

Perfectly Placed for Business:

The refreshed Strategic
Economic Plan: 2017–2030

July 2017

Hertfordshire
Local Enterprise Partnership

PERFECTLY PLACED FOR BUSINESS

It is now over four years since we developed our growth strategy for Hertfordshire, ***Perfectly Placed for Business***. Our first Strategic Economic Plan followed in March 2014. Subsequently we negotiated three significant Growth Deals with government. Throughout, we have directed resources from the Growing Places Fund to projects that help realise the aims of ***Perfectly Placed for Business***; and we have worked closely with partners to progress interventions supported through the European Structural and Investment Funds.

The last few years have therefore been busy for the Local Enterprise Partnership. Much has been achieved. In the process, we have also learned a great deal – about our businesses, our places, our people, and both the opportunities we must seize and the risks we must navigate as we look ahead.

It remains the case that Hertfordshire has substantial assets and great potential, both within the county and as a consequence of our location. We abut a world city – which brings opportunities and risks in equal measure. We have outstanding credentials in relation to film and TV production; sustainable construction; life sciences; agri-tech; and advanced engineering/manufacturing. In addition, we define the geographical core of the UK's Golden Triangle, which is known around the world for its truly outstanding science.

In themselves, these assets bring great opportunities but no guarantees. It is crucial that we realise these opportunities for the long term benefit of the people of Hertfordshire, particularly given the uncertainties surrounding the process and impact of “Brexit”, and global economic prospects more generally.

It is within this overall context that the Board of Hertfordshire LEP has refreshed its SEP. The process has involved substantial discussion with businesses and stakeholders. In the main, this has convinced us of the continuing saliency of the priorities set out in *Perfectly Placed for Business*. So, in reading this document, you will



notice much continuity. But there is also a sharper focus in circumstances which are far more uncertain and potentially very challenging. Our challenge now is to make rapid progress in relation to delivery.

A handwritten signature in black ink, appearing to read 'Mark Bretton', with a long, sweeping horizontal line extending to the right.

Mark Bretton
Chair, Hertfordshire Local Enterprise Partnership
July 2017

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Understanding Hertfordshire's economic engine

Introduction

Hertfordshire's economy generates output – measured as Gross Value Added (GVA) – of around £33.8bn. Hertfordshire's "economic engine" is therefore substantial.

It is largely defined by the county's 58,000 enterprises and the people who work within them. It is enabled by the university, further education colleges, local authorities and the many other organisations and institutions with an interest in Hertfordshire's economic performance and prospects. It functions across "*the-place-that-is-Hertfordshire*" – a polycentric blend of urban and rural, much of it within the metropolitan green belt and some of an outstanding environmental quality, and all on the edge of a world city.

Developed by Hertfordshire Local Enterprise Partnership (working closely with businesses and stakeholders), the purpose of *Perfectly Placed for Business* – the refreshed Strategic Economic Plan for Hertfordshire – is to understand this "economic engine" better, to identify both its potential and its challenges, and then to agree where it needs to head and how it should get there.

Overall – to continue the metaphor – the "economic engine" is performing well on some metrics, but there are long term concerns in relation to others. Its assets are such that it should be consistently outstanding, but there are challenges that must be addressed, particularly in relation to all aspects of its "efficiency" (which is crucially important with regard to sustainability and long term well-being).

In response, *Perfectly Placed for Business* sets out a "route map" for Hertfordshire which has been refreshed to chart both what the LEP and its partners are seeking to achieve, and the priority interventions that are needed to make this happen.

Looking inside the engine

The nature of the economy today – and its recent performance

Hertfordshire's **58,000 enterprises** – most of which are small – are producing an array of different goods and services. These range from pharmaceutical products to accountancy services and sustainable construction techniques, and from logistics to advanced materials and satellites. Some of the associated businesses are truly world class and are recognised as such by international collaborators and competitors; outstanding examples include GlaxoSmithKline (GSK), Airbus, Ocado, MBDA, Johnson Matthey, and Vinci. Other businesses (including many social enterprises) are predominantly local in their focus, delivering the services which enable Hertfordshire to function on a daily basis. All of them are making an important contribution to Hertfordshire's economic vitality and well-being.

Within Hertfordshire, there are **about 665,000 jobs** (taking into account both employee jobs and the jobs associated with self-employment¹). This number has grown by about 80,000 – or 14% – in a decade. Moreover, in terms of job numbers, the recession which followed the credit crunch was mercifully short-lived in Hertfordshire; one year (2010) saw a decline in job numbers, but the trajectory of jobs growth recovered quickly and the latest data (for 2015) suggest that the pace of jobs growth is reasonably strong.

Most of these jobs are filled by people who live in Hertfordshire. **And Hertfordshire's residents need to be recognised as a major economic asset in their own right.** Over 310,000 working age residents have at least degree-level qualifications; and this figure (for the year to December 2016) is nearly 100,000 higher than a decade earlier. In part, it reflects underlying population growth, and in part it reflects the generational consequences of increasing participation in higher education.

However, **it is also important to recognise the complexity of Hertfordshire in terms of skills and the labour market.** The county is home to a lot of well qualified people, but still, over 40,000 working age residents have no qualifications at all. In Stevenage, over 9% of the working age population has no formal qualifications, a figure which is above the average for England². The average (median) resident of Stevenage who is employed on a full-time basis earns weekly pay of about £530 while for St Albans, the equivalent figure is over £780; there are substantial differences across the county. But across Hertfordshire, the earnings of employees who work part time are now lower (on a workplace basis) than across England as a whole; a decade ago, they were higher than the national average.

¹ Data from the ONS Jobs Density dataset (2015)

² Data for the year to December 2015, sourced from the Annual Population Survey

UNDERSTANDING HERTFORDSHIRE'S ECONOMIC ENGINE



Figure 1: Hertfordshire's productivity performance – compared to nearby LEP areas

At root, **these observations reflect the limited productivity growth which has been seen across Hertfordshire over the last decade**, and the “productivity puzzle” – namely the failure of productivity growth to return to pre-recession levels – is pronounced. Figure 1, below, provides historic productivity data for Hertfordshire, the LEP areas that surround it, and the UK. With substantial and unique agglomeration advantages, London performs strongly: GVA per hour worked was notably higher than elsewhere at the start of the period, and it grew at over 2.6% per annum over the decade (which was faster than the national average). Conversely, productivity in Hertfordshire grew at 1.3% per annum, the lowest rate among any of the comparators. Over the long

term, productivity really matters: it is the only sustainable route to higher living standards, and it is the core measure of economic efficiency.

Hertfordshire has seen jobs and population growth. But this has not translated into an increase in economic output to anything like the same extent, and within Hertfordshire, there continues to be substantial variation at a local level. **This relatively weak recent performance, particularly in terms of productivity (the key metric of economic efficiency), is the core overarching challenge to which *Perfectly Placed for Business* must respond.**

The importance of “flows” within and beyond Hertfordshire...

Hertfordshire is not, however, a “closed system” in economic terms. **Its economic character – and both its major opportunities and challenges – owes much to the volume and complexity of “flows” which occur every day across its administrative boundaries** (which, to most businesses and people, are completely invisible and wholly irrelevant).

One critical flow – which is impossibly difficult to measure – is that related to **knowledge and intellectual capital**. There is much evidence that Hertfordshire's outstanding science and technology-based businesses are functioning as part of wider clusters and routinely collaborating with firms, universities and other institutions across the Golden Triangle (London, Cambridge, Oxford), and beyond. Flows of this nature are often intangible, but they are crucial to what sets Hertfordshire apart and they are at the core of *Perfectly Placed for Business*.

In addition, overall, 133,000 workers commute into the county, and 173,000 residents commute out (Census 2011). Locally, the flows are even more pronounced. Census data suggest, for example, that about 14,400 Watford residents work in the Borough; but 24,800 residents commute to work elsewhere (many in London, but also in neighbouring areas like Hertsmere), while 28,800 people commute into Watford to work. There is, simply, a substantial amount of movement within, across and through Hertfordshire.

In very broad terms, **out-commuters from Hertfordshire tend to be better qualified than in-commuters into it³**. This in part explains why such a well-qualified resident workforce does not translate straightforwardly into strong productivity growth within the county. Equally, it reflects the earnings and house price differentials that exist across London, Hertfordshire and neighbouring areas; and it represents one of the immediate double-edged consequences of adjacency with a buoyant world city.

³ At the time of the last Census, among those working in “professional occupations”, there was a net outflow of over 17,000 workers from Hertfordshire. Conversely among those working in “elementary occupations”, there was a net inflow of over 4,000 workers to Hertfordshire (Census, 2011).

