foremost private sector research strengths to fuel that engine, and a workforce skills base that is, overall, reasonably strong (the proportion of the working age population qualified to NVQ4 or above is the sixth highest across 39 LEP areas (including London)).

Nationally, there is a challenge relating to scale up. The Green Paper (page 61) itself identifies issues relating to the lack of finance to support growth; the inability of firms to adopt digital processes; and limited access to skills, particularly the leadership and management skills which are required to scale-up successfully. Within Hertfordshire, the scale-up challenge is especially acute. Hertfordshire is expensive for small companies which are seeking to grow; the costs of both land/premises and labour are inflated by London-related pressures and this compounds the challenges experienced nationally. However, given the connection to underlying research assets – and the competitive advantages that follow from London proximity – substantial GVA and productivity “gains” ought to be achievable through more consistent and successful scale-up.

Over the last three years, we have worked hard to support small businesses in Hertfordshire through the operation of our Growth Hub. This has never had financial certainty and we have had to piece together a funding package that is providing some level of support to micro and small businesses county-wide.

⁶There are now 38 LEP areas in England, but many of the analyses have been completed on the basis of the original 39. Note though that some analyses exclude London.

CHALLENGE 3: MAKING THE UK ONE OF THE MOST COMPETITIVE PLACES IN THE WORLD TO START OR GROW A BUSINESS

To date, the Growth Hub has engaged with more than 15,000 SMEs and helped firms to create more than 100 jobs. It has received positive reviews from beneficiary businesses:

“Thanks to the support we’ve received from the Growth Hub we’ve been able to reach more customers by targeting our marketing activities which has helped to grow our business. Having access to an unbiased and expert opinion ensures we are able to make the best decisions to keep the business growing.”

Nosheen Lone, Managing Director,
TekOne Technologies Ltd.

“It’s been great working with the Growth Hub. Their professionalism and approach has provided the much-needed moral support needed to help take our business to the next level.”

Gerry Howley, Director, Brillienz

However, we are conscious that our Growth Hub is a very limited resource in relation to the wider challenges of scale-up. As a LEP, we have directed resources to creating the infrastructures to enable scale-up – our Envirotech Enterprise Zone (with links to both BRE and Rothamsted Research) is one very important example. But different elements of the surrounding “soft infrastructure” also need investment – and it is in those domains that we would like to focus going forward.

How we would like to contribute further in responding to the second challenge set out by the Secretary of State in the Green Paper...

To support business growth in general – and to address the challenges of scale-up in particular – we would welcome an early dialogue around specific proposals. **These relate principally to Pillars 2, 4, 5 and 6⁷ from the Green Paper.**

13. Relationship-based approaches to business support and mentoring within key innovation ecosystems, complementing the more generic advice provided through the Growth Hub

Our Growth Hub has performed well with very limited and uncertain resources, but the support it has provided has been relatively generic and light touch. There is, clearly, a role for this in encouraging business growth, but we would like to see it complemented by more tailored mentoring and coaching, targeted at businesses with the potential to grow. In practice, there ought to be some level of join-up between mentoring/coaching support and patterns of innovation grants, and as a strand of both, there should be some level of clustering around our major science-based assets. In short, relationship-based approaches ought to be configured in response to key innovation ecosystems and delivery processes ought to respond flexibly to ecosystem characteristics. In other words, we would expect support for sustainable construction firms to look different from that targeted at (say) the advanced engineering sector.

14. Better mechanisms for aligning provision through Further Education Colleges with the requirements of local businesses; and within this, greater specialisation and differentiation in relation to higher level skills provision

In supporting scale-up and growth more broadly, our Further Education Colleges undoubtedly have a key role to play. Over several years, Hertfordshire LEP has worked very closely with the four FE Colleges in the county. The breadth and depth of dialogue has strengthened considerably and the consequence is a stronger read-across between strategic economic priorities and post-16 provision. However, we think this process needs to go further still, enabled by a range of different mechanisms. One possibility is that the LEP should formally be part of College governance and decision-making arrangements (just as the FE Colleges have a seat on the LEP Board), but there are other possibilities too and the delivery of apprenticeships is a key joint venture. As noted already it will be important that different FE Colleges continue to collaborate,

⁷industrial-strategy-10-pillars.pdf

CHALLENGE 3: MAKING THE UK ONE OF THE MOST COMPETITIVE PLACES IN THE WORLD TO START OR GROW A BUSINESS

with some level of differentiation in higher level skills provision mapping onto the spatial footprints of the main innovation ecosystems.

15. Successor programmes to ESIF focused on scale-up and managed locally

The delivery of the European Structural and Investment Funds (ESIF) programme was very slow to start nationally. In Hertfordshire, we have made very good progress. In part this is because most of the Measures within the programme are aligned straightforwardly with the priorities within our SEP (see Figure 1). The ESIF programme runs to 2020 and its future is wrapped up with the uncertainties surrounding the Brexit process. We would like to see a continuation of (something like) the current programme, albeit with: stronger and more straightforward local decision-making and control; and a stronger emphasis on enterprise start-up and scale-up, and the workforce skills that are required county-wide to make this happen.

16. Procurement processes – particularly in the defence sector and across the NHS – which have regard to the imperative for scale-up

We concur with the Green Paper's Pillar 5 narrative and, specifically, its emphasis on the use of government procurement to drive innovation. Whilst the major businesses within Hertfordshire are prolific exporters, most also have substantial customers within the UK public sector – notably the NHS and the

Ministry of Defence. We think procurement processes could be used more effectively to drive innovation and to encourage further “crowding in” to specific innovation ecosystems. This will work all the better given our past – and on-going – investment to create hard infrastructures in support of open innovation. We welcome also the emphasis this Pillar puts on helping SMEs to be more effective in being considered for government contracts.

