The Productivity Picture: London and the South

Authors:
Britt Regal
King' College London
Damian Grimshaw
King's College London

Date:
January 2025

The Productivity Institute
Productivity Insights Paper No.044

Key words
London, South East, South West, productivity

Authors' contacts
brittney.regal@kcl.ac.uk

Suggested citation

B. Regal, D. Grimshaw (2025) *The Productivity Picture: London and the South,* Productivity Insights Paper No. 044, The Productivity Institute.

The Productivity Institute is an organisation that works across academia, business and policy to better understand, measure and enable productivity across the UK. It is funded by the Economic and Social Research Council (grant number ES/V002740/1).

The Productivity Institute is headquartered at Alliance Manchester Business School, The University of Manchester, Booth Street West, Manchester, M15 6PB. More information can be found on The Productivity Institute's website. Contact us at theproductivityinstitute@manchester.ac.uk

Abstract

This report outlines the key productivity challenges and opportunities facing London, the South East and the South West, with a primary focus on how five critical themes - net zero, housing and infrastructure, health and wellbeing, skills, and digitalisation and AI - impact each region's ability to become more productive, sustainable and inclusive. It explores how these themes are impacting the three regions and identifies some of the major strategic responses and initiatives driving their future path of economic development and social progress.

The report is organised into three sections:

1. An overarching analysis of productivity in the three regions compared to the national average;
2. A review of ongoing regional initiatives aimed at enhancing productivity;
3. An exploration of key productivity drivers that affect all three regions and a listing of priority actions for policy and practice.

The paper draws on publicly accessible strategic and economic planning resources from Local Enterprise Partnerships (LEPs), Innovation Hubs, Combined Authorities, and other relevant Local Authority publications, as well as insights from members of the London and South Four. Additionally, data sourced from the ONS and NOMIS has informed this analysis.

The primary aim of this document is to support discussions and planning efforts within the Regional Productivity Forum (RPF) and to foster broader conversations with relevant and affected stakeholders, rather than to provide an exhaustive data analysis.

Contents

1 Introduction

This report outlines the key productivity challenges and opportunities facing London, the South East and the South West, with a primary focus on how five critical themes - net zero, housing and infrastructure, health and wellbeing, skills, and digitalisation and AI - impact each region's ability to become more productive, sustainable and inclusive. It explores how these themes are impacting the three regions and identifies some of the major strategic responses and initiatives driving their future path of economic development and social progress.

The report is organised into three sections:

1. An overarching analysis of productivity in the three regions compared to the national average;
2. A review of ongoing regional initiatives aimed at enhancing productivity;
3. An exploration of key productivity drivers that affect all three regions and a listing of priority actions for policy and practice.

The paper draws on publicly accessible strategic and economic planning resources from Local Enterprise Partnerships (LEPs), Innovation Hubs, Combined Authorities, and other relevant Local Authority publications, as well as insights from members of the London and South Four. Additionally, data sourced from the ONS and NOMIS has informed this analysis.
The primary aim of this document is to support discussions and planning efforts within the Regional Productivity Forum (RPF) and to foster broader conversations with relevant and affected stakeholders, rather than to provide an exhaustive data analysis.

2 The Overall Productivity Picture

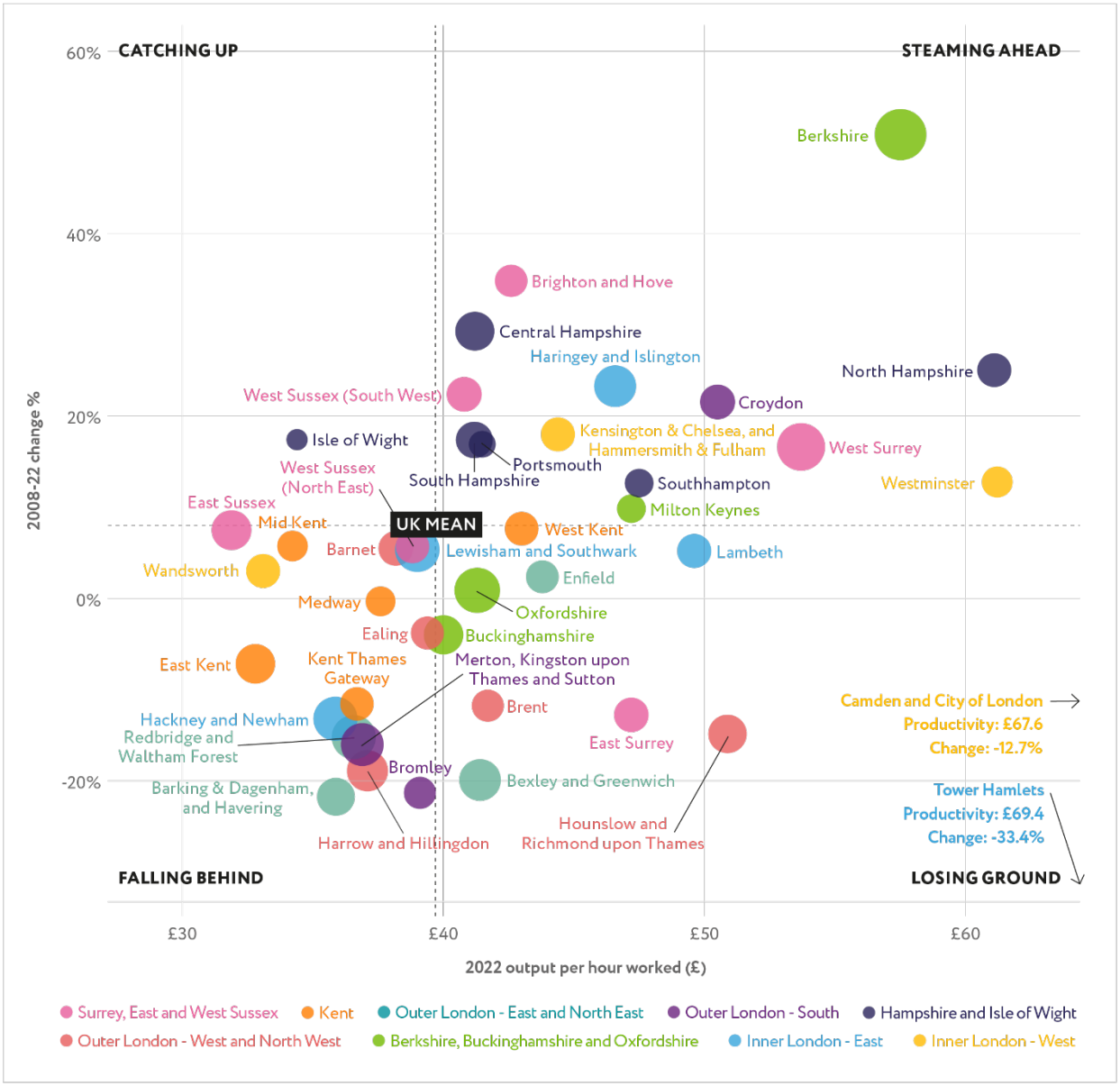

Figure 1: Labour Productivity Performance by ITL3 Regions in London and the South East, levels (value added per hour in 2022, in £) and change (growth, in % real terms, 2008-22)
Notes: Size of bubble denotes working population for the region and colour denotes ITL2 region.
Source: Office for National Statistics, Subregional productivity: labour productivity indices by UK ITL2 and ITL3 subregions, https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/labourproductivity/datasets/subregionalproductivitylabourproductivitygvaperhourworkedandgvaperfilledjobindicesbyuknuts2andnuts3 subregions June 2024. Ortega-Argilés, R. and Menukhin, O. (2025) UK Subnational Productivity Visualisations, TPI Productivity Forum detail DOI:10.48420/28212929

Several areas in London and the South East experienced productivity growth during 2008-22 that surpassed the UK's overall average rate of 8%, with the South East 'steaming ahead'. Moreover, London and the South East, on average, registered significantly higher levels of output per hour worked in 2022. This is, however, offset by many areas within all three regions that were 'losing ground' or 'falling behind'; indeed, the majority of local areas fall below the horizontal bold line in figure 1.

In the South West region, the strong performance of Bath and North East Somerset may be attributed to consistent investment in digital and creative technologies. Meanwhile, the productivity growth in Cornwall and the Isles of Scilly could be linked to the expansion of blue and green technologies, driven by a focus on net-zero initiatives and sustainable transitions. However, the South West lags behind the other regions in the London and South Forum. Outside these high-productivity hubs, the South West's economy is primarily characterised by small and medium-sized enterprises and consists of sectors with lower-than-average value addition, such as retail and hospitality, which are particularly prominent in certain areas. This underperformance can be attributed, in part, to limited innovative capacity, stemming from deindustrialisation and inadequate connections to research and innovation hubs. Connectivity issues, due to the rural nature and unique geography of the region, exacerbate the problem. Access to capital, skills, and innovation hubs is often concentrated in larger cities, further compounding intraregional development disparities.

In the South East, most areas meet or exceed the UK's average productivity levels. Hampshire performs exceptionally well, with North Hampshire recording one of the highest productivity growth and levels across the three regions, widening the gap with the UK average. The region benefits significantly from its proximity to London, supported by excellent transport links, major anchor businesses, port infrastructure, and the presence of the military, all of which contribute to a mix of middle- and high-skill job opportunities. In some locations, like Southampton and Portsmouth, there is potential to strengthen ties with local universities. Brighton and Hove, meanwhile, has seen robust growth in recent years. Despite a local economy with significant focus on lower-productivity sectors such as tourism and retail, it is quickly closing in on the UK average productivity level. This progress may be due in part to investments in transitioning to a low-carbon, circular economy, aimed at creating jobs in higher-value sectors, including technology innovation and creative industries.

London continues to lead the UK in productivity, driven by its high concentration of tech and high value-added businesses, a substantial share of graduates and highly skilled workers, and the advantages of agglomeration economies and top-tier infrastructure. While productivity levels vary across the city, all areas remain near or above the UK average. However, a notable insight from London's data is the below-average productivity growth trend (during 2008-2022) for the city overall, highlighting the need for more coordinated economic development to prevent widening disparities in living standards across boroughs. Croydon, after facing significant setbacks (including three declarations of local government bankruptcy in recent years) registered strong productivity in 2022 and is among the high-performing areas. Infrastructure improvements and job opportunities remain crucial in areas like Barking and Dagenham, which experienced the third-highest population growth between the 2011 and 2021 censuses. Despite this, over 15% of East London residents still lack gigabit-capable broadband access, and unemployment rates remain high post-COVID. Additionally, outer London boroughs, such as Bromley, have seen declines in productivity. These intraregional differences underscore ongoing tensions between policies and plans targeting outer and inner boroughs.

These regional trends reflect broader concerns from the RPF for London and the South about intra-regional productivity inequalities and the need to promote inclusive growth and are captured within The Productivity Institute's Productivity Lab's Drivers and Bottlenecks. Recognising the key factors that drive regional disparities is crucial, especially in areas like the South West and South East, where distinctions must be made between areas tied high-performing cities and more rural, less connected regions.