...and some of the consequences within the county

These and other “flows” are intrinsic to Hertfordshire. But they are demanding, particularly in relation to Hertfordshire’s infrastructure. The county’s roads and railway lines are extremely congested – in part because they frequently provide both a local infrastructure and trunk routes/mainlines that are genuinely of strategic national significance. Transport Vision 2050 – the consultation document on a new Local Transport Plan for Hertfordshire – provides a map of congestion hot spots within a distillation of the county’s “transport network problems and issues”. Those identified include the A1(m) (particularly between junctions 6 and 8), A602, M1, M25 and A10; approaches to most of Hertfordshire’s towns; overcrowding on rail routes into London; and all forms of east-west connectivity. In short, Hertfordshire’s transport infrastructure is under considerable pressure.

In addition, **there are supply side challenges relating to the provision of both housing and employment land.** In terms of the former, although there has been year-on-year variation, the pace of housing delivery since the end of the recession has consistently been at around 3,000 net additional dwellings per annum. Overall, this is below the rate implied by local plan targets. Taking a longer view, the stock of housing in Hertfordshire increased by just under 8% in the decade to 2015 whilst the resident population grew by over 10%. Overall, the growth in the housing stock was very close to the England average, with the greatest increases in Watford (+14%) and East Hertfordshire (+10%).

In this context, **affordability and other housing-related challenges have intensified.** According to

data from CLG, the ratio of lower quartile house prices to lower quartile earnings was 17.06 in St Albans in 2015, up from 13.97 in 2013 and the 8th worst (among well over 300 districts/unitary authority areas) nationally. On this measure, Hertsmere, Dacorum and Three Rivers were also among the least affordable locations in England. Moreover, every local authority district in the county saw a deterioration in the affordability ratio between 2013 and 2015 reflecting escalating house prices alongside workplace earnings that increased only slightly (consistent with the productivity performance reported above).

Hertfordshire’s challenges in relation to employment land are also significant, and they are inextricably linked. Across the county – but most acutely in the south – there is evidence of a substantial and progressive loss of employment land. Although the relationship between economic growth and employment land is changing significantly – due in large part to the possibilities of digital infrastructure – there is a clear link to Hertfordshire’s productive potential, and employment land that is lost is very unlikely ever to be recovered. This process has been underway for some time, but it has accelerated of late. A recent local study for example concluded that:

The supply of both office and industrial space in both Hertford and Ware is now very tight in that vacancy rates are so low, there would be no readily identifiable space for a business with a significant requirement to move into. The situation seems to have come about because of substantial loss of employment floorspace over the years.... A key factor in the loss of employment land is the value of land in Hertford and Ware for residential development, and the use of permitted development rights ⁴

⁴ *Hertford and Ware Employment Study Report* by Wessex Economics to East Hertfordshire District Council, June 2016 – para 4.31 and 4.32

It is within this overall context that the pressures facing **Hertfordshire's places** need to be understood. The county is polycentric. There is no "city" that dictates economic life (other than, perhaps, London). Instead, Hertfordshire's economy is effectively organised around a group of medium sized places – Watford, Stevenage and Hemel Hempstead are the largest urban areas, but Welwyn Garden City, Hatfield and St Albans are not far behind, and neither are the northern Hertfordshire towns of Royston,

Hitchin and Baldock, nor Bishop's Stortford, Hertford and Ware further east. The London Fringe – defined around settlements like Broxbourne, Cheshunt, Borehamwood and Radlett – is also a major contributor to, and determinant of, Hertfordshire's economic well-being. Each of these places is really quite distinctive, and in driving Hertfordshire's long term growth, the contribution of each needs to be properly recognised, understood and enabled.

Conclusion

Hertfordshire has outstanding assets, notably a group of businesses that compete with the best in the world, including at the cutting-edge of scientific discovery and application. Yet too many of its people are working in poorly paid and often part time jobs, and its physical infrastructure is under pressure. Overall, whilst it has grown quickly over the last decade (in terms of jobs and people), it has not grown very "smartly".

This is the fundamental challenge to which *Perfectly Placed for Business* is seeking to respond.

Wider trends and drivers

Major trends and drivers informing the refreshed SEP

Perfectly Placed for Business is a medium term economic strategy for Hertfordshire. In looking ahead to 2030, there is a need to understand the wider trends and drivers which will influence economic life, both inside the county and more generally. These need to be recognised and navigated. All of these present risks – some upside and some downside – but all are likely to be important. Some of the major ones are summarised briefly below.

- **Global economic uncertainty:** All of the principal economic forecasts point to global economic uncertainty, including as a result of heightened policy uncertainty in major economies, not least the USA. After a generally weak performance in 2016, forecasts for 2017 are slightly stronger (e.g. from the World Bank). However, in the medium term, there are concerns relating to weak investment, particularly in emerging markets and developing economies.
- **The process through which the UK leaves the EU:** The precise nature, timing and consequences of the process of Brexit remain unclear. However, the UK's relationship with the EU has permeated many aspects of economic life – from employment law, to environmental regulations, to funding for major research programmes, to the pattern of support for agriculture, to the framework for international trade. All businesses in Hertfordshire will be affected to some extent and there are both upside and downside risks.
- **Policy priorities of UK Government:** Two important documents were published in early 2017: the Industrial Strategy Green Paper and Fixing our Broken Housing Market, a White Paper from CLG. The General Election followed. Both publications from early 2017 are likely to continue to be important.
- **Public spending austerity:** Although the pace of deficit reduction may slow post-election, the next period will be characterised by austerity – not least because the decisions of the past have yet to bite fully on the ground. Grant-funded support for economic development interventions is likely to be very limited indeed. Instead the imperative will be to define sustainable funding models.
- **The growth of London:** Hertfordshire is significantly affected by London. London has grown rapidly over the last decade. Its population is estimated to be about 8.8m currently and it is expected to grow to 10.5m by

2041. However, London is struggling to accommodate its own growth. Most commentators consider that there is a shortfall in planned housing provision within the current London Plan (with consequences for all adjacent areas). With the completion of Crossrail and the prospect now of a third runway at Heathrow, London's economic engine has been fuelled further – albeit it too must navigate uncertainties related to Brexit and the changing global order. The new Mayor of London has committed to higher densities, and to concentrating growth within town centres and at transport hubs. He has committed to maintaining most growth within London but he also calls for joint infrastructure investment corridors that stretch beyond London's borders (City for all Londoners, Mayor of London, GLA, November 2016).

- **Digital connectivity and big data:** This has transformed patterns of living and working over the last decade and the range of potential effects over the next decade is also likely to be substantial. The internet of things (IoT) is still in its infancy, yet its impact is likely to be pervasive. Closely related is the full exploitation of “big data” and how this will affect all forms of service delivery.
- **Changing urban forms:** Patterns of urban transportation are in the process of being transformed – most immediately through services like Uber and, downstream, through autonomous vehicles. In parallel, the purpose of town centres – of all sizes – is changing very significantly. For the most part, their role in relation to retail is diminishing whilst their purpose as a social meeting place and cultural destination, enabled by digital connectivity, is growing. This is a radical transformation which is happening very quickly, and adaptation is paramount, particularly among Hertfordshire's medium-sized and small towns.
- **Changing lifestyles:** Enabled in part by the transformation in digital connectivity, patterns of working and living are changing radically, particularly among younger people. The value placed on experiences is growing, in part in place of owning “things” (particularly houses). This is changing attitudes and expectations profoundly.
- **Growth of the “gig economy”:** Another closely related trend reflects the propensity of businesses neither to occupy significant employment space nor to recruit permanent staff. The “gig economy” is characterised by temporary employment contracts, and significant remote/home working. It is recognised as a growing phenomenon, and whilst it can be consistent with a better work-life balance (for individuals), it brings with it much uncertainty.
- **Population ageing:** Across the UK, life expectancy is increasing and the ratio of people of working age to older people is falling.
- **Climate change and resource use:** Although political commitments to reducing carbon emissions have been inconsistent at a national level, the ongoing issues relating to climate change and resource use will be a key driver in the medium to long term.

Our strategy

OUR STRATEGY

Our Vision is simply that Hertfordshire should perform to its full potential.

This means that by 2030, it should be **recognised as the functional core of the UK's Golden Triangle**, the most significant concentration anywhere in Europe of scientific and related research, and its full commercial application.

Hertfordshire should share (and indeed drive) the agglomeration advantages deriving from a buoyant world city, whilst also valuing the strengths and character of some distinctive towns and the surrounding rural areas.

And **the benefits should flow to all parts of Hertfordshire**, and the people who live and work across the county. But **the process of growth must also be “smart”**. And we mean this in two senses of the word:

- First, no longer can we simply generate low pay jobs and expect businesses, people and communities to thrive. Instead, we have to “up the ante” in relation to productivity. This means that more and better workforce skills are essential; that innovation and enterprise must be unleashed across all sectors; that our places must be geared up to changing patterns of work and the lifestyles that come with them; and, crucially, that our infrastructure must be fully fit for purpose as demands on it increase.
- Second, however, we need to be “smart” in the sense of wider patterns of resource use. We need to recognise that land is in short supply in Hertfordshire, and that our transport infrastructure is chronically congested. More generally, there are opportunities linked to the circular economy (in which greater resource productivity is “designed in” and hence waste and pollution are reduced). We need, simply, to use our physical assets better.