17. More freedoms in relation to property taxes (business rates) to incentivise local clustering

Through our Envirotech Enterprise Zone in west Hertfordshire, we are using business rates relief as a lever to encourage the formation and growth of agritech and sustainable construction businesses clustered around Rothamsted Research and BRE respectively. We would welcome the scope to put in place similar and/or related measures elsewhere:

- First, we would like to use business rate flexibilities at core locations within our innovation ecosystems to encourage similar processes of clustering among small and growing businesses. We think this should help achieve critical mass and that in turn will unlock all sorts of possibilities for ecosystem-level investment and targeting (e.g. in relation to workforce skills). A very specific example and opportunity could relate to the development of business space adjacent to the Warner Brothers facility in south west Hertfordshire

CHALLENGE 3: MAKING THE UK ONE OF THE MOST COMPETITIVE PLACES IN THE WORLD TO START OR GROW A BUSINESS

- Second – and linking back to the second of the Secretary of State's challenges – we would like to see business rates flexibilities positively deployed within some of our town centres – particularly those that are losing significant employment sites and premises to residential uses and are in danger of losing their population of small businesses. Town centres need to be vibrant business locations
- Third, we would like to see more generally innovative and flexible approaches in relation to land value capture; cross-boundary infrastructure levies (e.g. between East Hertfordshire and West Essex); and business rate supplements.

Some of the priorities outlined above are in principle possible given the reforms to business rates which are currently underway, and they are aligned with wider national thinking. However, we – and we suspect our local authority partners – would welcome positive encouragement from UK Government to explore these options more fully. They could be pioneered on a trial basis whilst we seek to understand better the consequences that might follow in relation to local government finance.

18. Approaches to international trade and inward investment which are steered by the findings of Science and Innovation Audits and supportive of the potential of local innovation ecosystems

Finally, we would like to see much stronger alignment between the activities of the new Department for International Trade and the opportunities and potentials within Hertfordshire – including those evidenced through the forthcoming East of England Science and Innovation Audit. Our major science-based businesses are already strongly outward facing and they are major generators of export sales. Their market reach is truly global and it is this – from a demand side point of view – that is providing both the need and opportunity for the deepening of our innovation ecosystems as described throughout this paper. Stronger patterns of alignment will drive economic growth to the benefit of the UK as a whole. Moreover, they will help materially in responding to the third of the challenges identified by the Secretary of State and delivering, for the UK, a genuinely modern Industrial Strategy.

Conclusion

Delivering a modern Industrial Strategy:
Hertfordshire LEP's Agenda for Action

Hertfordshire Local Enterprise Partnership welcomes and supports the consultation towards establishing an Industrial Strategy. We can see how the 10 proposed Pillars align and resonate with what we see in our region, build on the tenets of our Strategic Economic Plan and how well implemented could bring about a real step change in GVA and economic performance. We do, however, see a number of areas where further

opportunity could be created and our paper sets out our ideas accordingly. These are summarised below.

We look forward to further discussion as the Industrial Strategy ideas are formulated into government policy and believe that Hertfordshire remains perfectly placed for business to help bring these ideas to substantive fruition.

Delivering a modern Industrial Strategy

Hertfordshire LEP's Agenda for Action in response to the Secretary of State's three national challenges

We believe the measures outlined below will generate GVA and productivity-related impacts of national significance. Hertfordshire Local Enterprise Partnership will commit to working with businesses, local authorities and other local stakeholders – and with UK Government – to drive forward:

1. A more meaningful collaboration with Innovate UK and RCUK such that funding awards, particularly for innovation, are informed by locally-defined strategic assets to encourage clustering and critical mass
2. A strong local input into the development of sector deals which are defined around "real" local innovation ecosystems and premised on technological convergence whilst also taking nationally-defined strengths into account fully
3. The designation of Stevenage as a national "test bed" for the commercialisation of convergent technologies within overlapping local innovation ecosystems (linking to Recommendation 9)
4. Demand-led approaches to higher level skills provision across the real geographies of local innovation ecosystems
5. A commitment to invest fully and appropriately in outward-facing universities (like the University of Hertfordshire)
6. A response from UK Government to the priorities which are being evidenced through Science and Innovation Audits

7. Devolved, place-specific, investment funds in areas – like Hertfordshire – which are unlikely to see fully-fledged devolution deals
8. Full recognition of the national economic significance and potential of areas which are neither large cities/city-regions nor lagging/peripheral locations
9. A Science-Based Growth Commission which links the imperatives of a modern Industrial Strategy to the specific assets, opportunities and challenges of the first wave New Towns, and directs investment in response
10. Encouragement for the development of a new generation of Garden Towns with a clear functional purpose in relation to knowledge-based economic growth
11. Tools and resources to equip local planning authorities better given pressures for changes of use linked to Permitted Development Rights, and to ensure that there is an appropriate stock of employment land consistent with the delivery of a modern Industrial Strategy
12. A planned approach to strategic infrastructure that maps onto the principal local innovation ecosystems, particularly when these cross administrative boundaries
13. Relationship-based approaches to business support and mentoring within key innovation ecosystems, complementing the more generic advice provided through the Growth Hub
14. Better mechanisms for aligning provision through Further Education Colleges with the requirements of local businesses; and within this, greater specialisation and differentiation in relation to higher level skills provision
15. Successor programmes to ESIF focused on scale-up and managed locally
16. Procurement processes – particularly in the defence sector and across the NHS – which have regard to the imperative for scale-up
17. More freedoms in relation to property taxes (business rates) to incentivise local clustering
18. Approaches to international trade and inward investment which are steered by the findings of Science and Innovation Audits and supportive of the potential within local innovation ecosystems.