3 Understanding productivity in diverse regional contexts

This section examines key factors shaping the sustainable and inclusive nature of productivity growth in London, the South East, and the South West of England, linking them to drivers and bottlenecks identified in The Productivity Lab's data. The three regions face complex, interconnected challenges associated with the twin transitions to net zero and digital technologies. These challenges are compounded by pressing issues such as skill shortages, health and wellbeing inequalities, and inadequate housing.

Affordable housing represents a critical issue across all three regions. Policymakers and businesses are exploring numerous options, including the potential of modern construction methods to mitigate the housing deficit (London and South East in particular) and housing design to address multiple comorbidities, potentially in response to the region's ageing population and dispersed communities (especially in the South West outside of Bristol). Similarly, the transition to net zero presents both shared and region-specific opportunities. Around London and the South East, a robust ecosystem of electric vehicle (EV) charging firms is leading innovation and supporting adoption. Meanwhile, the South West is leveraging its natural advantages, such as access to geothermal resources and marine environments, to drive growth in blue and renewable energy technologies.

The approaches taken to address these challenges and capitalise on opportunities vary significantly across regions, reflecting their unique socio-economic, political, and institutional contexts. For example, all three regions have emphasised collaboration across government levels and public-private partnerships. However, the South East, with limited devolution, has adopted more narrowly focused strategies that lack the coordination often required to address systemic barriers. In the South West, while the West of England Combined Authority (WECA) offers a more integrated framework, other areas within the region face challenges in achieving the scale necessary to tackle issues such as transport connectivity and funding constraints.

The following sections highlight key approaches taken across the three regions to address these challenges and harness opportunities. Understanding these strategies is critical for informing future policies and interventions that promote sustainable and inclusive productivity growth.

3.1 London

London's economy is highly diversified, ranging from global strengths in the high productivity activities of financial and professional service sectors to large shares of work and business in relatively low productivity activities of hospitality and tourism. As the nation's capital, London benefits from strong and reputable local political governance, in the form of the Greater London Authority and the Mayor of London. This provides a coordinating and strategic function for business, finance, community and trade union actors, and assists in directing collective efforts towards long-term and inclusive goals for London, including supporting a just transition to net zero, delivering more homes, combating unequal health outcomes, developing digital skills, and providing a supportive business environment for the adoption and further innovation of digital, AI and green technologies.

London ITL3 Scorecards for 2020

Category	Driver of Productivity	TLI	TLI42	TLI31	TLI32	TLI75	TLI62	TLI45	TLI43	TLI33	TLI54	TLI51	TLI72	TLI73	TLI61	TLI74	TLI44	TLI71	TLI63	TLI41	TLI52	TLI53	TLI34
		London	Tower Hamlets	Camden and City of London	Westminster	Hounslow and Richmond upon Thames	Croydon	Lambeth	Haringey and Islington	Kensington & Chelsea and Hammersmith & Fulham	Enfield	Bexley and Greenwich	Brent	Ealing	Bromley	Harrow and Hillingdon	Lewisham and Southwark	Barnet	Merton, Kingston upon Thames and Sutton	Hackney and Newham	Barking & Dagenham and Havering	Redbridge and Waltham Forest	Wandsworth
Productivity	Taxonomy relative to the UK	Losing ground	Losing ground	Losing ground	Steaming ahead	Losing ground	Steaming ahead	Losing ground	Steaming ahead	Steaming ahead	Losing ground	Losing ground	Losing ground	Losing ground	Losing ground	Losing ground	Steaming ahead	Steaming ahead	Falling behind	Falling behind	Falling behind	Falling behind	Falling behind
	Taxonomy relative to ITL1		Losing ground	Losing ground	Steaming ahead	Losing ground	Catching up	Falling behind	Catching up	Catching up	Falling behind	Falling behind	Falling behind	Catching up	Falling behind	Falling behind	Catching up	Catching up	Falling behind	Falling behind	Falling behind	Falling behind	Falling behind
	GVA per hour worked	£49.30	£66.40	£64.00	£58.50	£52.10	£49.20	£46.80	£45.00	£43.50	£42.00	£42.00	£40.40	£40.20	£39.80	£39.70	£38.70	£38.10	£37.20	£36.40	£36.30	£35.80	£33.00
Business Performance	Export Intensity	38.3%	52.0%	44.8%	70.7%	43.3%	7.0%	26.5%	39.8%	36.0%	18.1%	5.2%	18.3%	31.5%	8.9%	29.6%		10.4%	14.6%		11.8%	7.1%	15.1%
	New Businesses	13.3%	13.6%	11.5%	11.2%	11.5%	13.0%	13.0%	14.7%	12.0%	16.0%	13.1%	14.7%	13.0%	10.7%	13.7%	12.8%	14.2%	12.3%	17.2%	15.7%	15.5%	12.0%
Skills & Training	Low Skilled*	11.2%	15.2%	16.8%	8.4%	12.5%	12.4%	9.8%	9.6%	7.2%	13.4%	12.1%	15.6%	10.3%	9.1%	13.7%	7.0%	4.9%	9.9%	12.3%	17.4%	13.2%	5.4%
	High Skilled	58.7%	59.3%	67.3%	65.5%	57.9%	48.7%	69.2%	63.2%	66.3%	46.0%	51.1%	50.2%	61.3%	53.0%	56.8%	68.0%	61.6%	58.8%	59.9%	43.1%	55.2%	72.7%
Health & Well-being	Active	80.0%	77.6%	74.7%	76.0%	80.4%	81.1%	86.0%	78.3%	80.6%	72.6%	81.2%	73.4%	81.0%	80.3%	81.1%	86.2%	79.1%	82.8%	78.3%	78.3%	77.4%	87.0%
	Inactive due to Illness*	16.9%	18.7%	22.0%	19.0%	15.4%	15.0%	22.5%	17.8%	12.4%	21.1%	15.4%	17.1%	11.5%	15.2%	13.7%	19.2%	12.1%	14.8%	22.8%	21.1%	12.2%	12.7%
	Working Age	68.9%	76.9%	87.7%	83.3%	63.1%	63.1%	74.9%	77.3%	69.0%	66.5%	66.7%	64.3%	62.0%	63.5%	63.3%	73.7%	65.8%	65.8%	75.1%	63.2%	66.5%	71.0%
Investment, Infrastructure & Connectivity	4G connected	95.5%	99.6%	98.3%	99.9%	94.8%	93.4%	99.6%	96.0%	99.8%	94.3%	88.8%	98.6%	96.2%	85.9%	96.1%	97.4%	92.5%	95.8%	98.0%	92.4%	91.0%	98.6%
	Fibre connected	21.0%	44.3%	29.7%	56.1%	13.4%	19.8%	11.1%	9.7%	19.4%	2.9%	23.1%	25.5%	15.8%	3.2%	9.8%	29.3%	21.1%	13.8%	18.6%	24.1%	22.7%	33.4%
	GFCF per job	£14,069	£20,474	£15,986	£18,070	£10,712	£11,736	£12,828	£12,140	£17,335	£9,002	£13,911	£11,295	£12,540	£6,951	£9,971	£14,074	£8,839	£9,679	£15,430	£13,707	£7,943	£16,115
	ICT per job	£589	£269	£997	£642	£684	£444	£388	£514	£531	£680	£336	£233	£294	£252	£833	£927	£190	£549	£367	£208	£258	£240
	Intangibles per job	£3,395	£3,597	£6,561	£4,279	£3,541	£1,600	£2,484	£3,952	£4,381	£1,600	£1,421	£1,538	£1,685	£1,521	£2,113	£2,498	£1,390	£1,446	£3,205	£714	£976	£2,131

Key

Better: higher than 105% of weighted mean of ITL1 parent region

Equal: within 95% - 105% of weighted mean of ITL1 parent region

Worse: lower than 95% of weighted mean of ITL1 parent region

No data available

* Reverse colour scale, lower values stimulate productivity

Cite as Garcia, F.; Gouma, F.R.; Menukhin, O.; Ortega-Argiles, R.; Sarsfield, W.; Watson, R. (2024), TPI UK ITL3 Scorecards, TPI Productivity Lab, The Productivity Institute, University of Manchester.

https://doi.org/10.48420/23791680

Annex: Methods and Sources

3.1.1 Net Zero

There are several initiatives and strategies operationalised in London aimed at providing the basis for the wide-ranging, systemic changes necessary to improve sustainable outcomes for future generations. These strategies have focused on tackling pollution and fostering green innovation, reinforcing London's commitment to sustainable development.

A key component of London's sustainability agenda has been the development of strategies aimed at reducing pollution across the city. In 2022, London recorded the highest percentage of deaths linked to particulate air pollution among English regions. The impact of air pollution exposure is particularly severe for deprived and minority ethnic communities. Consequently, London's response to the climate emergency acknowledges that climate risks worsen health inequalities, as pollution disproportionately affects the most disadvantaged individuals, who face greater exposure and vulnerability to its impacts, along with a diminished ability to adapt.[1]

To address pollution challenges, the Mayor's office expanded the Ultra Low Emission Zones (ULEZ). While there were some political challenges associated with the expansion of the ULEZ to outer

[1] Institute of Health Equity, NHS England, Greater London Authority, Office for Health Improvement and Disparities, & City Intelligence. (2024). Health Inequalities in London: An update to the snapshot of health inequalities in London. Building the Evidence Data Collaborative.

London, there is evidence that it has decreased nitrogen dioxide levels.[2] Additionally, an innovative air quality alert system has been introduced to notify Londoners during critical air pollution events. Electric vehicle charging infrastructure (EVCI) could also be used to collect and provide updates on local pollution and traffic conditions.

London has also led European capital cities in terms of the current state of public EVCI and actions adopted by local and central government to support further network development.[3] As of August 2024, there are 21,604 public charging points in London. This means that almost 32% of UK public chargers are in London.[4] While the greatest regional inequity for public EVCI rollout is between London and the rest of England, there are also differences between inner and outer London boroughs, as well as more deprived boroughs, even though outer London boroughs have less access to public transport and are more likely to depend on private vehicles.[5] For example, Hammersmith has 1,437 charging devices per 100,000 population compared to Croydon's 94, and Westminster has 1,276 charging devices per 100,000 compared to Harrow's 24.[6]

The Greater London Authority also works in partnership with London Boroughs and ReLondon (operating name of the London Waste and Recycling Board) to accelerate London's transition to a circular economy. This support includes the development and delivery of a new textiles action plan to reduce the city's textile related footprint as a fashion capital.

3.1.2 Housing and Infrastructure

Although London outpaces other regions in securing investment, significant gaps in infrastructure development persist. Across London, many residents face significant challenges in securing housing, train networks suffer from years of underinvestment, and congestion remains a persistent issue. Disparities between boroughs, alongside issues like housing shortages and underfunded transport networks, underscore the ongoing inclusivity challenges in meeting the city's growing needs. The Mayor's office has responded with a series of initiatives aimed at improving housing and modernising infrastructure to ensure more equitable development across the capital.