To achieve these aspirations, **four Priorities** must be advanced. Specifically, we must

- **maintain our global excellence in science and technology**



- **harness positively our interconnectedness, particularly our relationships with London and elsewhere**
- **re-invigorate our places for the 21st Century**
- **build the wider foundations for growth across our populations of both businesses and people.**

We have made real progress across all four of these domains over the last 2-3 years. But there is far more to do, as we strive to achieve our overall Vision.

Priority 1: Maintaining global excellence in science and technology

The opportunity

Hertfordshire's credentials in relation to science and technology are outstanding. In 2015, the-then Department of Business, Innovation and Skills completed a substantial review of evidence in order to understand local comparative advantages in innovation (defined broadly) across the-then 39 LEP areas. It found that Hertfordshire was:

- ranked 2nd overall in terms of the value of business expenditure on research and development (BERD) by full time equivalent employment
- ranked 1st in bioscience and 2nd in space programmes, according to the value of Innovate UK R&D expenditure (per full time equivalent employment)
- ranked 3rd in terms of the proportion of full time equivalent employment within the sectors identified in the government's (then) Industrial Strategy
- ranked 2nd overall in terms of the proportion of enterprises engaged in product or process innovation⁵.

This all points to something special within Hertfordshire. This is best understood on a sectoral basis. Hertfordshire's key sectors each have a distinctive spatial footprint which in most cases extends beyond the county boundary; the functionality of key sectors needs to be recognised in these terms.



⁵ *Mapping Local Comparative Advantages in Innovation: Framework and Indicators – Appendices* Liverpool John Moores University for BIS, July 2015

Life sciences

In relation to life sciences, GlaxoSmithKline (GSK) – with its major research and development site at Stevenage and a smaller facility at Ware – is a global player. It employs several thousand people in Hertfordshire, many of them highly qualified scientists. GSK is a prolific innovator and over recent years, it has taken pioneering steps in relation, for example, to bioelectronics and regenerative medicine. In the context of changing models of drug discovery, GSK was instrumental in developing Stevenage Bioscience Catalyst (SBC) on its site. SBC is an incubator and accelerator, which opened in 2012, with a focus on open innovation. Its rationale is to bring academia, biotech and pharmaceuticals companies together to drive advances in healthcare research. SBC is being developed in phases, and it is attracting scientists of the highest calibre. Both the University of Cambridge and University College London (UCL) have physical labs within SBC, and blue chip companies (such as GE Healthcare, Johnson & Johnson, Eli Lilly and Sanofi have a physical presence there). MRC

Technologies relocated all of its drug discovery operations from London to SBC and the campus has been selected by the UK Cell and Gene Therapy Catapult as the site for its Cell and Gene Therapy Manufacturing Centre.

Hertfordshire has a number of specialist institutions with links to life sciences – the UK Stem Cell Bank (Potters Bar) and the Royal Veterinary College (Hatfield) are two examples. Overall, it is estimated that there are around 200 life sciences firms in the county. Some of these are well known (e.g. Easi Europe and Roche Products), but the majority are small businesses. Hertfordshire has some specialist provision, notably BioPark at Welwyn Garden City. However, demand is outstripping supply currently. One reason for this appears to be increasingly strong links with the life sciences cluster which has developed in and around Cambridge; and links into biosciences in London – particularly the university sector – are also clearly in evidence.

Advanced engineering/manufacturing

A second distinctive specialism relates to advanced engineering/manufacturing, much of which can trace its origins – directly or indirectly – to the activities of the old-British Aerospace at Hatfield. With shared roots, this has developed to become really quite diverse and Hertfordshire has world class expertise in space science, satellites and defence systems. The big players in this sector currently are the likes of Airbus (which acquired EADS-Astrium) and MBDA.

In relation to advanced engineering/manufacturing, the role and contribution of the University of Hertfordshire is also pivotal. As an institution, its roots are in aeronautical engineering and this continues to have a significant influence; a recent examination of the high performance technology and motorsport cluster in and around Silverstone for example unearthed examples of collaborative relationships with the University of

Hertfordshire, many of them rooted in mechanical engineering⁶. However, it has also developed significant depth of expertise in, for example, robotics, astronomy and computer science, as well as disciplines which are crucial for the creative sectors (e.g. digital animation and music – see below).

Hertfordshire has developed a strong skills base and heritage across competencies which will continue to have substantial application. As with life sciences, however, it is important to acknowledge that Hertfordshire's strengths really need to be recognised as part of a cluster that exists across a wider geography – in this case extending into southern Cambridgeshire, Essex, Luton and the former county of Bedfordshire. And in this context, the complementary role of Cranfield University – some 20 miles from north west Hertfordshire – should be acknowledged.

Agri-science and agri-tech

Located in west Hertfordshire, Rothamsted Research is of international significance with regard to crop-based agri-science and agri-tech. With over 600 staff, its focus is on crop productivity and quality, with the aim of developing environmentally sustainable solutions for food and energy production.

Long a focus for outstanding R&D – and attracting substantial research funding – Rothamsted Research is increasingly looking at commercial applications and

collaborations. In this regard, its Centre for Research and Enterprise is particularly important. It has four main elements. One of these is concerned with *new and repurposed buildings* (including an *innovation centre* where micro and small agri-science companies can grow, a brand new 300 seat *conference centre* where interaction and knowledge exchange takes place and a shared facilities hub where academic science works side by side with commercial organisations on specific R&D projects).

⁶ “The evolution of the high performance technology and motorsport cluster” Report by SQW, commissioned by MEPC and partners, May 2016

Sustainable construction

A fourth core element of Hertfordshire's science and technology-based economic engine is in the field of sustainable construction. Here the work of BRE is significant. Privatised in the late 1990s, BRE's roots are in building materials and methods, but the organisation now has expertise across all aspects of the built environment, including in relation to energy and resource use efficiency.

More generally, construction is a very big sector in Hertfordshire and the imperative for innovation in

construction methods and approaches is very strong indeed. Many major construction and civil engineering businesses are headquartered in the county – including Vinci Construction, Taylor Woodrow (now the civil engineering division of Vinci) and Skanska. Partly because of the scale of planned housing growth – and other major construction projects nearby (e.g. HS2 and, potentially, Crossrail 2), the performance of this sector will be crucially important in advancing many different aspects of *Perfectly Placed for Business*.

Creative industries (film, TV, digital sectors)

Hertfordshire has foremost strengths across a whole range of creative industries, including both tech-based digital applications and activities with a strong arts-based content.

Leavesden, near Watford, is known around the world for film production. It was the location for the production, first, of the James Bond film, *GoldenEye*, and *Star Wars Episode I: The Phantom Menace*, and then later – after Warner Brothers took a lease on the site in 1999 – the Harry Potter film series. Subsequently, Warner Brothers invested substantially in the site to help meet growing demand for film production space in the UK. The Studios now contain around 50,000m² of sound stages with a 32-hectare backlot for exterior sets. This is used for the production of Warner Brothers' own films, but also major features from other film companies, such as Paramount Pictures and 20th Century Fox. The Leavesden site has proved to be highly effective, partly because it is well located (relative both to the west London film cluster and in terms of access to the M25), and partly because – as a former air base – it has redundant aircraft hangars and other amenities that lend themselves to film production.

There is also a well-established group of the film and TV studios at Elstree and Borehamwood. Elstree Studios is an established location for film production – including, for example, *Indiana Jones* and *The King's Speech*. In addition, the BBC has a facility at Elstree which is used for producing long-running programmes, notably *EastEnders* and *Holby City*. The studios at Elstree have a history which extends back a century, but they continue to be an important hub for film and TV production in the UK.

Leavesden and Elstree are less than 10 miles apart, and they form a substantial hub within a wider film and TV cluster that extends from central London into both south west Hertfordshire and Buckinghamshire. They are increasingly supported by a growing infrastructure that again includes the University of Hertfordshire. The Creative Economy Research Centre is aligned to this cluster and it brings together many related disciplines; its gaming and virtual effects expertise is, for example, very highly regarded, and the University provides relevant degree courses (e.g. its MA in Global Film and Television). In addition, the University Technical College at Elstree is focused on multimedia, production arts and communication for entertainment industries.

Key areas for action

Hertfordshire has outstanding assets and globally-significant businesses in sectors which are widely recognised as crucial to the UK economy. Across the piece, **the challenge is, fundamentally, to build the wider ecosystem so as to create an “ecosystem of ecosystems”**.

