

Report to: Lead Member for Economy

Date of meeting: 20 April 2015

By: Director of Communities, Economy and Transport

Title: Innovate East Sussex: Key Sectors

Purpose: To gain approval of the themes and sub sectors identified below, in order to develop the East Sussex Growth Strategy Implementation Plan

RECOMMENDATION: The Lead Member is recommended to endorse the themes, subsectors and niche products and services identified as deserving specific attention for future investment to embed innovation in East Sussex.

1. Background

1.1. Innovate East Sussex (IES) and the recommendations within it were approved in January as a framework of tools and behaviours (chapter 6) that can help to embed innovation¹.

1.2. IES directly supports the Council Plan priority of *Driving economic growth* – showing how the embedding of innovation can improve business sustainability, resilience and growth. There is also potential for IES to have a beneficial impact on other Council Priorities if the Council adopts the behaviours the document promotes.

1.3. Several documents fed into IES including the East Sussex Growth Strategy, the East Sussex Skills Strategy and Employability and Skills Strategy, East Sussex Economic Development Strategy, the South East Local Enterprise Partnership (SE LEP) Strategic Economic Plan and EU Structural Investment Framework Strategy.

1.4. To help clarify whether there are specific themes, sectors or sub-sectors that should receive specific attention when putting together plans for innovation activity, the Lead Member requested a supplement to the original report. This report responds to this request.

2. Supporting information

2.1. Chapter 5 of IES looks at the situation in East Sussex – potential growth and niche sub sectors and the number and spread of High-Growth and Potential High-Growth firms. Alongside this, Chapter 7 looks at themes that warrant specific attention for investment on the basis of their fit with national and SE LEP priorities, exploiting natural or relative strength in a geographic/sectorial area, appropriateness of publicly-funded interventions (e.g. SMEs, firms whose expansion will not directly displace similar firms, professions where there are well-established support structures in place), and other drivers such as long-term cost to the public purse (as in the healthcare sector).

2.2. Drawing on this evidence there are themes identified that are considered to have relative strengths in East Sussex, either existing or potential. *Within these there are some sectorial or, more often, niche specialisms that can differentiate us from neighbouring areas.*

2.3. The IES themes and sectors/niches are set out below. Some of the sectors/niches identified in IES have been brought together in this report to make for easier understanding in future. Appendix B to this document sets out more detail on the themes and sub-sectors/niches below. Please also note that work is underway to clarify the definitions of the sectors, sub-sectors and niches within these themes to make it possible to set baselines and monitor change in future.

- **Healthcare – specifically in relation to the ageing population, including telehealth and telecare**

¹ A copy is attached as Appendix A to this report.

- **Land-Management – linked to the Growth Strategy Strategic Objective of Place, including the visitor economy and high added-value food and drink production**
- **Digital and media**
- **Advanced Manufacturing**
- **Advanced Materials & Electronic Systems**
- **Low carbon & environmental goods and services**
- **Wholesale/Retail/Motor**

2.4. Since IES was agreed, the Economic Development and Skills department have been working through mechanisms and strategic partnership forums currently/soon to be in place (Skills East Sussex (SES), Locate East Sussex (LES), Team East Sussex (TES), Business East Sussex (BES)), and informed by the recent East Sussex Business Survey to identify:

- a) what specific opportunities there are in these areas
- b) what conditions need to be in place to make investment worthwhile; and
- c) what is likely to represent the best return on investment in the medium and long term.

As we discover more about what works in practice to embed innovation, we will be able to use that evidence to influence skills and other business support providers to meet these needs.

2.5. Whilst the specific sub-sectors and niches are set out above, please note that the key findings in IES (strongly supported by the research base) show that innovation can, and does, happen across *all* sectors. IES also concludes that there is specific value in targeting support for innovation at firms which demonstrate the characteristics of having the potential to become High-Growth Firms (HGFs). With the right support these firms – often termed '*pre-gazelles*' (an estimated 1,500 are in East Sussex) – could, develop into HGFs, which consistently create a disproportionately large number of new jobs.

2.6. An issue with HGFs however is that their growth is often irregular rather than steady and they may become an HGF for only a relatively short period and then not again. Research shows that a characteristic of highly innovative (growth) firms is that their growth is generally more incremental and sustained – creating greater resilience and avoiding the peaks and troughs experienced by many HGFs. For that reason, the approach most likely to provide the best return on investment is to *target pre-gazelles to achieve their high-growth potential, at the same time as embedding innovation in them to help them sustain growth.*

2.7. Similarly, one of the key conclusions of IES is that *the introduction of STEM (Science, Technology, Engineering and Mathematics) graduates into any firms*, particularly high-growth firms or pre-gazelles, *is a major factor in increasing the degree of innovation* which is applied for commercial benefit. We are exploring with local universities ways to increase the numbers of graduates. Targeting STEM specifically and SES will provide the strategic direction in taking this forward.

2.8. When considering investment in innovation, this will fall into one of two categories:

- **Direct impact** on companies to become more innovative and grow;
- **Indirect impact** through investment in third parties or direct funding where innovation can be a 'side effect'.

2.9. Direct impact would typically be through funding, such as the upcoming East Sussex Invest 4 (ESI4) by encouraging these IES sectors, where targeting could help embed innovation, or East Sussex County Council's procurement in areas such as adult social care, where innovation could be a criterion in the tendering process.

2.10. Indirect impact will come largely through investments in business support – which will be accessed through the upcoming East Sussex Growth Hub: Business East Sussex (BES). This will provide online business information, guidance and links to programmes and funding at local and national level, and a physical 1-2-1 support presence in East Sussex. The physical BES service will have a small core of ‘navigators’ who provide diagnostic and signposting, and also a series of projects to deliver targeted support on issues such as enterprise, start-up support, creating business networks etc. BES will also provide the access route into the research base; of which commercialisation is one of the key elements of IES.

2.11. ESCC future procurement offer could also impact indirectly by becoming more innovative itself, to make it easier for firms (particularly SMEs or social enterprises) which have not previously done so, to secure contracts. The reliability of regular income over the course of a contract, could help these firms plan for growth and innovation on a scale that would not, otherwise, have been possible.

3. Conclusion and reasons for recommendations

3.1. The Lead Member is asked to approve the themes, sectors and niches highlighted in this report to receive specific attention when considering activities and investment in the forthcoming Growth Strategy Implementation Plan.

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LOCAL MEMBERS: All

APPENDICES:
Appendix A - Innovate East Sussex (IES) Draft
Appendix B - Innovate East Sussex Sectorial Supplementary