Although London receives nearly twice as much investment as other regions in England, the need for new infrastructure investment is still pressing. Indeed, the estimated income required to reach a decent standard of living in London can be up to 58% higher compared to other urban areas in the UK, primarily due to elevated local costs of housing, childcare, and transport. One significant factor contributing to higher expenses is the substantial increase in rental costs in London over the past five years in a national context of weak statutory protections for tenants, especially rent control.[7] Currently, 40% of London residents earn less than the amount required for a socially acceptable standard of

[2] Mayor of London (2023) INNER LONDON ULTRA LOW EMISSION ZONE – ONE YEAR REPORT.; Ma, L., Graham, D. J., & Stettler, M. E. J. (2021). Has the ultra-low emission zone in London improved air quality? *Environmental Research Letters*, *16*(12), 124001. https://doi.org/10.1088/1748-9326/ac30c1

[3] Transport & Environment. (2022). EV charging in 7 European cities A comparative analysis of charging infrastructure. Accessed at: https://www.transportenvironment.org/uploads/files/2022_04_EV_charging_in_7_EU_cities_briefing.pdf

[4] Zapmap (2024). EV charging statistics August 2024. This number excludes Scotland as they have a nationalised charging network, owned and developed by the Scottish Government.

[5] Office for National Statistics (2021) Census – Percentage of Households with at least one car or van available to them

[6] Department for Transport (2024). Electric vehicle charging devices by local authority

[7] Padley, Matt (2020). A Minimum Income Standard for London 2019. Centre for Research in Social Policy, Loughborough University and Trust for London

living. Additionally, the proportion of pensioners in London with incomes below the Minimum Income Standard is more than a third (2022) up from a quarter in 2011. [8]

To address some of these concerns, the Mayor has secured £4 billion from the government for the Homes for Londoners: Affordable Homes Programme 2021-2026, aimed at delivering affordable housing in the city. The Mayor also launched the Council Homes Acquisition Programme (CHAP), which provides funding for councils or their delivery bodies to purchase properties and convert them into social housing or temporary accommodations for homeless households. Additionally, with support from industry leaders in the Mayor's London Infrastructure Group and the Lane Rental Surplus Fund, the Mayor created the Infrastructure Coordination Service (ICS) to improve collaboration in the planning and delivery of London's infrastructure. The London Infrastructure Mapping Application supports this effort by consolidating information from diverse sources to facilitate coordinated infrastructure development across the capital. The Greater London Authority also encourages councils within these collaborations to form new housing delivery partnerships and to procure Modern Methods of Construction (MMC) components, along with other innovative solutions, to create a new generation of sustainable, high-quality homes. Nevertheless, without wider reform of UK statutory regulations covering the private rental market, together with greater determination of the GLA and local authorities to hold property developers to account in providing the minimum number of affordable homes, local multi-stakeholder initiatives are likely to deliver only partial success.

Public-private partnerships may provide a crucial pathway toward building infrastructure for sustainable homes.

Energetik, owned by Enfield Council, partners with private sector providers to supply heat and hot water to homes. Energetik uses waste heat from an incinerator to heat water, which is then piped to homes, replacing gas boilers. This approach offers carbon-neutral and low-cost heating. Currently, the network covers 12 kilometres, with plans to expand to cover 40,000 homes over the next 15 years. This includes the Meridian Water scheme, expected to deliver up to 10,000 new homes and six non-residential connections, including commercial outlets, a hotel, a school, and a community centre.

Energetik balances financial viability with the broader social and environmental benefits made possible by the council's investment and collaborations. Heat pumps are the current government priority; however, district heat networks may prove to be a more cost-effective and efficient solution, particularly for existing housing stock.

Based on forthcoming research from Marianne Sensier, Kate Penney, Michael Francis, Joel Hoskins, Abhi Sharma, and Phillip McCann (2024) Framing a place-based investment strategy for the Upper Lea Valley, Productivity Insights Paper, The Productivity Institute.

3.1.3 Health, Wellbeing and Skills

In the context of a severely underfunded national healthcare system and recent growth in private healthcare insurance, business, trade union, and political leaders in London face significant challenges in addressing the unequal outcomes related to health, wellbeing, and skills across its diverse population. Disparities in healthcare outcomes and educational opportunities create a landscape where not all residents can thrive, constraining the capacity of London to benefit from inclusive

[8] Padley, Matt, Davis, Abigail, Blackwell, Chloe, Shepherd Claire, and Stone, Juliet (2023). A minimum income standard for London 2022. Centre for Research in Social Policy, Loughborough University and Trust for London

productivity growth. These inequalities are especially pronounced among marginalised communities, where socioeconomic factors exacerbate health issues and hinder skill development. While the Mayor of London has no direct oversight over health and care, his office has attempted to foster wider collaboration. As some skills funding and responsibility has been devolved to the Greater London Authority, the Mayor's office has sought out partners to provide a skills agenda to meet the challenges and opportunities Londoners face.

In London, one in four adults aged 16 and older report experiencing mental health issues, with a notable increase among younger adults.[9] Between 2018 and 2020, there were also significant differences in health life expectances in London boroughs. For example, mens' life expectancy in Barking and Dagenham was 58.1 years compared to 70.2 years in Richmond upon Thames while for women it was 57.8 years in Tower Hamlets compared to 70.1 years in Wandsworth. The overall averages placed London (63.8, 65.0) below both the South East (65.5, 65.9) and South West (64.7, 65.5) regions for healthy life expectancy at birth for males and female respectively. [10] Compared to other parts of the region, London also has a large population of groups who are likely to have unique health challenges such as people without homes, asylum seekers, refugees, and irregular migrants, and Gypsy, Roma and Irish Travellers.[11]

Given these challenges, the Mayor's Office has collaborated with schools, students, parents, local authorities, communities, and businesses to initiate the School Superzones program. In pilot boroughs, 400-meter radius zones were established around schools to implement actions aimed at fostering healthier environments for children, young people, and their families to live, learn, and play. Initiatives from the pilot include collaborating with local fast-food outlets and convenience stores to improve the local food landscape, encouraging active travel, reducing traffic around schools to enhance air quality, and limiting the advertisement of harmful products. The Mayor has also worked with partners to facilitate access to mental health training and resources. A new valuable tool is the London Wellbeing and Sustainability measure. Launched in 2023, this multi-dimensional measure compiles multiple local data points to evaluate the city's success as a place for all residents to live and work.[12] The measure informs local policy across a suite of interconnected policy domains (including environment, employment, financial security, health and housing) with welcome sensitivity (where data allows) to inequalities across London boroughs, gender, disabilities, ethnicity and age.

The devolution of the Adult Education Budget (AEB) to the Mayor of London has also presented an opportunity to customise adult education and skills training to meet the needs of local businesses. The Mayor has opened applications for contracted delivery to address key priorities: widening access for disabled Londoners to AEB-funded programs, preventing future violence, providing English for Speakers of Other Languages (ESOL) support, addressing sector-specific needs in London's economy, assisting those affected by job displacement and redundancies, enhancing participation in digital skills training, and improving English and maths skills. In particular, the Mayor seeks to develop skill sets in creative industries, health and social care, early years and childcare, hospitality and retail, science, technology, engineering and math, and construction and infrastructure.

---

[9] Institute of Health Equity, NHS England, Greater London Authority, Office for Health Improvement and Disparities, & City Intelligence. (2024). Health Inequalities in London: An update to the snapshot of health inequalities in London. Building the Evidence Data Collaborative

[10] Department for Health and Social Care (2018-2020) Public Health Outcomes Framework.

[11] Institute of Health Equity, NHS England, Greater London Authority, Office for Health Improvement and Disparities, & City Intelligence. (2024). Health Inequalities in London: An update to the snapshot of health inequalities in London. Building the Evidence Data Collaborative

[12] Greater London Authority (2023). The London Wellbeing and Sustainability Measure

3.1.4 Digitalisation and AI Adoption

Since 2017, the Mayor's office has made concerted efforts to improve mobile and fibre connectivity in underserved areas, facilitating legal agreements between local authorities and network operators. Additionally, public-private partnerships have enabled innovative projects that leverage data and technology to address various urban challenges. As London continues to strengthen its digital capabilities, its ecosystem is increasingly attracting businesses and supporting advancements in AI and digital solutions, paving the way for sustainable growth and enhanced public services.

In 2017, the Mayor's office established the Connected London team to support London's local authorities to coordinate and share information with digital infrastructure providers to facilitate investment into mobile and fibre infrastructure in underserved areas. The Connected Team has currently facilitated legal agreements between 24 boroughs with the highest concentrations of social housing and network operators with remaining boroughs expected to sign by 2025.[13] City Intelligence has also created a map to view estimated coverage of broadband services across London.[14] The Mayor's 2018 Smarter Together London roadmap called for the creation of the London Office of Technology and Innovation (LOTI) to enable digital collaboration within and between local London government bodies. In 2019, LOTI launched and now serves as a collaborative platform for 27 boroughs, the Greater London Authority, and London Councils. LOTI also facilitates collaboration with a range of private partners, including Faculty AI, Social Finance, Multiverse, Founder & Coders, and Tech UK. LOTI also oversees the Get Online London programme that supports Londoners to access digital skills training, internet accessible devices, and data connectivity.[15]

Public-private partnerships are likely to continue to play an important role in building digital connectivity and supporting innovative companies in testing and scaling technologies. Transport for London (TfL) has partnered with Boldwyn Networks to rollout a full fibre spine using TfL's street assets and tunnels, enabling 5G and 4G connectivity for passengers and extending fibre access to neighbourhoods that the market had ignored due to digging expenses.[16] Local authorities can also use this network to support the deployment of other sensors such as CCTV or other Internet of Things (IoT) schemes. For example, London boroughs have used sensors for flood monitoring and prevention, resident care and support, air quality reporting, and damp and mould reporting, and road usage.[17] In East London, as part of the Olympic legacy, a coalition of universities, businesses, and local government formed SHIFT.[18] SHIFT now serves as a hub for connecting new businesses, academics, and local communities to explore and test innovative solutions within Queen Elizabeth Olympic Park. In 2023, SHIFT launched a £1.5 million innovation program aimed at helping London startups and SMEs address climate change.