This is crucial, for four reasons:

- first, **Hertfordshire as a whole is unlikely to achieve a step change in its productivity performance and achieve the Vision set out in *Perfectly Placed for Business* unless these five sectors thrive**
- second, within this context, **there is a particular need to encourage innovative start-up and small businesses to scale-up and grow:** Hertfordshire has long been recognised as economy with substantial numbers of very small businesses, but relatively few that grow to medium size (and beyond), yet these are likely to be the principal wealth generators
- third, and in addition, it is important to recognise that **some of the greatest opportunities are likely to be at the convergence between the technologies associated with the different sectors.** In August 2016, GSK was in the news because of its £540m deal with the Google's Verily to develop miniature electronic implants to treat diseases like asthma. More generally, advanced materials are finding all sorts of applications and both satellite and digital technologies are pervasive. Hertfordshire has many of the component parts, but a well-functioning “ecosystem of ecosystems” could be transformational
- fourth, particularly given the policy uncertainties linked to the process of Brexit and the new presidential term in the USA, it is essential that **Hertfordshire's leading businesses and research institutions are appropriately geared up for a new era in relation to international collaboration and trade.** The “rules of engagement” may change substantially over the next period, but the international dimension will continue to be vital for long term wealth creation.

What this means in practice varies from one sector and one application to the next. But in general terms, the **imperative is to support and accelerate the process through which scientific R&D is commercialised. It is only really in the commercialisation process that jobs are created, wealth is generated and the economy grows.** The major players have a key role in this process, but increasingly, the role played by smaller companies in the wider supply chain and/or cluster is also critical.

In short, **the whole “ecosystem of ecosystems” needs to thrive.** This has immediate implications:

- **In relation to land and property:** Across Hertfordshire, land values are high and the pressure for residential development is strong. In this context, there are real challenges in **delivering**

physical provision appropriate for the needs of the “ecosystem of ecosystems”. For reasons of viability, developers rarely build innovation or enterprise centres speculatively. Hence there is a key role to be played by public sector partners with the means and commitment to remedy a clear market failure.

Equally there is a need for more informal, lower cost, provision in the form of “makerspace” or “hack labs” – a facility that can be used by early stage businesses which are looking to develop concepts at a point when revenue streams may be very limited indeed.

Finally, we need to make sure that existing or planned provision is used optimally. In this context, the role of the Envirotech Enterprise Zone is especially important.

- **In relation to workforce skills:**

In parallel, there is a need to continue to invest in workforce skills consistent with the evolving needs of these fast-changing sectors. All five are searching for expertise in science, technology, engineering and mathematics, at both technician and higher levels. It will be crucial that there is alignment between the demand for, and supply of, workforce skills. Looking ahead it will be vital that approaches to apprenticeships are appropriately tailored, and also that schools are better sighted on the possibilities and potential within Hertfordshire’s economic engine.

- **In relation to networking, finance and business support:**

Innovation ecosystems function best when serendipity is both encouraged and engineered. In this context, the “soft infrastructure” plays a crucial role. Hertfordshire’s polycentricity does nothing to make this easy – for there is not a “natural centre”. However, looking ahead, it will be critical that formal and informal networking is encouraged and in this regard, solutions linked to physical provision have an indirect, but crucial, role to play: they should become the hubs, and they ought also to be the focus for softer forms of support. In addition, more needs to be done to raise awareness of the potential ensconced within Hertfordshire. Hertfordshire is an important destination for inward investors and this needs to be recognised and encouraged further.

Throughout, there is a need to avoid narrow parochialism, recognising that key relationships and opportunities may well require wider collaborations, nationally and internationally. Illustratively, these are likely to be with Cambridge and London in respect of life sciences; Cambridge, Essex, Luton and former-Bedfordshire in relation to advanced manufacturing/ engineering; Cambridge and Norwich in respect of agri-tech; and with London and Buckinghamshire in terms of creative industries. The Science and Innovation Audit for the East of England helped to evidence some of these opportunities and as its recommendations are implemented, it ought to foster greater dialogue and collaboration across four LEP areas.

What we have already achieved

Over the last 2-3 years, progress has been made in building the wider innovation ecosystem across Hertfordshire. Examples include:

- securing the world's first cell and gene therapy manufacturing centre, a £55m large-scale GMP Manufacturing Centre, adjacent to Stevenage Bioscience Catapult on GSK's site
- the development of a STEM skills centre in partnership with Airbus and North Hertfordshire College
- the provision of enhanced incubator facilities at Rothamsted.

What we need to do next

Delivering Priority 1 is, clearly, a long-term venture. Incremental steps need to be taken to nurture the ecosystems that surround all five of the sectors described above, both individually and in combination. The surrounding strategies need responsive elements, recognising particularly the uncertainties linked to Brexit (which could be very significant). In more specific terms, early priorities include actions to help unlock Warner Brothers' plans for the next stage of development at Leavesden; and the development of the Envirotech Enterprise Zone (with important links to BRE and Rothamsted) at Maylands. In addition, an early dialogue across wider cluster geographies and with the principal UK funding bodies and institutions (e.g. Innovate UK) is crucial.

In advancing these elements we will respond to key elements of the emerging UK Industrial Strategy.

How each of our Programme Boards will contribute, working with wider partners and stakeholders...

Enterprise and Innovation Programme Board

...working with businesses, the University of Hertfordshire, the local authorities, the FE colleges and other key organisations

- **Take overall lead responsibility in relation to Priority 1 from *Perfectly Placed for Business***
- Develop long term “ecosystem plans” for each of the sectors outlined above, focusing particularly on the processes through which high quality jobs are generated through knowledge, particularly as small businesses seek to grow to medium size and beyond, and the interventions that are needed to make this happen
- Sustain an on-going dialogue with the major science and technology-based companies, particularly in relation to the possible consequences of Brexit
- Effect a strong dialogue with neighbouring LEP areas to ensure that the economic footprint of key ecosystems is recognised and managed appropriately
- Engage with the national bodies (particularly Innovate UK and the Department for International Trade) to ensure that appropriate levels of investment are secured in Hertfordshire
- Ensure appropriate alignment with the White Paper that follows on from the Industrial Strategy Green Paper; and that Hertfordshire’s contribution is fully articulated

Skills and Employment Programme Board

...working with businesses, FE colleges, University of Hertfordshire, local authorities, and other key organisations

- Ensure that the STEM agenda continues to be prioritised
- Use the levers that exist with regard to apprenticeships to focus particularly on the needs of the five sectors identified through Priority 1, recognising their wider strategic importance across Hertfordshire (and the UK)

Strategic Infrastructure Programme Board

...working particularly with the local authorities (and related partnerships) and the private sector

- Keep a “watching brief” in relation to the loss of employment land (particularly in locations that are crucial for Hertfordshire’s science and technology-based sectors) and work with partners to develop appropriate responses

Priority 2: Harnessing our relationships with London and elsewhere

The opportunity

Hertfordshire's economy is defined around its connectivity. The most obvious – and most immediately important – connection is with London. Much of the county, but particularly the south, is functionally linked to a “world city”, with all the attendant benefits and costs of agglomeration: Hertfordshire's employers can tap into the wider London labour market, but they must also join the fray in competing for the best talent, which is expensive; and Hertfordshire must absorb the pressures that follow in relation particularly to an over-stretched housing market (which is creating substantial pressures for changes of use in relation to employment land, particularly within urban areas) and a very congested transport infrastructure.

But there continue to be major opportunities for economic growth in Hertfordshire which are in part a function of these

relationships. These coalesce around the three principal radial corridors that cross the county. All of these bring some challenges, but as engines of growth, all three present substantial opportunities:

- **The M1, West Coast Mainline and Midland Mainline cut across the west of Hertfordshire, close to three of the county's largest towns, Watford, Hemel Hempstead and St Albans**
On this axis, north west London is connected ultimately to Luton and Milton Keynes, and then into the Midlands and north. This area has seen substantial population and employment growth over the last 10-15 years and Milton Keynes has emerged as a significant sub-national centre (which is more than double the size of any Hertfordshire town). Looking ahead, further



significant growth is planned, both around Luton (some in North Hertfordshire) and Milton Keynes, and it is crucial that west Hertfordshire responds appropriately and proactively.

Given the scale of population nearby, there is much demand for uses linked to logistics; and plans for the rail freight interchange at Radlett also need to be seen in this context. In parallel, it is essential that higher value employment growth is encouraged of the sort envisaged through Priority 1. In this context, the further development of Warner Brothers' site at Leavesden is one important element and the Envirotech Enterprise Zone, based predominantly at Maylands (and BRE and Rothamsted), is a second. Equally, the need for a high quality business/science park, potentially near Watford, has long been recognised as a priority⁷.

