Taking Forward Arc Wide Activity: Key Themes and Priorities

1.0 Purpose

1.1 This paper summarises where we have reached with regard to the key themes emerging from the four Local Industrial Strategies to be developed on an Arc wide basis. This follows discussion between the three LEPs (Oxfordshire LEP, Bucks Thames Valley LEP and the South East Midlands LEP) and the CPCA (Cambridgeshire Peterborough Combined Authority) that form the Oxford to Cambridge Arc. The 4 Local Industrial Strategy (LIS) documents are to be published in July. Each LIS will contain the same final chapter that sets out the Arc wide priorities.

2.0 Background

2.1 There have been a number of meetings over the last few weeks with relevant Government Departments and the 4 LEPs/CPCA to identify emerging themes where working at an Arc level would be likely to deliver most benefits. There have also been a number of background policy papers produced to inform those discussions.

2.2 At present the LEPs do not have any dedicated resource to work up Arc wide proposals. Also the focus on producing four individual LISs means that there is not a natural starting point in terms of a cross Arc evidence base. This has been overcome in the short-term as a result of the desire to collaborate, to work with Government and realise the significant economic opportunities presented by the Arc. However, in the longer term more resource will be required. The paper looks at options for providing this in section 3 below.

2.3 A further challenge has been the governance structures for the LEPs. Individual LEPs do not have a remit to provide services across wider areas without Board approval. Similarly. the Combined Authority would need agreement from its constituent local authority members in order to, for example set up a company to deliver services across a wider area.

2.4 This inevitably means that discussions about emerging proposals are necessarily informal at this stage, but if they were to be taken forward then governance structures would need to be reviewed.

2.5 If the intention is to access funding for the Arc as part of the forthcoming Spending Review then it will be necessary to develop robust business cases for those areas that are deemed to be in the first phase of priorities.

2.6 The rest of this paper looks at the emerging themes, discusses options for taking them forward and then considers timescale and resource requirements.

3.0 Emerging Themes

3.1 Based on earlier discussions, policy papers and the Arc chapter in the 4 LISs, below are listed the areas where Arc wide working could be most effective: These are grouped around the five foundations of productivity.

> **Ideas and People**
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> 1. Skills
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> **Business Environment**
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> 2. Inward Investment
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> 3. Commercial Premises for Scale-Ups

4. Business Support

5. Financial Instrument

Infrastructure

6. Digital connectivity

7. Energy

Place

8. Environment/ Natural Capital Plan

3.2 Each of these is reviewed with an examination of possible options, advantages and disadvantages and timescales.

1. Skills

The proposal here is to develop a 'Skills Marketplace'. At present the LEPs are operating a model part funded by the Careers and Enterprise Company. This focuses on developing an employer-led skills strategy with a focus on providing better information about the labour market and careers paths.

Although this general approach is accepted as a good one, more could be done on the ground if more resources were available. Also the short term nature of the funding from the CEC does not help with regard to longer term planning. We could bid for an Arc wide funding pot to deliver more support and labour market information to schools and their careers advisers. Additional funding could also be used to increase the number of Enterprise Advisers going into schools and enthusing young people about the career opportunities in this area and the qualifications needed to pursue a career in those sectors. This approach could perhaps be extended to cover primary schools. There could be additional focus on apprenticeships, adult education, T levels and on the acquisition of entrepreneurial and digital skills building on the new Institute of Digital Technology at Bletchley Park and MK:U proposal.

2. Inward Investment

The proposal here is work with DIT to develop an Ox-Cam 'Internationalisation Delivery Plan'. This is the area where it clearly makes sense to work at an Arc level to market the area on a global basis by leveraging the excellent reputation of individual business and university assets and clusters across the Arc.

Additional resources will be needed in each LEP to work effectively with DIT to produce marketing material, to take full advantage of opportunities, such as MIPIM, and to provide a service to potential inward investors by identifying potential locations and complementary assets.

Work has already begun with DIT to produce a brochure and an investment prospectus.

3. Commercial Premises

The proposal here is to create a shared approach to delivering a supply of new commercial premises within the Arc ensuring that the right premises, especially for scale-up businesses, are available in the right places. This might require appropriate market incentives to ensure that sufficient commercial space is built into Local Plans and prioritised within available funding streams.