Alongside the focus on rolling out comprehensive digital infrastructure and supporting new innovative solutions, the Mayor's office has also sought to develop a free and open data-sharing portal, recognising that data is crucial to support policymaking, ensure transparency, and develop new survives as well as in recognition of the importance of datasets for developing AI. London's new public digital infrastructure aims to integrate city data by combining the strengths of open data with negotiated access to non-open datasets, thereby enhancing policymaking and transparency. The London Datastore could serve as a crucial platform that publishes open datasets while also facilitating

[13] Mayor of London (2024). Wayleaves
[14] City Intelligence (2024). London Connectivity
[15] The London Office of Technology and Innovation (LOTI) (n.d.). Get Online London
[16] Boldyn Networks (n.d.). Creating the next generation connected city in London
[17] LOTI (n.d.). Smart City Use Case Library
[18] Queen Elizabeth Olympic Park (n.d.) SHIFT

advanced data services, such as real-time open planning data and high streets vitality data derived from collectively-purchased footfall and transaction data.[19] A notable innovation in this vein is the Infrastructure Mapping App, which amalgamates both open and non-open commercial data from 45 utilities and agencies, ensuring that essential utilities like water, electricity, and gas are installed efficiently and reducing road congestion and costs.[20]

London's gigabit-capable infrastructure has reached 89%, the highest in England, with full fibre connectivity available in 59% of the city. This marks a significant increase from just 4% gigabit-capable/fibre in 2017. Additionally, planning policies have been strengthened to require that all new buildings are equipped with full-fibre connections.

There is evidence to suggest that London's concerted and collaborative approach to digitalisation and AI has increased business confidence in London's AI and digital economy. For example, Salesforce decided to locate its first AI centre in London.[21] London is also home to other AI firms such as Inflection AI, Deepmind, OpenAi, and Anthropic. In 2020, GlaxoSmithKline launched a £10 million research hub in King's Cross, aimed at utilising AI to discover new drugs for cancer and other diseases.[22] In 2024, Microsoft also announced that it would open a new AI hub in London.[23]

3.2 South East

The South East is characterised by its economic diversity and a high level of sector specialisation, which draws upon considerable foreign direct investment. The region is particularly noted for its expertise in life sciences, information and communication technology (ICT), professional services, and high-tech industries. Hubs in Milton Keynes, Oxford, Surrey, and Portsmouth host some of the world's leading multinational corporations and are characterised by high research and development intensity and excellence. The region excels in life sciences, information and communication technology (ICT), professional services, and high-tech industries. In 2019, the region's Gross Value Added (GVA) reached £55.3 billion, largely fuelled by the professional, scientific, and technology sectors. There are currently no devolved governing bodies in the South East. Thus, there are more localised approaches to support and coordinate the transition to net zero, deliver more homes and infrastructure, address unequal health and skills outcomes, and provide a supportive environment for the digital and AI sectors.

[19] Mayor of London (n.d.). London Datastore
[20] Mayor of London (n.d.). Infrastructure Mapping Application
[21] https://www.salesforce.com/uk/news/stories/ai-center-london-opening/
[22] https://www.pharmaceutical-technology.com/news/gsk-ai-hub-london/
[23] https://blogs.microsoft.com/blog/2024/04/07/announcing-new-microsoft-ai-hub-in-london/

South East ITL3 Scorecards for 2022

Category	Driver of Productivity	TLJ	TLJ37	TLJ11	TLJ25	TLJ32	TLJ12	TLJ26	TLJ46	TLJ21	TLJ31	TLJ14	TLJ35	TLJ36	TLJ27	TLJ13	TLJ28	TLJ41	TLJ43	TLJ34	TLJ45	TLJ44	TLJ22
		South East	North Hampshire	Berkshire	West Surrey	Southampton	Milton Keynes	East Surrey	West Kent	Brighton and Hove	Portsmouth	Oxfordshire	South Hampshire	Central Hampshire	West Sussex (South West)	Buckinghamshire CC	West Sussex (North East)	Medway	Kent Thames Gateway	Isle of Wight	Mid Kent	East Kent	East Sussex CC
Productivity	Taxonomy relative to the UK	Steaming ahead	Steaming ahead	Steaming ahead	Steaming ahead	Steaming ahead	Steaming ahead	Losing ground	Losing ground	Steaming ahead	Steaming ahead	Losing ground	Steaming ahead	Steaming ahead	Steaming ahead	Losing ground	Falling behind	Falling behind	Falling behind	Catching up	Falling behind	Falling behind	Falling behind
	Taxonomy relative to ITL1		Steaming ahead	Steaming ahead	Steaming ahead	Losing ground	Losing ground	Losing ground	Falling behind	Catching up	Catching up	Falling behind	Catching up	Catching up	Catching up	Falling behind	Falling behind	Falling behind	Falling behind	Catching up	Falling behind	Falling behind	Falling behind
	GVA per hour worked	£44.40	£61.10	£57.50	£53.70	£47.50	£47.20	£47.20	£43.00	£42.60	£41.50	£41.30	£41.20	£41.20	£40.80	£40.00	£38.80	£37.60	£36.70	£34.40	£34.20	£32.80	£31.90
Business Performance	Export Intensity	25.7%	46.9%	29.0%	27.9%	21.0%	23.2%	35.4%		21.9%	17.1%	29.8%	23.6%	25.5%	15.4%	36.5%	38.9%		17.6%	25.6%	10.7%	11.9%	7.8%
	New Businesses	10.0%	8.9%	10.3%	9.7%	15.6%	11.2%	9.3%	8.9%	12.9%	11.9%	9.3%	9.3%	8.8%	9.6%	9.1%	9.3%	12.7%	11.7%	9.3%	10.1%	10.8%	9.1%
Skills & Training	Low Skilled*	7.7%	6.1%	7.0%	7.3%	9.3%	10.0%	10.9%	10.7%	9.1%	8.7%	5.6%	10.8%	5.6%	7.5%	4.7%	4.5%	8.3%	9.3%	12.4%	4.8%	12.9%	10.9%
	High Skilled	48.1%	47.2%	52.7%	52.1%	46.2%	44.7%	58.9%	47.7%	60.0%	44.5%	58.7%	39.6%	50.3%	43.9%	49.4%	51.5%	42.5%	39.7%	37.2%	45.9%	36.6%	38.9%
Health & Well-being	Active	83.9%	85.4%	84.2%	85.3%	81.4%	86.4%	84.3%	79.9%	82.2%	78.9%	84.7%	82.1%	83.3%	82.4%	87.1%	87.9%	88.8%	87.0%	70.2%	85.6%	80.1%	82.3%
	Inactive due to Illness*	25.9%	29.6%	21.1%	20.5%	25.5%	38.1%	6.4%	26.9%	20.9%	27.4%	15.3%	40.4%	20.5%	37.1%	29.3%	12.6%	35.1%	24.2%	37.8%	27.6%	30.4%	34.0%
	Working Age	57.5%	56.3%	58.6%	57.1%	66.9%	58.0%	56.0%	56.9%	72.5%	66.3%	55.0%	58.0%	53.8%	53.1%	57.0%	55.6%	60.1%	57.5%	53.7%	56.3%	58.0%	54.9%
Investment, Infrastructure & Connectivity	4G connected	83.2%	82.4%	89.5%	87.2%	98.2%	88.7%	83.1%	63.6%	96.9%	99.6%	73.6%	91.8%	77.0%	87.9%	78.7%	80.7%	87.7%	78.4%	76.6%	72.2%	81.0%	82.8%
	Fibre connected	40.8%	33.3%	46.4%	30.2%	73.3%	89.5%	36.1%	48.1%	29.5%	47.6%	32.4%	11.4%	27.1%	45.3%	40.4%	41.8%	47.5%	45.7%	53.9%	37.6%	44.0%	48.6%
	GFCF per job	£12,027	£11,993	£15,764	£9,881	£7,937	£11,693	£14,271	£8,059	£9,520	£14,967	£15,307	£7,955	£17,422	£7,515	£10,979	£12,546	£10,487	£10,315	£8,584	£16,536	£8,987	£8,753
	ICT per job	£460	£573	£747	£595	£628	£392	£429	£256	£371	£299	£440	£348	£450	£313	£312	£660	£427	£438	£171	£312	£373	£241
	Intangibles per job	£3,667	£1,904	£7,846	£1,982	£1,927	£2,956	£7,489	£1,432	£2,903	£2,555	£4,849	£1,031	£6,031	£775	£3,265	£4,280	£2,136	£1,203	£2,907	£7,290	£1,188	£1,061

Key

Better: higher than 105% of weighted mean of ITL1 parent region

Equal: within 95% - 105% of weighted mean of ITL1 parent region

Worse: lower than 95% of weighted mean of ITL1 parent region

No data available

* Reverse colour scale, lower values stimulate productivity

Cite as Garcia, F.; Gouma, F.R.; Menukhin, O.; Ortega-Argiles, R.; Sarsfield, W.; Watson, R. (2024), TPI UK ITL3 Scorecards, TPI Productivity Lab, The Productivity Institute, University of Manchester.

https://doi.org/10.48420/23791680

Annex: Methods and Sources

3.2.1 Net Zero

The Greater South East Net Zero Hub and Transport for South East exemplify ongoing regional efforts to coordinate the transition to net zero. These initiatives aim to streamline the development of critical infrastructure, such as electric vehicle charging points and low-carbon energy systems. There are also important public-private partnerships that bring together efforts across the region. Yet, despite this regional coordination, many plans and strategies remain highly localised, reflecting the unique priorities and challenges of individual councils. This localised approach has led to significant variation in the scope and ambition of net zero initiatives across the South East, particularly regarding electric vehicle infrastructure and long-term sustainability strategies.

The Greater South East Net Zero Hub is a regional initiative funded by the Department for Energy Security and Net Zero that supports collaboration amongst local authorities, public sector organisations, and their stakeholders.[24] It aims to support the development and financing of local net zero projects, which include local power generation, heating and building initiatives, transportation, and local energy systems. The initiative also facilitates the implementation of government-funded local net zero programs. These programs have included community energy development and net zero support for businesses. Furthermore, the Net Zero Hub promotes the upskilling and scaling of the

[24] London also falls under the purview of the Greater South East Net Zero Hub.

domestic retrofit supply chain in the region through the provision of a dedicated procurement framework and the establishment of a regional retrofit training network.

In terms of the transition to electric mobility, the South East has the second highest distribution of public chargepoints following London.[25] In this region, Transport for South East (TfSE) facilitates coordination of investment priorities at a regional level to ensure that there is a clearer pathway to net zero transport. In 2023, TfSE released the *South East Electric Vehicle Charging Infrastructure Strategy* to enable a cohesive expansion of public EVCI across the South East. Local policies in the South East region emphasise the importance of supporting electric vehicle adoption and expanding EVCI. However, there is less uniformity in the development of dedicated local EV strategies. Of the 16 local transport authorities (LTAs), just three have published specific EV or ULEV strategies, and only two of these include detailed forecasts or commitments to specific, measurable targets.[26] Although TfSE will not be directly responsible for delivering EVCI, TfSE can support local transport authorities develop long-term EVCI rollout by facilitating connections between local authorities and key stakeholders, such charge point operators, identifying new funding opportunities from central government and private entities to reduce the financial burden, and assisting local authorities in selecting suitable EVCI operating models.

The South East includes two pioneering local authorities in terms of the rollout of public charging infrastructure, Oxford City Council and Brighton and Hove.