- **The A1(m) and East Coast Mainline/Great Northern Route pass through central Hertfordshire, close to Hatfield, Welwyn Garden City, Stevenage and Hitchin**

This central axis is critical to Hertfordshire's economic future. Most immediately, it defines the heart of the life sciences corridor, linking St Pancras (home of the new Crick Institute) via Welwyn Garden City (home of BioPark) and Stevenage (GSK/SBC) to the Cambridge bioscience cluster, and it needs to be recognised as a significant economic driver. Looking ahead, it should be close to a major interchange between the East Coast Mainline and east-west rail. This in itself should open all sorts of opportunities at the heart of the Golden Triangle.

However, this corridor already has some of the most congested roads in Hertfordshire, and the need to improve the A1(m), particularly between Junctions 6 and 8, continues to be a priority. Nevertheless, the economic potential along this central axis is significant.

- **The A10 and West Anglia Mainline cut across the east of Hertfordshire, with links to Hertford, Ware, Broxbourne, Cheshunt and Bishop's Stortford; and the M11 is also nearby**

The third key radial axis is the least developed.

However, it is important. It runs close to the eastern boundary of Hertfordshire and it connects east London (including the Olympic Park, which is seeing substantial investment from, for example, UCL) with Harlow, Stansted Airport (which has growth capacity and, under the ownership of Manchester Airports Group, growth ambition) and Cambridge. At the heart of this area is Harlow & Gilston which was recognised by Government as one of three new Garden Towns in January 2017; spanning the boundary between Hertfordshire and Essex, this will be important shaping the spatial pattern of growth over the years ahead in the east of the county. In combination, this is a powerful cocktail and one that eastern Hertfordshire needs to embrace positively.

In addition, Crossrail 2 – a long term venture that the LEP will support – could add a further fillip to growth in this part of the county. In principle, it could link Hertfordshire to Surrey, and it ought to open up a wide range of opportunities.

In addition, it is crucial to recognise **what might be achieved through enhanced east-west connectivity across Hertfordshire**. The planned growth at Stansted Airport is substantial and it will certainly affect north east Hertfordshire. Whilst Luton Airport cannot grow to the same extent, Luton itself will grow. The A120, A602, A505 and A414 all need to feature in improved east-west connectivity. It is estimated that over 50,000 dwellings will be built along the A414 Corridor over the years ahead. Developing a compelling economic narrative to be delivered in parallel must be a priority.

⁷ *Hertfordshire Strategic Employment Sites Study*, completed by Regeneris Consulting for Hertfordshire County Council and EEDA, 2011

Key areas for action

Each of the four corridors outlined above – the three radial ones and the emerging corridor based on an east-west narrative – will play a critical role in Hertfordshire's economic well-being. All four constitute recognisable Growth Areas.

Of these four, the least developed currently is that defined along the east-west axis. In many respects, it is also the least coherent. However, that is very largely a function of the existing infrastructure which prohibits rather than encourages many forms of collaboration. The possibilities that might be unleashed by looking east-west across Hertfordshire need to be better understood, but they could be both substantial and sustainable, providing some kind of response to the centripetal influence of London.

At the same time though, it is clearly important that steps are taken to make the radial corridors work optimally, and to lever economic impacts for the benefit of Hertfordshire and the UK. This relates particularly to the definition of investment priorities. It also reflects the fact that the three

radial corridors map onto Travel to Work Areas and, in some respects, provide a proxy for functional economic areas across the county (and beyond). It therefore makes sense to think about local priorities for skills and business support within these geographies. It is also imperative to ensure that local economic plans and priorities are genuinely complementary within the relevant corridor context. This means, for example, that economic plans for Watford and Hemel Hempstead ought to be defining synergies between the two towns. The same ought to be true of Hatfield, Welwyn Garden City and Stevenage. Hertfordshire's towns are physically close together and the perspective provided by the three corridors ought to lead to patterns of growth that are complementary rather than simply displacing.

What we have already achieved

Over the last couple of years, we have made headway in developing clear growth narratives, defined around the principal transport corridors. As part of this process, three Growth Area Forums have been well-attended by local businesses and both national and local politicians; they have discussed and agreed local priorities and challenges, and these are shaping delivery processes, particularly with regard to infrastructure.

What we need to do next

Over the next period, there are three main objectives in advancing Priority 2 from *Perfectly Placed for Business*.

- **First, we need to sustain the momentum we have created in respect of the radial growth corridors.** In the future, this is likely to include working closely with the A1(m) Corridor Consortium and the London-Stansted-Cambridge Consortium in relation to the A1(m) and A10/M11 Growth Areas respectively. The delivery of the infrastructure linked to the Envirotech Enterprise Zone is providing a catalyst for wider debates in relation to the M1/M25 Growth Area. Across all three corridors, there are substantial agendas to pursue. In relation to the A10/M11, for example, this includes: assessing the importance of four-tracking the West Anglia Mainline; exploring the possibilities linked to Crossrail 2; and working through the consequences of expansion at Stansted Airport and the development of a new Garden Town at Harlow & Gilston.
- **Second, we must develop our thinking in respect of cross-cutting east-west “corridors”, particularly linked to the A120, A602, A505 and A414.** The LEP will facilitate this process, but it will look to other partners to contribute substantively; and the role of Hertfordshire County Council – as the Strategic Transport Authority – is particularly important. There is no “silver bullet” in terms of east-west connectivity, but in shaping Hertfordshire’s medium-long term economic potential, this agenda is crucially important. It will need to be advanced positively, with both purpose and creativity. It will also need to link into wider developments in relation to east-west connectivity across the greater south east, including, for example, in relation to east-west rail.
- **Third, we need to encourage smarter forms of connectivity, given levels of congestion and growing/changing demands, consistent with overall growth ambitions.** This means recognising and investing in the growing significance of rail (both locally and nationally), acknowledging the significance of bus travel, harnessing fully the potential of digital connectivity, and encouraging walking/cycling where possible. It also means working to ensure that different aspects of the transport/connectivity infrastructure are fully “joined up” (e.g. with sustainable access to railways stations) such that Hertfordshire as a whole can function. The LEP will work closely with Hertfordshire County Council – as the Strategic Transport Authority – as it leads in implementing the Transport Vision for Hertfordshire and developing a new local transport plan (LTP4).

How each of our Programme Boards will contribute, working with wider partners and stakeholders...

Enterprise and Innovation Programme Board

...working with businesses, the University of Hertfordshire, the local authorities, the FE colleges and other key organisations

- Effect a strong dialogue with neighbouring LEP areas to ensure that the economic footprint of key ecosystems is recognised and managed appropriately (noting that in the main, this follows the corridor geographies)
- Encourage the delivery of business support across Hertfordshire to respect the functional coherence of the growth corridors
- Develop approaches to inward investment at the scale of growth corridors

Skills and Employment Programme Board

...working with businesses, FE colleges, University of Hertfordshire, local authorities, and other key organisations

- Ensure that appropriate account is taken of Travel to Work Area geographies in defining priorities for skills and employment, and developing appropriate responses
- Ensure that the implications of developments on the edge of Hertfordshire (e.g. growth at Stansted Airport) are factored fully into skills and employment agendas

Strategic Infrastructure Programme Board

...working particularly with the local authorities (and related partnerships) and the private sector

- **Take overall lead responsibility in relation to Priority 2 from *Perfectly Placed for Business***
- Ensure that infrastructure priorities identified through Growth Area Forum discussions are taken forward through a range of other channels, and that they do influence decision making
- Advance the development of an “east-west” conversation with a view to developing a forward-looking east-west economic plan for Hertfordshire
- Engage actively in advancing key national infrastructure proposals that are of real relevance to Hertfordshire – e.g. east-west rail and Crossrail 2 – and ensure that the county secures real economic impact

Priority 3: Reinvigorating our places for the 21st Century

The opportunity

Hertfordshire's places are what sets it apart. Hertfordshire has no dominant city (or city-region) at its functional core. Instead, its spatial economy is characterised by a dense network of urban areas. The largest – with a population of 132,000 – is Watford, but there are nine others with a population of more than 35,000 nearby.



Hertfordshire's New Towns

Within this context, Hertfordshire has four “first wave” New Towns (Hatfield, Hemel Hempstead, Stevenage, Welwyn Garden City) plus a fifth – Harlow New Town – is just over the border in Essex. In addition, South Oxhey is a London overspill town. Together, the Hertfordshire New Towns have a combined population of over 270,000 – meaning that around a quarter of Hertfordshire’s population lives in a New Town. Hertfordshire’s New Towns also accommodate 1,000 hectares of employment land, much of which is in need of renewal to accommodate future economic growth.

In combination, these New Towns have the scale of a medium-sized city. As New Towns, though – perhaps with the exception of Welwyn Garden City – all of their infrastructure is decaying simultaneously. It needs re-investment: town centres are jaded, the retail offer is poor and the socio-economic make-up of the New Towns differs starkly from elsewhere in Hertfordshire. Re-investment in the New Towns needs an active development process. It also needs new and more creative thinking with higher density solutions, recognising the particular opportunities linked to railway hubs within the three growth corridors. Hertfordshire’s New Towns are well located in these terms.