There are various ways in which this could be approached. It would be good to do some initial scoping to see where commercial development opportunities are located in existing Local Plans. Further work could identify possible locations for new innovation hubs in relation to existing or planned infrastructure and likely demand, for example areas where new technologies are being developed and so will require facilities for testing and commercialisation.

The key issue here is how to overcome market failure – why these facilities are not currently being supplied by private sector commercial developers despite there being identified demand. One option would be to bid for Government funding to have a pot of money to deliver commercial premises into which developers could bid. There would need to conditions, for example around the need for private sector contributions – state aid would be a consideration.

LEPs could work with commercial developers to provide a pipeline of businesses wanting to pay for such premises. This would reduce the risk attached to speculative developments. Alternatively, the Arc Fund could be focussed on the fit out of the premises to provide the required facilities, perhaps laboratories or facilities for testing or additive manufacturing. If a revenue fund were available, then this could perhaps be used to provide discounts to the rents or business rates paid by businesses that met certain criteria.

Other constraints to be overcome might relate to planning restrictions and the complexity of long term ownership and management of the premises with multiple occupiers, particularly when specific scale-up requirements need to be met.

4. Business Support

The proposal here is to join up business support for high-growth firms across the Arc including the possibility of a new 'Growth Support Testbed'. At present the three LEPs and the CPCA have existing Growth Hubs. It is likely that these would need to continue in order to provide support for the so called 'long tail' of low-productivity firms. There are good reasons for integrating the mainstream LEP work on strategic planning and skills with the business support service provided by Growth Hubs.

The issue here is to explore whether support for faster growing businesses could be delivered more efficiently and with greater impact on an Arc wide basis. This support could be tailored to provide key coaching and advice for businesses to overcome their barriers to growth and maximise their opportunities for capability and capacity development.

The CPCA is planning to set up a new company to deliver this service. This approach could be extended to cover the whole Arc.

Central to the concept of this 'Growth Support Testbed' is to build a network of fast growth companies that, when connected through innovation, skills, growth and inward investment deliver added value that is greater than simply the sum of their individual growth potential. This approach can build on existing business cluster organisations, such as the Silverstone Tech Cluster (STC) and link up with the research opportunities provided by our universities, which are already working together across the Arc.

The real prize to be gained by working across the Arc is to provide an environment where divergent technologies and capabilities across sectors can come together in a 'disruptive' way to deliver previously unforeseen innovation and growth. This can be nurtured by providing a range of targeted support designed to overcome barriers and maximise the opportunities for capacity development.

5 Infrastructure - Digital

The proposal here is to support industry to accelerate the roll-out of full fibre networks enabling accelerated growth of 5G technologies. This plays an important role in attracting inward investment, due to the strong competition from other regions with superior digital infrastructure, as well as retaining and attracting labour. Further work is required in order to identify gaps in the current network of superfast broadband and how best to take advantage of existing Government funding opportunities.

The challenge here is that fibre to the premises (FTTP) is the desired goal in most/all locations. However, this is not viable for a fully commercial operator. Sparsely populated rural areas present a specific challenge. We could focus on urban areas and business parks. However, if more people are able to work at home (as a result of fast broadband connectivity) for at least part of the time then this should reduce the need to travel and so help to reduce the congestion and emissions that would otherwise arise as a result of the increased number of homes.

Encouraging developers to provide ducting in new developments is a start – there could be a specific fund aimed at this. However, those who buy the properties need to decide which provider to use and what offer to take up. Companies such as City Fibre present an interesting business model where they are prepared to fund the infrastructure on the basis that once it is there enough customers will take up the offer to provide a return on their investment, but such a model is only viable in some areas.

Mobile telephone coverage is also an issue. We could we deliver greater coverage by encouraging providers to work together and make their networks available to other users. This would require appropriate agreements and pricing structures.

Delivering a comprehensive 5G network would require an extensive network of masts with power supply. We could perhaps offer to work with Government and private sector providers to put forward the Arc as a pilot for rolling out 5G, building on the AutoAir project to deliver 5G around the test tracks at Millbrook, the 5G 'step-out' centre at Westcott and the Milton Keynes LGF project to roll out a 5G network.