In August 2024, Brighton and Hove was named as the local authority with the best on-street charging coverage outside of London. Brighton and Hove was an early transitioner as the council hoped to support both local residents' transition as well as meet demand for tourists. Brighton and Hove also worked with Blink Charging, formerly EB charging, to help taxis understand the benefits of transitioning to EVs and ensuring that EVCI would meet taxi drivers' needs. Brighton and Hove's engagement of local businesses and residents has been a key enabler in their rolling out of infrastructure. As well, they have continuously built on the capacity of their team overseeing the rollout of net zero transport.

In Oxford, Oxford City Council trialled Gul-E created by ODS, Oxford City Council's local authority trading company. Gul-e provides a gully that is installed in the footway enabling home EV charging for homes without driveways. Several councils including Surrey County Council, London Borough of Bromley, and Cherwell District Council have rolled out Gul-e. Oxford City Council has also proactively engaged residents and businesses to support their transition to net zero transport.

Based on research from Britt Regal, Damian Grimshaw, Marcela Miozzo, and Jonatan Pinkse, (2024) Charging Towards Productivity: Moving Past the Bump in the Road? Productivity Insights Paper No. 29, The Productivity Institute.

There have also been important local initiatives addressing specific concerns in various areas. These include, but are not limited to:

- Portsmouth City Council has introduced a Portsmouth Greening Strategy and Delivery Plan. Through this strategy, the council aims to make Portsmouth a more climate-resilient, healthy, and active city, with greater access to green spaces for all residents. The strategy includes mapping permeable and non-permeable surfaces to aid in flood prevention and comparing green infrastructure with air quality data.[27]

[25] Zapmap (2024) EV charging statistics 2024 - August
[26] Transport for South East (2023) South East Electric Vehicle Charging Infrastructure Strategy
[27] Williams, Daniel (2023) Portsmouth Greening Strategy and Delivery Plan.

- Milton Keynes City Council has also adopted a Sustainability Strategy for 2019-2050, outlining a long-term vision to create an innovative and sustainable city.[28] Key initiatives include reducing energy demand through energy-efficient council homes and establishing a solar farm. In 2023, Milton Keynes City Council also provided small businesses with support to combat climate change through its net zero project. In partnership with Ngage Solutions, the council offered fully funded practical support, including access to grant funding and training, to trial low-carbon opportunities and reduce energy costs.
- Similarly, Oxford City Council's new Local Plan 2040 seeks to facilitate the transition to net zero with key initiatives. These include advancing the requirement for all new businesses and homes to be zero-carbon and mandating major developments to plant more trees, hedges, and other greenery to meet new minimum standards.[29]

3.2.2 Housing

Rising house prices and a social housing shortage in the South East have prompted local authorities to introduce new housing strategies. Regional efforts are also underway, with South East Councils attempting to work with the Greater London Authority to address these challenges.

Proximity to London strongly impacts house prices in the wider South East, especially in towns closer to the capital. These areas often display a wider gap between the incomes of residents and those employed locally. Commuters who earn relatively high salaries from employment in London, especially in banking and financial services, are likely to drive up local property values. Research commissioned by the Consortium of Associations in the South East reports that the social housing shortage will be especially acute in the South East of England over the next decade, with an undersupply of up to 250,000 homes.[30]

Given these challenges, there have also been attempts to find solutions within local strategies. Oxford City ranks among the least affordable cities in the UK, with average house prices exceeding 12 times the average household income, and approximately 3,000 households awaiting council housing.[31] To address these concerns, Oxford City's draft Local Plan 2040 seeks to introduce several key actions: allowing housing on all employment sites, encouraging the conversion of underperforming or poorly located employment sites to housing, protecting existing housing stock, and discouraging the loss of homes to uses like short-term lets.

To address these concerns regionally, South East Councils has sought to cooperate with the Greater London Authority to ensure that the South East can influence *The London Plan* and London's housing and infrastructure ambitions. This includes an annual South East Summit that aims to foster collaboration between the Mayor of London, GLA officials, London borough leaders, and South East council leaders.[32]

[28] Milton Keynes (n.d.) Our Net Zero journey
[29] Oxford City (n.d.). Oxford Local Plan 2040
[30] Paul Chamberlain (2024) The Housing Challenge for the Next Government: Meeting the housing supply delivery gap. Accessed at: https://www.paradigmhousing.co.uk/wp-content/uploads/2024/05/CASE-Housing-Report-2024.pdf
[31] Oxford City Council (2023) Housing affordability
[32] South East Councils (n.d.) SEC aims to cooperate with the Greater London Authority (GLA)

Chronically low productivity in the housing construction sector, combined with labour shortages and the drive for net-zero emissions, has created an undeniable need for improved construction methods and outcomes. One firm in East Sussex is modelling a way forward, focusing on sustainability, innovation, and a hyper-local approach.

Boutique Modern, which specialises in delivering housing projects for housing associations and local authorities, has been building modular homes for its local community for fifteen years. As the first certified B-Corp in the UK's modular construction industry, the company has ambitious goals, including becoming carbon-neutral by 2025.

The firm's Managing Director and Co-Founder, Dick Shone, emphasises that they believe "everyone should have access to quality, affordable homes." They have pledged to build 1,500 new affordable homes across the South between 2020 and 2030, as well as to generate at least 500 new employment opportunities by 2030. Their operating philosophy centres on using local labour, projects, and supply chains, with all homes manufactured at their factory in Newhaven. Boutique Modern is also committed to improving productivity and reducing waste, with a goal to cut factory material waste to below 3% by 2025.

Their use of modular housing allows them to access hard-to-reach sites, creating new opportunities for local authorities to build affordable homes. For instance, Boutique Modern recently delivered 12 new homes for Eastbourne Borough Council on a previously derelict commercial site in the Seaside area.

Based on research from Suzanne Peters, Jonatan Pinkse, and Graham Winch. (2023) Driving change in UK housing construction: a Sisyphean task? Productivity Insights Paper No. 017, The Productivity Institute.

3.2.3 Health, Wellbeing and Skills

Despite the relative prosperity of the South East, significant intraregional divides exist in health, wellbeing, and skills outcomes. Coastal communities in the region have some of the worse health outcomes in England, with high rates of major diseases and low life expectancy.[33] In these communities, there are often high shares of older people, exacerbated by in-migration of elderly and out-migration of a younger population, and relatively low levels of education attainment.[34] In the South East, half of the integrated care boards are located within coastal communities, however, this region has a smaller workforce (relative to the older population) to care for the patients and address comorbidities that affect mental and physical health.[35] Within Surrey, just a short distance from one district to another can lead to a drop in life expectancy of up to ten years.

According to the South East Local Enterprise, skill levels across the entirety of the South East Local Enterprise region have generally lagged behind the national averages. While the gap has narrowed slightly, increasing skills at all levels remains a key objective for the region.[36] Addressing this gap is

[33] Whitty C. (2021) Chief Medical Officer's Annual Report 2021 Health in Coastal Communities – Summary and recommendations.
[34] UK Parliament. (2019) Seaside towns must be inspired to reinvent themselves, says Lords report. Available online from https://www.parliament.uk/external/committees/lords-select/regenerating-seasidetowns/news/2019/seaside-report-published/
[35] South East Clinical Senate (2023) Health Inequalities within the southeast region through a service change lens. Available online from: https://secsenate.nhs.uk/wp-content/uploads/2023/09/Health-Inequalities-within-the-southeast-through-a-service-change-lens-v.Final_.pdf
[36] South East Local Enterprise Partnership (2021) South East Local Enterprise Partnership Skills Report

especially important given the region's strong performance in finance and investment, which could be leveraged more effectively with a talent pool ready to fill new roles or launch their own ventures.[37]

Local council initiatives have also attempted to address and support the enablement of healthier communities. For example, Oxford City Council's Local Plan 2040 aims to build on previous efforts by: protecting existing leisure, community, and cultural facilities, and ensuring that new facilities– from workplaces to places of worship – are located close to homes and public transport hubs. The Local Plan draws inspiration from the Barton Healthy New Town, which was featured at the World Health Organization's Healthy Cities Conference in 2018. In addition to new housing, Barton Park was designed to prioritise health and wellbeing, with features such as pleasant walking routes in parks, outdoor gym equipment, sports facilities, improved allotments, and homes suited for all stages of life.[38]

Between 2018 and 2023, the South East Local Enterprise Parentship (SELEP), covering East Sussex, Essex, Kent, Medway, Southend and Thurrock, led a strategy that included key priorities such as simplifying the skills landscape and raising awareness of jobs and growth across SELEP. Across the six integrated care systems in the South East, there is a focus on supporting recruitment and skill development to ensure that mental health and health services have adequate staffing.[39]

3.2.4 Digitalisation and AI Adoption

The South East performs well in digital connectivity, benefiting from its proximity to London while also standing out as a strong region in its own right. Further advancement will require building on existing partnerships and ensuring that R&D in new digital technologies leads to adoption by businesses and the public sector.

There are several good examples of partnership, collaboration, R&D, and academic centres to support digitalisation and AI adoption within the South East. The region is home to the South East Cyber Resilience Centre, a police-led collaboration with academia and businesses aimed at strengthening cyber resilience for small businesses, SMEs, supply chain companies, and third-sector organisations. It is also home to the National Quantum Computing Centre (NQCC), whose current technology programme focuses on developing quantum computing testbeds. These testbeds are designed to evaluate component technologies, assess system-level performance, and address key engineering challenges associated with scaling quantum computing—research that could help reduce the economic burden of adopting quantum technologies. The University of Surrey's Institute for Communication Systems hosts the 5G/6G Innovation Centre, one of the largest of its kind in Europe. Additionally, the University of Surrey features the 5G/6G Satellite Networking Testbed, enabling end-to-end trials of new satellite services and R&D of non-terrestrial-network equipment. Oxford, the University of Surrey, and the University of Kent also have centres dedicated to AI research. Meanwhile, the Future Photonics Hub at the University of Southampton bridges academic research and product development, bringing together industry and funding agencies to co-invest in R&D.