Wider challenges facing Hertfordshire's towns

In parallel, there is a need to reflect on – and respond to – the changing expectations in relation to towns more generally, noting that these issues affect all of Hertfordshire’s urban areas. Enabled by digital technology, patterns of living and working are changing fundamentally and quickly, and this is having a profound effect on towns of all sizes.

Well connected, Hertfordshire's towns need to become vibrant, lively, urban hubs underpinned by new models of both living and working (in which “third spaces” (between home and work) play an ever-growing role). Moreover, each town needs a clear economic purpose and vision, reflecting its particular character, opportunities and growth potential. In bringing this vision about, new delivery models may well be essential.

New Garden Towns and Communities

The development of the new Garden Town at Harlow & Gilston – which spans the boundary between Essex and Hertfordshire – will need to take place with these principles firmly in mind. Acknowledged by government as one of three new Garden Towns nationally, the intention now is to develop plans for a sustainable community with good transport provision and a mix of homes, and linking in with the wider regeneration of Harlow.

As part of this process, a Concept Framework for Gilston was published by East Hertfordshire District Council in September 2016.

Looking ahead, further proposals for Garden Towns or smaller Garden Communities may come forward. These will need to be advanced in a manner that is aligned with the wider objectives of the SEP. Within this context, it will be especially important that the economic purpose of new settlements is clearly defined.

Key areas for action

Looking ahead, there are four areas for action in relation to Priority 3:

- **First, it is essential that that all of Hertfordshire's towns function well – this relates both to the New Towns and other urban areas.** The second group is as diverse as the first. It includes Watford and St Albans amongst the larger towns, and Bishop's Stortford and Hertford among the smaller ones. All have important roles to play – both in relation to where people live and where/how they work. Across Hertfordshire, appropriate provision must be made for both. This means that more housing must be delivered but also that a good supply of employment land – consistent with the changing needs of employers and the wider aspirations for employment growth – must be secured. All of Hertfordshire's towns must contribute to the overall Vision for Hertfordshire.
- **Second, it is essential that good progress is made in relation to the new Garden Town at Harlow & Gilston, and that a positive stance is adopted in relation to further Garden Communities that may come forward.** Defining a clear economic strategy for these settlements will be a crucial component of their overall sustainability.
- **Third, it is imperative that appropriate delivery models are put in place, recognizing the scale, complexity and cost of some of the associated challenges.** Different solutions may well be required in different places. However, particularly for the larger urban areas, there will be a need for innovative resourcing, governance and delivery solutions.
- **Fourth, and in addition, it is important that progress is made in relation to an overarching spatial Vision for Hertfordshire.** Within the county, there are ten local planning authorities and, perhaps inevitably, the consequence is a distributed growth model. This has meant that individual developments have been too small to trigger infrastructure investment on a scale that the aggregate growth commitment both demands and justifies. Looking ahead, new approaches will be needed, taking into account also the issues and opportunities linked to both Priority 1 and Priority 2. These are likely to include, *inter alia*, the changing role of towns/town centres in accommodating growth and the need to concentrate higher density development close to nodes in the transport network.

What we have already achieved

Over the last three years, substantial progress has been made in delivering Priority 3, particularly with regard to the larger towns in Hertfordshire:

- **Watford**

Informed by an economic analysis that pointed to slow jobs growth, Watford Borough Council recognised the importance of a proactive approach to economic growth before *Perfectly Placed for Business* was first developed. The Borough Council borrowed money to invest in major projects (like Watford Health Campus). In parallel, with support from Growth Deal 1, government committed to Croxley Rail Link (now known as the Metropolitan Line Extension). This in turn has provided an important level of investor confidence; indeed, the impact of this key infrastructure has been seen even before the infrastructure itself is complete and the consequence is that Watford is reconfirming its role as a major urban centre for south west Hertfordshire. Other key projects are underway, notably the redevelopment of Watford Business Park.

- **Stevenage**

Among Hertfordshire's New Towns, Stevenage has both the greatest assets and potential, but also some of the most intractable challenges (linked, for example, to the town's original urban design). 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. Place-based regeneration needs to go hand-in-hand with the commercialisation of the town's science-based assets, particularly when the latter are amongst the finest in the UK.

- **Hemel Hempstead**

Like Stevenage, Hemel Hempstead is another New Town with regeneration challenges. Work began on the development of regeneration masterplans a decade ago and the £30 million Hemel Evolution regeneration programme is transforming Hemel Hempstead town centre, making it a more attractive and welcoming place to live, shop, work and visit. Over the last five years, delivery on these plans – including the redevelopment of the West Hertfordshire College Campus – has started to reshape the town centre, leveraging in private sector investment and securing the delivery of significant new housing provision. In parallel, the delivery of the masterplan for the Maylands employment area has resulted in many successful investments into the town's (and Hertfordshire's) largest employment area. This in turn has paved the way for the new Envirotech Enterprise Zone, focused at Maylands. This is now progressing with a strong focus on enviro-tech, linking in with nearby BRE and Rothamsted Research. With additional infrastructure investment, this should help deliver new and additional forms of economic and housing growth.

What we we need to do next

All three of the “projects” outlined above – relating to **Watford, Stevenage and Hemel Hempstead** – are long term ventures, and all three have some way to run. The intention is to support and accelerate this process, recognising that further innovation will be needed, particularly with regard to resourcing. Over time, the proposal is to develop sustainable financing models. These will include revolving funds and the intention is that investment should, increasingly, be based on loans rather than grants and that it should help to positively incentivise the growth process. The detail of these plans has yet to be developed, but all three of the larger towns ought to be nudging in that direction, enabled by the governance arrangements that are also, gradually, being developed.

In parallel, it will be important that similar ventures are initiated in other towns across Hertfordshire. Looking ahead, we expect **Hatfield and Broxbourne** to be the next priorities, led by strong local partnerships (Hatfield 2030+ and Ambition Broxbourne) and guided by emerging regeneration frameworks and strategies. In driving forward plans for Hatfield, the wider role of the University of Hertfordshire will be particularly important.

Longer term, the intention also is to develop innovative approaches to supporting the smaller towns in Hertfordshire. On a pilot basis, Hertfordshire LEP has been working with **Bishop’s Stortford** to understand its growth potential and constraints, specifically in the context of wider growth processes across the A10/M11 Corridor and with particular reference to nearby Stansted Airport. This exercise has demonstrated that there are real opportunities for smaller towns in Hertfordshire, albeit delivery processes will need to be developed.

Finally, in relation to the longer term aspiration for a new “spatial blueprint” for Hertfordshire, the LEP will need to work closely with its local authority partners, both Hertfordshire County Council and all ten district councils. It recognises that this exercise may well be both challenging and contentious. Nevertheless, it is firmly of the view that it needs to be progressed, not least so that appropriate long term decisions can be made with regard to infrastructure priorities. But the requirement is not simply for an infrastructure plan; instead, the aim must be to define a wider spatial vision that can be consistent with delivering the overarching objectives of *Perfectly Placed for Business*.

In delivering these priorities, we will have regard to the contents of the housing white paper, *Fixing Our Broken Housing Market*, which was published by DCLG in February 2017. This emphasises the importance of accelerating the rate of housing delivery across the UK. At the same time, however, it is crucial that appropriate provision is made for employment growth. The last few years have seen the loss of significant employment land across the county. Looking ahead, there is a need to ensure an appropriate supply, recognising that patterns and locations for work are changing substantially and that employment provision needs to be attuned to these developments.

How each of our Programme Boards will contribute, working with wider partners and stakeholders...

Enterprise and Innovation Programme Board

...working with businesses, the University of Hertfordshire, the local authorities, the FE colleges and other key organisations

- Ensure that as regeneration priorities are defined for individual towns, there is a clear but appropriate link to the wider opportunities set out in relation to Priority 1 and/or Priority 2 (linked, for example, to particular sectors)
- Encourage all of Hertfordshire's towns to be proactive in making appropriate provision for enterprise, particularly new and small businesses, and those seeking to grow

Skills and Employment Programme Board

...working with businesses, FE colleges, University of Hertfordshire, local authorities, and other key organisations

- Ensure that – as far as possible – the relevant further education colleges are fully involved in the development and (as appropriate) the delivery of urban growth ambitions, so that there is a link between infrastructure investment and skills
- Facilitate a dialogue with local schools in respect of town-level plans for growth, allowing local young people both to inform the plans and to think through their own career choices in the light of them
- Ensure that skills provision is aligned with local employment growth

Strategic Infrastructure Programme Board

...working particularly with the local authorities (and related partnerships) and the private sector

- **Take overall lead responsibility in relation to Priority 3 from *Perfectly Placed for Business***
- Work with partners to develop and test delivery and resourcing solutions that are appropriate at the scale of Hertfordshire's towns
- Support the roll-out of the approach to growth across other towns in Hertfordshire, including some of the smaller ones
- Draw together good practice in terms of effecting economic regeneration plans at the scale of Hertfordshire's towns, and paying particular attention to the lessons from New Towns
- Work with the local authorities to think through the next steps in the development of a long term spatial vision for Hertfordshire (but liaising closely with the other Programme Boards, particularly that for Enterprise and Innovation)
- Work with local authorities and partners to accelerate housing delivery across the county whilst ensuring an adequate supply of employment land, in line with the wider growth ambitions set out in the SEP.