6. Infrastructure – Energy

The proposal here is to build on the energy strategies that have been produced by the LEPs and CPCA to consider the energy needs of the Arc as a whole. The opportunities created by the significant growth across the Arc can act as a catalyst for transforming energy generation and distribution. To do this will require working with Government, National Grid, suppliers, Distribution Network Operators (DNOs) and the South East Energy Hub.

7. Financial Instrument

The proposal here is to work with the British Business Bank (BBB) to develop a new Investment Fund for the Arc. The intention is to fund viable business development proposals for which traditional bank lending is not available/suitable.

An early meeting with the BBB suggested that it might no longer be feasible to follow the model of the Midlands Engine Investment Fund. Other options will be looked at with a view to providing patient capital to support innovative business ideas.

8. Environment

The proposal here is to embody England's 25 year Environment Plan in the delivery of infrastructure and the development of places across the Arc. This will be brought about through developing a Natural Capital Plan for the Arc and embracing the concept of net environmental gain in our delivery plans. This plan could also be extended to tackle challenges such as flood resilience and water supply, both of which are likely to become more significant due to the projected increase in new homes and changing climate. An Environment workstream within the Arc governance framework is currently being established to take this work forwards.

4.0 Timescales and Priorities

4.1 There is an immediate deadline, which has been suggested by MHCLG to identify Arc wide themes, determine priorities and then develop business cases for the Spending Review. These would be needed by September 2019. If this timescale becomes a reality, especially in the current political uncertainty, then it might make sense to focus on two or three areas to develop business cases in the short term, leaving the other areas for the longer term.

4.2 It is proposed that **Skills and Inward Investment should be the first priorities**. With regard to the Business Environment then the emphasis should be on **providing more support for those businesses with the most potential to grow**. However, individual LEPs/CPCA would continue to support SMEs through the existing Growth Hubs., thereby continuing to tackle the so called 'long tail of productivity'.

4.3 Further work is required with respect to the need for commercial premises, to identify the nature of the market failure and also where new premises for scale-up businesses could best be sited in order to maximise the opportunity for enabling economic growth and innovation in key sectors.

4.4 The provision of a full network of 'fibre to the premises' remains an aspiration. However, further work is needed to establish what mechanism could be used to bring this about and also establish and quantify the benefits. An early 'ask' of Government would be to ensure that where transport infrastructure is delivered, such as East West Rail and the Oxford to Cambridge Expressway that fibre is delivered alongside establishing a 'digital corridor'. It would also be possible to devise an Arc wide approach to planning policy to encourage ducting to be provided in all new developments.

4.5 Further work is needed to consider the development of an Investment Fund aimed at the delivery of premises for scale-ups and patient capital.

4.6 The Environment work stream for the Arc, which is currently being established, will start to establish the baseline evidence and ground rules for how we will deliver net environmental gain across the Arc given the scale of planned infrastructure development.

5.0 Resource Requirements

5.1 LEPs need to have more resources to dedicate to this vital work in order to deliver the full economic potential of the Arc. There are various ways of approaching this. Each LEP could recruit more people to their teams, so that there are people able to focus solely on Arc wide activity. Alternatively we could look at the possibility of establishing a new team to work across the Arc on evidence gathering, looking at policy options and then delivery and implementation. This team could be located in one place, or spread across the four locations, working as a 'virtual team' but meeting physically on a regular basis, perhaps at

different locations to gain an understanding of the varied geography and assets across the Arc.

5.2 Representatives from Central Government Departments and Homes England could form part of this team. A bid for funding to support the team could be put to the Spending review.

6.0 Next Steps

- We need to **agree that what is set out above are the priority themes** and then establish small Task and Finish Groups to take forward each theme, consider and evaluate options and then formulate a business case.
- We will need **input from Government to take forward this work** so that we can work together on a bid for funds through the Spending Review.
- We should use the **Productivity Group to establish a work programme and steer this work.** Reporting arrangements would be through the Arc Chief Executives and Leaders and LEP Chairs groups.

LEPs and CPCA June 2019