While there are no clear regional plans around digitalisation and AI adoption, South East Councils state that a key aim for the region is the swift and comprehensive roll-out of the 5G network.[40] Brighton and Hove have a Data and Technology (DDaT) Strategy that seeks to improve efficiencies

[37] techUK (2023) Local Digital Index 2023
[38] Oxford City (n.d.). Oxford Local Plan 2040
[39] NHS (n.d.). South East Region Delivery Plan
[40] South East Councils (2024). Securing a Greater South East

within local services and across staff through the adoption of digital technology. For example, staff are encouraged to transition to digital channels can be used for all transactional services.[41]

3.3 South West

The South West lags behind the relatively high productivity of London and the South East considerably for a variety of reasons. Outside of high-productivity localised hubs, the South West's economy is primarily characterised by small and medium-sized enterprises operating in hospitality, agriculture, tourism, and diverse public services. The region's economy therefore comprises of sectors with lower-than-average value-added, such as retail. The region's underperformance can also, in part, be attributed to limited innovation capacity, stemming from inadequate connections to research and innovation hubs and deindustrialisation. Connectivity issues, due to the unique geography and rural

2024 TPI Regional Productivity Scorecards: ITL3 South West

South West ITL3 Scorecards for 2022

Category	Driver of Productivity	TLK	TLK14	TLK12	TLK13	TLK15	TLK24	TLK11	TLK25	TLK43	TLK23	TLK41	TLK30	TLK42
		South West	Swindon	Bath and North East Somerset, North Somerset and South	Gloucestershire	Wiltshire	Bournemouth, Christchurch and Poole	Bristol, City of	Dorset	Devon CC	Somerset	Plymouth	Cornwall and Isles of Scilly	Torbay
Productivity	Taxonomy relative to the UK	Falling behind	Losing ground	Steaming ahead	Falling behind	Catching up	Falling behind	Falling behind	Falling behind	Catching up	Falling behind	Falling behind	Catching up	Falling behind
	Taxonomy relative to ITL1		Losing ground	Steaming ahead	Losing ground	Steaming ahead	Losing ground	Falling behind	Falling behind	Catching up	Falling behind	Falling behind	Catching up	Falling behind
	GVA per hour worked	£36.90	£55.40	£41.30	£39.00	£38.60	£37.90	£35.70	£34.70	£34.00	£33.20	£33.00	£31.70	£27.10
Business Performance	Export Intensity	19.8%	26.1%	20.5%	48.1%	12.2%	22.9%	15.8%	9.0%	10.5%	19.3%		7.8%	
	New Businesses	10.3%	12.3%	10.6%	8.8%	9.2%	11.2%	12.4%	8.8%	9.6%	11.2%	13.4%	9.9%	11.7%
Skills & Training	Low Skilled*	8.2%	12.4%	6.2%	7.7%	6.2%	14.3%	8.4%	17.4%	7.4%	7.2%	14.5%	8.2%	11.5%
	High Skilled	43.7%	35.4%	48.6%	44.6%	43.0%	41.0%	57.7%	39.2%	40.4%	41.3%	38.9%	40.5%	36.6%
Health & Well-being	Active	83.8%	81.5%	86.8%	85.6%	87.0%	80.7%	83.6%	78.8%	82.3%	83.5%	81.4%	83.2%	81.0%
	Inactive due to Illness*	31.7%	28.2%	33.4%	38.1%	35.8%	26.1%	28.0%	20.1%	23.2%	24.4%	47.8%	41.5%	42.6%
	Working Age	55.8%	58.4%	56.9%	56.3%	54.2%	53.7%	64.9%	60.0%	53.0%	53.0%	58.3%	53.9%	51.3%
Investment, Infrastructure & Connectivity	4G connected	77.2%	89.6%	79.9%	71.5%	75.3%	90.0%	94.6%	72.3%	70.1%	66.1%	96.1%	68.7%	90.5%
	Fibre connected	43.0%	76.7%	33.1%	36.6%	38.3%	43.3%	59.2%	34.8%	45.4%	47.7%	20.9%	40.1%	72.1%
	GFCF per job	£10,139	£13,105	£11,557	£9,626	£15,422	£6,947	£10,148	£8,900	£8,316	£11,120	£11,550	£7,490	£8,215
	ICT per job	£413	£1,048	£707	£369	£336	£362	£345	£244	£297	£392	£340	£362	£169
	Intangibles per job	£2,333	£4,091	£3,377	£2,392	£4,049	£1,597	£3,109	£2,301	£1,162	£1,682	£1,523	£919	£2,879

Key

Better: higher than 105% of weighted mean of ITL1 parent region

Equal: within 95% - 105% of weighted mean of ITL1 parent region

Worse: lower than 95% of weighted mean of ITL1 parent region

No data available

* Reverse colour scale, lower values stimulate productivity

Cite as Garcia, F.; Gouma, F.R.; Menukhin, O.; Ortega-Argiles, R.; Sarsfield, W.; Watson, R. (2024), TPI UK ITL3 Scorecards, TPI Productivity Lab, The Productivity Institute, University of Manchester.

https://doi.org/10.48420/23791680

Annex: Methods and Sources

nature of the region, exacerbate these challenges as capital, skills, and innovation hubs are often concentrated in larger cities, such as Bristol, further compounding intraregional development disparities.

3.3.1 Net Zero

There has been a concerted effort to reduce the region's carbon footprint, though several particular challenges and opportunities arise from its unique geography. For instance, to reach net zero by 2030, the areas within the West of England Combined Authority (WECA) need to cut 13% of current emissions each year.[42] At the same time, the region's population is growing faster than the national average, placing additional pressure on housing and transport infrastructure, which in turn increases regional emissions. Given these unique circumstances, the South West has prioritized the development of a net zero sector. Importantly, these clusters around clean technology for net zero are

[41] Brighton & Hove Council (2023). Brighton & Hove Council Digital, Data and Technology (DDaT) Strategy

[42] Department for Energy Security and Net Zero (2023) UK Greenhouse gas emissions statistics.

distributed across the region and approximately £10 billion GVA solely across Devon, Cornwall and the Isles of Scilly, Somerset and Dorset.[43]

A key source of emissions in the region is transport, as communities, goods, and services often travel long distances to reach end markets or employment. However, the South West lags behind in deploying public changepoints placing 5th regionally with only 4,932 devices.[44] In 2023, Osprey Charging opened the largest EV charging hub in the South West in Devon along the A38 Expressway to provide businesses, local residents, and visitors EVCI. WECA secured £6.6 million in from the Department for Transporting to further their charging infrastructure including providing charge points for residents without off-street parking.[45] WECA is currently encouraging residents to use an interactive map to select locations that would benefit from a charge point.

Across the region, local plans and strategies highlight the importance of green industries, jobs, and collaborative efforts. Cornwall and the Isles of Scilly's Good Growth Plan highlighted the importance of hybrid jobs, circular markets, and advancing the green industrial revolution by leveraging the region's unique geography through deep geothermal energy, offshore wind, and mining for critical minerals like tin, lithium, tungsten, and copper, essential for digital technology.[46] Torbay Council's Growth Strategy mentions the importance of building a net zero workforce but does not have a clear pathway forward.[47] In August 2024, Devon County Council won almost £200,000 in government funding from the South West Net Zero Hub's Local Net Zero Capacity and Development Fund to decarbonise an industrial estate in partnership with Teignbridge District Council and to pilot a solar energy scheme located on redundant landfill sites.[48] Beyond regional efforts within the South West, the Western Gateway partnership fosters collaboration with partners across an economic functional area spanning South Wales and western England to scope long-term solutions for achieving net zero and addressing the climate emergency. This collaboration enables partners to participate in research and projects that would be beyond their capacity individually, such as the ongoing Commission investigating the potential for sustainable energy from the Severn Estuary and Rail Vision 2050, which aims to develop an integrated network through a unified, achievable programme.

[43] D. Shuttleworth (2023) Great South West leads UK Clean Energy Growth
[44] Zapmap (2024) EV charging statistics 2024
[45] West of England Combined Authority (2024) WESTcharge
[46] Cornall and Isles of Scilly (2022) Good Growth Investment Plan

[47] Torbay Council (2022) Torbay Economic Growth Strategy 2022-2030.
[48] Devon County Council (2024) Funding awarded to explore new ways of reducing carbon emissions in Devon

Plymouth has nearly doubled the area of land designated as Local Nature Reserves, supported 2,500 home energy efficiency upgrades, and implemented a major program to provide schools with affordable renewable energy. The city has installed electric car charging points throughout Plymouth, introduced new walking and cycling initiatives, and provided personalised travel planning to over 84,000 households. Additionally, Plymouth has seen significant new investment in water infrastructure by South West Water and has launched efforts to establish the UK's first National Marine Park within Plymouth Sound.

Ongoing community engagement has been an important enabler of the transition to net zero industries in the South West.

Geothermal Engineering LtD (GEL) and Italian cleantech firm Exergy International partnered to develop the country's first deep geothermal plant in Cornwall. Situated near Redruth, the United Downs project taps into the naturally heated granite beneath Cornwall. In geothermal electricity generation, fluids are drawn as energy, in the form of heat, through wells to the surface. Upon reaching the surface, the fluid is used to drive turbines that produce electricity. Scheduled to be operational by the end of 2024, the plant will supply renewable electricity and zero-carbon heat to Langarth Garden Village.

Ongoing community engagement has been a key enabler of the successful continuation of the United Downs geothermal project. From the earliest stages, GEL developed a personal approach to designing and delivering its services, communicating up-to-date information, opening up public visits to the GEL site, and creating a wide range of digital and physical education resources. GEL also developed an interactive and inclusive education and career programme to provide insight and encourage young people to consider careers in the growing geothermal and heating industry throughout Cornwall. GEL also established a community fund to support sustainable community-led projects to encourage wider interest in sustainability.

Based on research by Peter Ledingham and Lucy Cotton for 'Proceedings World Geothermal Congress 2020+1' Reykjavik, Iceland, April - October 2021

3.3.2 Housing and Infrastructure

The South West region faces acute housing affordability challenges, with inter-regional disparities becoming increasingly pronounced. In 2021, median house prices were approximately ten times greater than median earnings. In 2023, in Bath & North East Somerset, the average house price was 11.1 times earnings; in Bristol, it was 9.7, compared to the national average of 8.3 times earnings in England.[49] Demand for new housing outpaces supply, in part driven by multiple home ownership and the attraction of owning holiday homes for residents from other parts of the country and beyond.

WECA predicts that at least 6,000 new dwellings need to be constructed per year through to 2040, with over 30,000 new affordable homes required by 2036.[50] To achieve these goals, constituent councils have implemented a range of plans. For example, Bristol City Council has set up a multidisciplinary team to facilitate increased delivery of homes by not-for-profit providers and developers, including the construction of homes on council-owned land. Although currently outside of WECA, North Somerset has worked closely with WECA and its constituent authorities to address

[49] ONS (2024) Housing affordability in England and Wales: 2023
[50] West of England Combined Authority (2023). State of the West of England: emerging evidence

regional housing objectives.[51] Outside of the Combined Authority, Cornwall has a specific focus on providing housing to meet the needs of underserved communities. Cornwall Council worked with Housing, Planning, Children's and Families, Adult Social Care, and the NHS to jointly produce the Supported and Specialist Housing Strategy 2023-2050. This strategy is committed to carbon neutrality, creating inclusive communities, and encouraging national operators to expand their operations in Cornwall. In the context of this strategy, supported housing refers to housing where support or care is an integral part of the offer, and where occupants have a tenancy or license.[52] Several councils in Devon recognise the challenges of housing affordability and are working with private developers, as well as improving sub-standard housing to meet required standards.[53]

Plymouth City Council's Plymouth Plan 2014-2034 proposed bringing empty homes back into use, converting vacant buildings into housing, and supporting older adults' independence through suitable housing and Disabled Facilities Adaptations. It also aims to increase retirement, extra care, and residential care housing, provide high-quality housing for younger people, promote self-build opportunities, and expand private rented housing, including Build to Rent. Additionally, the plan seeks to deliver more specialist housing, such as accessible and supported accommodations, and improve the quality and management of private sector housing.[54]

A key challenge to developing a thriving South West is the lack of effective transport links.[55] For instance, Tata has confirmed Bridgwater in Somerset as the site for its new factory producing electric car batteries, which is advantageous for the region given the growing lithium and mineral mining industry in Cornwall.[56] However, the region's inadequate physical infrastructure means that capitalising on the potential for spillovers for local businesses may be difficult. Moreover, without improved housing and transport infrastructure, attracting skilled workers to these sites is likely to be challenging.