Priority 4: Foundations for growth

The opportunity

The skills of Hertfordshire's current and future workforce

Long term, a crucial determinant of Hertfordshire's overall productivity performance is the quality and depth of workforce skills, and this is a critical foundation for growth. As noted already, on high level qualifications-based indicators, Hertfordshire performs strongly: overall, its resident working age population is well qualified. However, the skills profile of the workplace population – the people actually working for Hertfordshire's businesses – is less good (in part because of commuting effects). Moreover, there are significant variations across the county, and locally, there are substantial skills challenges.

The causes of skills challenges are not easy to unpick. School level attainment in Hertfordshire is good – although again, it varies substantially at a local level and in some areas, the inter-generational consequences of relatively low levels of aspiration are an on-going concern. But county-wide, it remains the case that about a third of the Year 11 cohort do not achieve both English and Maths GCSE or equivalent. This is important because it links strongly to downstream employment prospects and challenges. Moreover, data suggest that young people in Hertfordshire are half as likely to enrol on an apprenticeship as is the case nationally⁸.



⁸ Analysis completed by Hertfordshire County Council on the basis of data provided by Skills Funding Agency

Alongside these headline observations, a great deal of work has been undertaken locally to understand better the nature of the “skills problem” as it relates to employers. The University of Hertfordshire completed a large scale survey of Hertfordshire businesses to probe the causes, nature and consequences of skills gaps. It found that nearly 80% of firms had one or more members of staff with training needs. Often these were identified because staff were new to the role, but the introduction of new technology, new products and services and new working practices were all also creating demands for training. For individual employers, specific skills gaps frequently included IT-related skills (which were identified as an issue by almost 60% of survey respondents), and both oral and written communication skills, as well as skills that were more strongly job-specific⁹.

In the light of these and other data, a Hertfordshire Skills Strategy, *Releasing our Potential*, has been developed by Hertfordshire County Council and

Hertfordshire LEP. It is a relatively short term plan, but it identifies five main themes with long term currency:

- Developing our future workforce (focused on young people and transitions to employment)
- Towards fuller employment (focused on vulnerable adults)
- Enhancing opportunities through lifelong learning
- A leading economy – skills to drive growth, focusing especially on
 - Science/technology
 - Engineering & manufacturing
 - Film & media
 - Financial & business services
 - High end logistics
 - Sports, leisure & tourism
- Skills to grow small and medium size businesses (SMEs).

Hertfordshire’s small and medium sized enterprises

The vast majority of Hertfordshire’s 58,000 enterprises are small, employing no more than a handful of staff. In addition, there are over 92,000 self-employed people in the county. Together, these small businesses and self-employed people are distributed across the county and they make a substantial – if often invisible – contribution to economic life. This is particularly important for the economic well-being of villages and smaller settlements in the county – which again are in danger of being invisible within a high level Strategic Economic Plan.

Some of these businesses and the people who run them have the aspiration and ambition to grow. Where this is the case, it is important that Hertfordshire really does provide a “perfect place for business”: it must, for example, ensure

that easy-access managed workspace and other relatively low cost forms of business accommodation are available locally; and that appropriate forms of business support are straightforwardly accessible. In the context of acute resourcing constraints, this in itself is a challenge. But for the feedstock of would-be entrepreneurs and growth businesses – and largely irrespective of sector – it has to be a cross-cutting priority.

For the businesses and people with more modest intentions in respect of growth, it is imperative that their overall contribution is recognised and supported. In aggregate, Hertfordshire’s productivity challenge reflects the activities of these economic actors as much as the major corporates; all have a role to play.

⁹Hertfordshire Business Skills Gaps Survey, 2014-15, completed by the University of Hertfordshire Market Research Services

Key areas for action

In relation to **workforce skills**, the imperative is to work effectively with employers, providers and learners to ensure that the needs, aspirations, and frustrations of each group is fully recognised and understood and aligned, as far as possible, with the wider ambitions set out in *Perfectly Placed for Business*.

In practice, this is challenging. Each of these interfaces is in itself complicated and in looking towards delivery, national structures and accountabilities often sit quite uneasily with local ones.

In this context, there is a substantial job to be done. Over the years ahead, it will be important to:

- **recognise that Hertfordshire's priorities are not necessarily wholly aligned with those that are defined by central government and its agencies** (so the need to influence the latter is likely to be on-going) and that levels of public sector investment into vocational education and training have decreased such that **resource is very thin on the ground**
- acknowledge that national policy is leaning towards **work-based learning** (including apprenticeships) and **models of delivery where the beneficiaries of training – whether employers or learners – contribute to the cost of provision**. It will be important that the implications are worked through in the Hertfordshire context
- acknowledge that **providers can only respond to employers' skills requirements if these are appropriately codified**. In general terms, this dialogue has been difficult to sustain (particularly in respect of the large numbers of SMEs) and yet it is crucial: new mechanisms for engagement will need to be found

- recognise the need to **improve the supply and quality of labour market information and careers advice**, so that better decisions are made; this means that the opportunities linked to the delivery of *Perfectly Placed for Business* need to be clearly and consistently articulated
- encourage **greater collaboration and less competition among providers**, recognising that the job that needs doing is substantial, and within this, **develop co-ordinated approaches, particularly in respect of higher level skills in the sectors discussed in Priority 1** (life sciences, advanced engineering/manufacturing, sustainable construction, agri-science/agri-tech and creative industries).

In nurturing the other crucial foundation of Hertfordshire's economy – its **population of SMEs** – the key areas for action are not new. To be a "perfect place for business", firms need to be able to find accommodation they can afford; they need to recruit people with appropriate skills; and they need to be able to access the support they require. Across the population of SMEs – and indeed more generally – it is also crucial that Hertfordshire's digital infrastructure is as good as it can be. Enhancing both the provision of digital infrastructure and the effectiveness with which it is used is an on-going priority county-wide.

What we have already achieved

Priority 4 is an on-going commitment. Over the last couple of years, real progress has been made. This has included the development of a Hertfordshire Skills Strategy (referenced above), underpinned by primary research and evidence. It also includes the development of an Apprenticeship Strategy for Hertfordshire (2015-2017) which sets out priority interventions under three main headings: increasing apprenticeships, supporting potential apprentices and ensuring quality provision.

Beyond this, Hertfordshire LEP has also flexed the resources available to it to invest in the foundations for growth. This has included capital investment into the refurbishment of the West Hertfordshire college campus in Hemel Hempstead; funding for a STEM facility in partnership with Airbus and North Hertfordshire College; and support for both Oaklands College Welding Bays and Hertford Regional College Creative Media (through the LEP Skills and Equipment Fund).

In addition, it has pulled together a funding package (with resources from Hefce, LGF and ERDF) which has allowed the formation and operation of a Growth Hub. This is focusing on business development; access to finance; innovation/productivity; skills recruitment and training; sales and marketing. Key delivery partners have included UKTI (now Department for International Trade); Innovate UK and WENTA (Hertfordshire Start-up specialists) and private sector consultants. So far, delivery targets have been met and levels of client satisfaction are high.

What we need to do next

By its nature, Priority 4 is a long term, and on-going, venture which will never be “completed”. Over the next period, the imperative will be to work particularly with providers and businesses, to ensure a more fruitful dialogue that is more closely aligned with the overarching ambitions of *Perfectly Placed for Business*.

There are, however, three more immediate priorities:

- **First, over the next couple of years, it will be essential that partners across Hertfordshire engage fully with the introduction of the Apprenticeship Levy.** This will come into effect in April 2017. After paying their levy, employers will have two years to “spend” their funds before they expire. If this is done well, it could be important for Hertfordshire, particularly given the relatively low take-up of apprenticeships so far.
- **Second, it will be important to build on the findings of the Area Review of post-16 training and education institutions which was undertaken in late 2016 early 2017.** Intended outcomes of the review included: to ensure that there are high quality professional and technical routes to employment; and that levels of responsiveness to local employer needs and economic priorities are improved. Both of these objectives are important for Hertfordshire and consistent with the aspirations of *Perfectly Placed for Business*. The review highlighted that we have a strong basis for the delivery of Further Education in Hertfordshire, from which a greater level of collaboration and specialisation in partnership with our Higher Education institutions will enable us to further drive both economic and employment growth in the county. Such growth will require a focus on developing the technical level and higher/degree level skills required by our key sectors (as highlighted under Priority 1).
- **Third, we will engage fully with the development – and, in due course, delivery – of the national Industrial Strategy insofar as it relates to cross-cutting skills and business support issues.** In the context of Priority 4, these apply across the economy and geography of Hertfordshire, and they are important.

How each of our Programme Boards will contribute, working with wider partners and stakeholders...

Enterprise and Innovation Programme Board

...working with businesses, the University of Hertfordshire, the local authorities, the FE colleges and other key organisations

- Ensure that business support is potentially available to Hertfordshire's population of small and micro businesses
- Ensure appropriate responses are developed to the challenges of access to finance, particularly for firms which are seeking to scale up and grow
- Help to articulate better the skills imperatives linked to the key sectors identified in relation to Priority 1
- Ensure appropriate alignment with the White Paper that follows on from the Industrial Strategy Green Paper; and that Hertfordshire's contribution is fully articulated

Skills and Employment Programme Board

...working with businesses, FE colleges, University of Hertfordshire, local authorities, and other key organisations

- **Take overall lead responsibility in relation to Priority 4 from *Perfectly Placed for Business***
- Work with employers and providers to ensure a good response to the introduction of the Apprenticeship Levy
- Contribute as appropriate to the implementation and monitoring of key recommendations resulting from the Area Review process
- Continue to develop the dialogue across Hertfordshire's providers, learners and businesses
- Continue to work with government to influence national provision and ensure that it maps onto Hertfordshire's skills challenges
- Develop pilot project concepts that help to address specific challenges in aligning skills provision with the strategic direction set out in *Perfectly Placed for Business*
- Forge stronger links between schools and employers
- Continue to work on higher level skills provision within Hertfordshire

Strategic Infrastructure Programme Board

...working particularly with the local authorities (and related partnerships) and the private sector

- Help to ensure that local provision is made for relatively low cost business accommodation that is appropriate for the needs of SMEs

Delivering ***Perfectly Placed*** ***for Business***

Perfectly Placed for Business is a high-level strategy. In order to progress it, we will develop a series of delivery plans and refresh them each year. These will reflect the structure of our three Programme Boards: *Enterprise and Innovation*, *Skills and Employment*, and *Strategic Infrastructure*. In addition, we will continue to play a key role in driving forward the delivery of our Envirotech Enterprise Zone which is a crucial project for Hertfordshire.

Throughout, the delivery of *Perfectly Placed for Business* will be steered by three overarching imperatives.

First, we will continue to explore and then develop sustainable resourcing solutions.

The early delivery of *Perfectly Placed for Business* benefited from funding from central government (Growing Places Fund and Local Growth Fund) and from the European Commission (through the European Structural and Investment Funds). In relation to the next phase of delivery, the funding programme landscape is likely to look very different – although, in the context of a very new Government, exactly what this will mean is unknown and unknowable.

Working closely with our partners, we are committed to developing resourcing approaches within Hertfordshire which are more sustainable in financial terms. These are likely to focus, *inter alia*, on the following, both individually and in combination:

- the possibilities linked to the retention of business rates
- the scope for other forms of tax increment financing
- the scope for revolving funds, possibly organised at a local level
- resourcing options linked to publicly-owned assets.

Second, we will commit to working closely with partners from across Hertfordshire – from the private and public sectors, and from amongst among the community sector, including (perhaps increasingly) through area-based partnerships.

The delivery of our Strategic Economic Plan needs to be a shared endeavour, particularly given the need to sweat our assets harder in the context of resourcing uncertainty. It needs to galvanise inputs of different forms from across our stakeholder community and it needs to be genuinely cross-disciplinary, avoiding historic siloes.

During the first phase of delivery, we made substantial headway – particularly in Watford, Stevenage and Hemel Hempstead. We need to build on this – both by deepening our approach in those three towns and by extending it to other settlements (including, most immediately, Hatfield and Broxbourne).

In addition, we need to develop more creative approaches to working with our private sector partners, particularly within our key sectors. Our intention is to develop ecosystem investment plans that help to cluster interventions (whether skills-related or business support-focused or concerned with specialist land and property or linked to inward investment) around the functioning of the ecosystems.

Third, we will commit to working with partners from outside Hertfordshire where it “makes sense” to do so.

Our intention is to work more flexibly and proactively across “real” ecosystem geographies, recognising that this will often mean working with partners from outside of Hertfordshire. We will expect to work with, particularly, Cambridge and London in respect of life sciences; with Essex, Cambridge, former-Bedfordshire and Luton in relation to advanced engineering; with Cambridge and Norwich in respect of agri-tech; and with Buckinghamshire and London in relation to the creative industries (including film and TV).

In addition, we anticipate working closely with partners from outside Hertfordshire in relation to major infrastructure priorities which range from major trunk roads (e.g. A1(m)), to rail priorities (e.g. four-tracking the West Anglia Main Line), to longer term infrastructure ambitions (e.g. Crossrail 2) and to major new developments (e.g. the new Garden Town at Harlow & Gilston).

Navigating uncertainty

The next period of delivering *Perfectly Placed for Business* could be challenging – given the range of structural uncertainties (linked particularly to Brexit) but also more immediate “unknowns” (linked especially to resourcing). We recognise that we will need to be flexible and responsive, forming alliances quickly where it is helpful to do so but also acting quickly when changes need to be made.

This will all place a considerable responsibility on the LEP Board and our three Programme Boards, and all parts of our governance structure will need to respond. Within this context, our Assurance Framework will be kept under review. We see this as a key element of our delivery machinery.

Measuring success

Targets and indicators

Perfectly Placed for Business has been developed, fundamentally, as a plan to address Hertfordshire's performance in relation to productivity and it is this that provides our principal impact measure in charting progress. Between 2005 and 2015, GVA per hour worked increased in nominal terms by 1.3% per annum in Hertfordshire compared to 2.3% per annum in the UK. Looking ahead, this is a gap that we are determined to close.

Our target over the period to 2030 is for GVA per hour worked within Hertfordshire to rise at the higher of:

- either the achieved rate of productivity growth in London (noting that over the decade from 2005-15, London's GVA per hour worked increased by 2.6% per annum)
- or 2.6% per annum.

Given our past performance, this is a stretching target. But it is one that we think ought to be achievable given the quality of our assets and our collective commitment to growing the county's economy effectively.

In terms of key intermediate outcomes, we will develop indicators to chart our progress in terms of:

- the growth – in terms of employment and GVA, and national/international profile – of all five of the key sectors that are defined in relation to Priority 1

- the pace with which we add to our stock of workforce skills, particularly the skills profile of those who are *working* in Hertfordshire
- the size distribution of businesses, noting that we are keen to see a growth in the incidence of scale-up businesses (and hence the share of the business stock that is accounted for by larger SMEs)
- the vibrancy of our towns, and the extent to which they develop as employment and economic hubs (recognising some of the early challenges that need to be addressed in relation to employment provision).

Precise metrics remain to be developed, but these four indicators are at the core of *Perfectly Placed for Business* and all four link directly to the overarching challenge of productivity growth.

In addition, we will want to reflect rigorously on the progress we are making in effecting sustainable resourcing solutions to invest effectively in Hertfordshire's economic future.

Monitoring and evaluation

We will implement a proportionate – but rigorous – approach to both monitoring and evaluation.

The requirements of the former will broadly be as set out in our Assurance Framework, but adapted as necessary to reflect the imperatives of particular funding streams.

In terms of evaluation, we intend to complete:

- an annual process evaluation which will examine the implementation process
- an annual review of key performance indicators (as set out above)
- a longitudinal evaluation of those interventions that we think are especially important and/or unique, guided in this context by our Programme Boards
- an interim impact evaluation in summer 2022, which will include initial judgements on additionality and displacement.

Our evaluation methods will be informed by HMT's Magenta Book. We will use a mixed methods approach throughout, but we will also take proportionate steps to consider the counterfactual. This reflects the importance of this venture for Hertfordshire and the priority we are attaching to delivering *Perfectly Placed for Business*.

List of Acronyms

BEIS	Department of Business, Energy and Industrial Strategy (formerly BIS)
BERD	Business enterprise expenditure on research and development
BIS	Department of Business, Innovation and Skills (now BEIS)
BRE	(Formerly) Building Research Establishment
DCLG	Department for Communities and Local Government
DIT	Department for International Trade (formerly UKTI)
EEDA	East of England Development Agency
FE	Further Education
GLA	Greater London Authority
GSK	GlaxoSmithKline
GVA	Gross Value Added
HMT	HM Treasury
IoT	Internet of Things
LEP	Local Enterprise Partnership
LTP	Local Transport Plan
ONS	Office for National Statistics
R&D	Research and Development
SBC	Stevenage BioScience Catalyst
SEP	Strategic Economic Plan
SMEs	Small and Medium size Enterprises
STEM	Science, Technology, Engineering and Mathematics
UCL	University College London
UKTI	UK Trade & Investment (now DIT)