A coherent, regional approach is needed to address the urgent affordability crisis and poor transport links so that residents can afford to live in the communities where they work and access decent quality jobs.

3.3.3 Health, Wellbeing and Skills

Health, wellbeing, and skills are critical components of productivity across regions. In the South West of England, a diverse mix of challenges, such as aging populations and health disparities, coexist with opportunities, including the growing demand for green jobs and innovative business solutions. Simultaneously, there are thriving clusters in the life sciences that can contribute to innovation for future and current health challenges across the region and the country.

Across the South West of England, aging populations are a significant demographic trend. For example, Dorset, a favoured retirement destination, has nearly 30% of its residents aged 65 and over, far exceeding the 19% average for England and Wales.[57] Similar patterns are seen in the wider region, including areas within the West of England Combined Authority (WECA), where populations outside cities are also aging. While overall health in the region is relatively strong, wellbeing metrics fall below

[51] West of England Combined Authority (2021) 'A Strategy for Homes' – the West of England Housing Delivery Strategy - 2020-30

[52] Cornwall Council (2023) Supported and Specialist Housing Strategy 2023-2050
[53] See East Devon District Council (2020) Housing Strategy 2020-2024
[54] Plymouth Plan (2021) The Plymouth Plan 2014-2034
[55] Peninsula Transport (2022) SOUTH WEST RURAL MOBILITY STRATEGY
[56] https://www.theguardian.com/business/2024/feb/28/tata-confirms-somerset-battery-factory-bridgwater
[57] Dorset (2021). Older People Topic Data

the national average, especially in Bristol.[58] Additionally, health disparities are pronounced, with life expectancy in Cornwall varying by up to 12 years between urban and rural areas.[59] Skill shortages in the key sectors of healthcare and transport across much of the region mean that older people often lack access to good services, which limits efforts to strengthen healthy and sustainable communities.

In Devon, the population of around 800,000 people is growing above the national average, driven by the inward migration of individuals aged 40 to 75. Although Devon has a highly skilled workforce with above-average qualifications, the region suffers from lower-than-average earnings and elevated levels of rural deprivation, especially in the northern and western parts. In Devon, the Health and Wellbeing Board plays a vital role in coordinating efforts. This board includes representatives from various councils, healthcare organisations, and law enforcement, working together to produce a Joint Strategic Needs Assessment and a Joint Health and Wellbeing Strategy. These partnerships aim to meet community needs through localised support. [60]

The local authorities of Cornwall and the Isles of Scilly have proactively addressed local health inequalities by developing a joint health and wellbeing strategy, engaging in extensive community consultations, and focusing on four key localities. In Devon, the Health and Wellbeing Board plays a vital role in coordinating efforts. This board includes representatives from various councils, healthcare organisations, and law enforcement, working together to produce a Joint Strategic Needs Assessment and a Joint Health and Wellbeing Strategy. These partnerships aim to meet community needs through localised support. [61]

Similarly, Plymouth City Council's plan focuses on the development of strong, local networks. A main focus of their plan is to foster and enable stronger partnership to support the development of skills. This plan is further strengthened by their STEM Regional Centre of Excellence, which opened in September 2017. Both Plymouth University and City College are also involved in a Peninsula bid for an Institute of Technology, which will enhance opportunities for residents and employers while providing additional incentives for external investors.[62]

The region's young people will need to develop new skillsets and understand emerging career pathways in green industries.

The West of England Combined Authority has delivered several programmes to ensure that young people are aware of opportunities across key sectors in the region and have greater access to them.

Examples of initiatives include the Green Futures Scheme, where students can take part in workplace experiences, career fairs, and employer-led activities. This scheme has also supported teachers in integrating the green skills agenda into curricula. By linking young people to advice and experiential opportunities, the aim is to raise awareness of green careers across the region. Another initiative is the Enterprise Adviser Network, which connects a network of over 80 employer volunteers to support schools' engagement with local businesses, aiming to improve knowledge of career pathways.

By taking a proactive approach, the region seeks to guide young people toward important regional industries and broaden access.

West of England Combined Authority (2023) Employment and Skills Plan 2023

[58] West of England Combined Authority (2023). State of the West of England: emerging evidence
[59] Cornwall and Isles of Scilly (2022) Cornwall and Isles of Scilly joint Health and wellbeing strategy
[60] Devon County Council (2019) Happy and Healthy Communities
[61] Devon County Council (2019) Happy and Healthy Communities
[62] Plymouth Plan (2021) The Plymouth Plan 2014-2034

Regarding green skills, the West of England is projected to require over 45,000 green jobs by 2030. Emerging opportunities in green industries will demand innovative solutions for new low-carbon products and services. WECA has made notable strides in addressing skills shortages. Over £11 million in additional funding for skills bootcamps has been secured, helping employers deliver targeted training in areas of high demand, including digital, construction, and health. The region is also committed to preparing young people for careers in green industries through initiatives like the Green Futures scheme, which educates students on the skills needed to achieve net zero. Additionally, the Thrive at Work program supports business leaders in promoting mental health and wellbeing in the workplace by offering accessible resources and best practices. [63] Across the region, family-based health initiatives aim to establish long-term positive outcomes.[64]

The South West of England, despite challenges such as aging populations and regional health disparities, shows significant potential for growth, particularly through green jobs and skill-building programs. Addressing these issues through innovative partnerships and targeted interventions will be crucial for boosting productivity across the region and supporting broader national goals.

3.3.4 Digitalisation and AI Adoption

Even though access to jobs, services, and leisure is increasingly shifting from physical to digital, some areas still face poor digital infrastructure. This issue is more common in rural areas, yet those at risk of digital deprivation are often in urban regions, where affordability poses a key barrier. In particular, residents of Cornwall and the Isles of Scilly are at high risk of digital exclusion.

Partnerships appear to have been crucial in AI and digitalisation adoption across the region. The Cornwall and Isles of Scilly Skills Hub actively supports SMEs with digital training and skills analysis. Between 2010 and 2021, the Superfast Cornwall partnership—funded by the EU, Cornwall Council, UK Government, and BT—accelerated the rollout of fibre broadband in Cornwall, resulting in some of the highest levels of rural full-fibre connectivity in the country.

In Devon, researchers have secured funding to establish an offshore wind cybersecurity research and development facility, known as the Cyber-Resilience of Offshore Wind Networks (CROWN) project, at the University of Plymouth. The project aims to identify vulnerabilities in wind turbine arrays and their integration with the grid, and to develop resilience procedures, security measures, and training tools to protect against potential attacks. The CROWN project, led by the University of Plymouth's Maritime Cyber Threats research group, will further strengthen the university's expertise in offshore renewable energy and maritime cybersecurity.

In 2023, the University of Bristol announced a £225 million government-backed plan to launch an AI supercomputer, which went live in 2024. SETsquared, a partnership of six universities—Bristol, Bath, Cardiff, Exeter, Southampton, and Surrey—supports tech start-ups that seek to capitalise on AI technologies. Additionally, My World, led by the University of Bristol, brings together universities and over 30 technology, creative, and film companies in the region to support the UK's creative technology sector. However, access to innovation hubs for digitalisation and AI remains concentrated in larger cities, further exacerbating intraregional development disparities.

[63] West of England Combined Authority (2023).
[64] Nia Reeves, Dr Charlie Kenward, and Dr Viv Harrison (2022) Our Future Health: Improving health and care in Bristol, North Somerset and South Gloucestershire

Plymouth City Council aims to become a 'smart city', joining up existing strengths that lie in the city's concentration of high-value manufacturing in health as well as its competitive R&D and innovation capabilities across its higher education institutions and its Science Park.[65]

> ***There is a need to address the enablers required to facilitate net zero, such as establishing the necessary infrastructure, planning, and housing to support access to education and skills, and to encourage people to stay and invest in the South West.***
> ***London and South Forum Member***

4 Looking to the Future

London and the South face a common set of challenges and opportunities in driving progress on critical issues such as achieving net zero, improving health and wellbeing, addressing housing shortages, and advancing digitalisation and AI. To effectively tackle these complex areas, key factors within each region must be considered: integrated public service systems, devolution, financing, and management and leadership skills. These factors serve as both challenges and enablers, with the potential to shape each region's ability to deliver sustainable and inclusive productivity growth. This section explores how these factors influence progress across each area and what is required to unlock their full potential, ensuring London and the South are well-positioned to lead in innovation and social impact.

4.1 Devolution and Multi-Level Governance

England is one of the most highly centralised states in the OECD. Devolution is designed to ensure decisions are made closer to the local people, communities and businesses they affect. By enabling councils to work more strategically and collaboratively, it is assumed that devolved local governments can more effectively improve both soft and physical infrastructure to create productive places. Since 2015, some powers over housing, skills, and transport have been transferred from Whitehall to local leaders in parts of England. However, the powers devolved vary across different devolution deals, with the most expansive powers available only to areas that adopt mayoral leadership. These issues are compounded by England's position within a complex multi-level governance system, where challenges and solutions arise at national, local, and even international levels, particularly for businesses navigating both EU and national regulations.

The Labour government has committed to continuing the process of devolving powers and has invited local leaders to submit proposals. Despite these efforts, the progress and depth of devolution vary greatly across regions, especially in London and the South, raising concerns that regional inequalities could worsen.

Since 2000, London has had a stable devolution framework. The Greater London Authority (GLA), composed of the Mayor of London and the London Assembly, is elected by Londoners and grants the city considerable autonomy in key areas such as transport, housing, and policing. London is divided into 32 boroughs, each with its own local council responsible for services like education, social care, and waste management. The GLA provides strategic oversight, coordinating efforts across boroughs to address city-wide issues while allowing individual boroughs to manage local needs. There is a clear division of powers: the Mayor plays an executive role, setting the overall vision and developing strategies on matters like air quality, urban development, culture, economic growth, transport, and

[65] [65] Plymouth Plan (2021). The Plymouth Plan 2014-2034

waste management. Meanwhile, Assembly members serve as a check on the Mayor's powers, with the ability to veto budget proposals by a two-thirds majority. However, a persistent challenge is that while the GLA focuses on planning, the implementation of key policies—particularly those related to housing and net-zero goals—remains the responsibility of the boroughs.

Despite its size and scale, with a population of 9.4 million and an economy worth £336 billion, the South East remains the only English region without an operational devolution settlement. A key barrier to devolution in the South East has been the economic pull of London, which heavily influences economic activity in the home counties surrounding the capital. These areas support London through housing, international trade infrastructure such as ports and airports, and out-of-town business hubs. However, these areas also have significant potential for devolution. Without greater local powers and finances to support projects related to digitalisation and net zero, the influence of London may result in incoherent and fragmented local implementation.

In the South West, only one city-region currently has a mayoral combined authority (MCA) with devolution powers—the West of England Combined Authority (WECA). This authority governs 982,000 people and oversees an economy valued at over £39.4 billion. WECA is comprised of Bristol, South Gloucestershire, and Bath and North East Somerset. However, this leaves 83% of the region's population and 78% of its economy without a devolution settlement.[66] Two additional devolution deals were agreed upon but not implemented under the previous administration, covering Cornwall and Devon and Torbay. Cornwall has had a more limited devolution settlement in place since 2015, granting increased authority over integrating health and social care, transportation, employment and skills development, business support, energy, the public estate, and heritage and culture. However, it lacks the powers aligned with the broader government devolution framework. Similarly, Devon and Torbay pursued a non-mayoral devolution agreement, which provides greater autonomy and financial support than having no deal, but significantly less than a mayoral devolution deal. The governance body for Devon and Torbay will have voting members nominated, raising concerns about local accountability. Additionally, several exclaves—areas that are not included in deals but are surrounded by them—remain outside any devolution settlements, limiting their ability to address critical local issues. For example, Plymouth City Council disagrees with a non-peninsular approach that would place it solely in a deal with Cornwall.

In London and the South, the Greater London Authority (GLA) and the West of England Combined Authority (WECA) manage funding for adult education in their areas, allowing them to focus spending on priorities such as creative and green skills in the WECA region. However, this does not address the need to ensure that areas, particularly in the South West, are not left behind—especially those that have opted not to pursue a mayoral deal. It also does not resolve the challenge of meeting local skills demands. Greater coordination at the central level could help bridge this gap, especially as Skills England overlaps with the Department for Education, the Department for Work and Pensions (which oversees Job Centre Plus), the Digital Skills Council (hosted by the Department for Science, Innovation, and Technology), and other departments such as the Treasury, Department for Transport, and combined authorities. Local governments are responsible for public health and manage most social care services, while combined authorities oversee key policy areas that affect broader health determinants. Combined authorities can play a significant role in addressing these wider determinants, such as the West of England's "Thrive at Work" initiative, which supports business leaders in addressing mental health and well-being within their workforce.

Net zero and sustainability efforts are essential in addressing climate and biodiversity crises; however, they present significant challenges for local investment and responses to regulations and plans. One

[66] Matthew Fright and Akash Paun (2024). Completing the Map. Institute for Government

notable interaction between sustainability policy and inclusion is the upcoming wave of redundant buildings resulting from ESG (Environmental, Social, and Governance) requirements imposed by major investors and corporations. In areas where rental values are relatively low, the market struggles to supply new compliant office and commercial buildings. This situation could compel significant employers to relocate from these lower-value regions to higher-value locations, ultimately driving employment away from more disadvantaged areas. While Labour's industrial strategy green paper outlines a decade-long plan, a key challenge is that the role of place is not linked to other main themes, such as specific sectors. This oversight may ignore the advantages that particular locations offer for certain activities, as well as the efforts of the creative and film industries to become more sustainable in London, the South East, and the South West. This centralised plan, which operates at an industry level, may weaken investment in green initiatives in areas where key industries are not a primary target. At the same time, businesses must stay informed about UK policies, while those trading with Europe must also navigate emerging EU regulations related to sustainability, which may conflict with UK plans.

Given the divergent approaches that regions take to address net zero or sustainability more broadly, there is a challenge in ensuring coherent and useful national knowledge transfers. For example, the roll-out of net-zero technologies such as EVCI leaves SMEs navigating approvals from different local authorities, leading to unpredictability and delays. These delays are often due to understaffed local authorities, local politics, and uncertainty surrounding new technologies like chargepoints. Devolved local governments could provide more strategic oversight and share skills and capacity to reduce barriers to affordable housing and the adoption of new technologies. Developing a shared development pipeline, underpinned by a clear action plan, could be key. Recently, central government promoted a more regional approach to EVCI by allocating the last round of funding to unitary, county, or combined authorities acting on behalf of their constituent councils. While Sub-national Transport Bodies (STBs) can assist local authorities with aspects of decarbonising transport, they lack delivery responsibilities. Implementation occurs at the level of MCAs and local authorities, or with Highways England, often leading to a disconnect between strategy and execution. However, STBs may play an important role in increasing local capacity, such as supporting procurement. The lack of clarity in governance structures, however, means businesses must navigate complex frameworks.

Similarly, housing costs remain another significant challenge across all three regions. There are no simple solutions. National and regional targets often fail to account for the peculiarities of local areas. In the South West, specific labour markets struggle due to the mismatch between job locations and affordable housing. For example, Bath has difficulty recruiting in retail and tourism, while Bristol has struggled to hire in industrial and manufacturing sectors on the northern fringe of the port due to access issues with affordable transport and housing. While regional and national plans encourage the development of brownfield and employment land, these developments have sometimes led to unintended outcomes. Mixed-use developments, often sensible solutions to housing shortages, can result in the removal of employment sites from planning systems, which can lead to higher office prices, as seen in Bristol. Simultaneously, businesses are focused on developing new green skills and investments, which rely on a consistent pipeline of local projects. However, this pipeline is often difficult to establish for both businesses and local governments when strategies at multiple levels are not clearly coordinated.

While coordinated and collaborative efforts are important to addressing the key challenges within the regions, the complicated devolution picture provides a significant roadblock. Beyond MCAs, there is a significant lack of capacity at the local authority level to engage with and support their local business communities, including substantial employers with investment and, at times, disinvestment plans. This gap hinders effective policy development and limits growth opportunities for these businesses. Devolution also faces other challenges. Concerns have arisen about the relationship between new

governance structures and their constituent authorities. For example, Plymouth withdrew from a deal with Devon due to concerns over losing control of local transport. Additionally, while the government is right to respect local communities' democratic preferences regarding devolution proposals, a fully 'bottom-up' approach may leave some areas without a deal or without the deal central government desires. Although central government hopes that the Council of the Nations and Regions—comprising mayors of England's combined authorities—will encourage regions to adopt mayoral deals, the lack of a comprehensive deal in the South East and the absence of a mayoral deal in the South West may result in an ongoing impasse between central government and local regions.

Clarified responsibilities and greater coordination will be essential to support devolved local governments in addressing pressures related to skills, health, housing, and net zero initiatives. Without a clearer regional strategy to multi-level policymaking, businesses working with councils to deliver sustainable, affordable housing or charging infrastructure will face challenges due to varying local approaches, creating difficulties in achieving the scale necessary for financial viability.

4.2 Fiscal policy and public services investment

The effective allocation of budgets, funding and investment is also critical to addressing the structural challenges faced by local governments, businesses, and communities across the UK. Persistent funding shortages and undefined investment strategies have created barriers to sustainable growth, especially for small and medium-sized enterprises (SMEs) and local authorities. Challenges in adopting digital tools, balancing innovation with cost-effectiveness, and managing environmental pressures have all underscored the need for targeted, long-term financial strategies. Labour's recent budget proposals offer a lens through which to assess the broader funding landscape, particularly as they emphasise repairing essential public services and fostering growth-oriented investments. However, the short-termism within funding and investment remains a significant hurdle.

Rachel Reeves's 2024 budget can be characterised as pro-business, despite criticism of its tax proposals, because it emphasised the necessity of raising public funds to underpin essential services for everyone. While the increased employer National Insurance contributions drew criticism for potentially disincentivising traditional hiring practices, they also represent a strategic effort to finance the health, education, and transport systems on which businesses and communities alike depend. This approach reflects a shift toward using fiscal policy as a means to create a robust foundation for inclusive economic growth. However, the absence of other specific measures such as wealth taxes, tackling the tax loophole of private equity income (taxed at far less than ordinary income tax), raising fossil fuel tax, or increasing corporate tax (no change since 2023) has placed limits on the degree of inclusivity and sustainability of UK fiscal policy and restricts the revenues required for a step-change in for investment in infrastructure and innovation.

These fiscal dynamics raise immediate challenges for regional funding. The capacity of local authorities to adopt long-term planning and innovation is hampered by revenue disparities and reliance on competitive grant funding; overall core local government spending was only granted a 3% real increase for 2024-25, nowhere near adequate to start to restore the huge loss of income experienced since the attempted dismantling of local government services under the austerity years of 2010-24.[67] In more affluent regions, some councils can leverage their resources to create a virtuous cycle of investment, as seen in the rollout of residential charging infrastructure. In contrast, councils in deprived areas remain trapped in cycles of underfunding. Labour's vision for regional development, which includes rolling three-year spending reviews and devolved responsibilities for post-16 skills, may address some of these

[67] Gray, M., & Barford, A. (2018). The depths of the cuts: the uneven geography of local government austerity. *Cambridge journal of regions, economy and society*, *11*(3), 541-563; Dagdeviren, H., & Karwowski, E. (2022). Impasse or mutation? Austerity and (de) financialisation of local governments in Britain. *Journal of Economic Geography*, *22*(3), 685-707.

imbalances. However, significant gaps in governance and funding formulas risk exacerbating regional inequalities.

Similarly, fostering investment in green and digital transitions remains challenging without adequate funding frameworks. Initiatives such as the Solent Cluster in the South East or the Innovation Corridor demonstrate the potential of partnerships to attract inward investment and address regional needs. Yet, the reliance on private sector support—exemplified by ExxonMobil's withdrawal from the Solent Cluster—highlights the fragility of current funding models. A greater emphasis on sustained public investment, as hinted at in Labour's capital commitments, could provide the stability needed to realise these regional ambitions.

Labour's budget provides an illustrative case for understanding the broader funding landscape. It reflects a strategic alignment of fiscal policy with long-term investment needs, emphasising the symbiotic relationship between robust public services and a thriving business environment. However, the critical challenge remains ensuring that these policies are implemented equitably, with sufficient resources and governance structures to support the diverse needs of regions, businesses, and communities across the UK. Only through such an approach can funding and investment strategies effectively address existing inequities and catalyse sustainable growth.

4.3 Management and Leadership Skills

Management and leadership skills play a crucial role in ensuring employees' well-being and business success. Across the UK, firms with more employees tend to have higher management practice scores.[68] This raises concerns for regions in the South West that are primarily dependent on smaller firms. Unsurprisingly perhaps, management practice scores were highest in London, while the most unequal region was the South West with a firm in the top decile having a management score 4.6 times higher than the bottom decile. [69]

In London and the South, key management and leadership skills include softer skills such as systems thinking and community engagement. For example, businesses like Boutique Modern and the residential chargepoint firm Char.gy work across industries and with local communities to find solutions. Other businesses, such as Connected Kerb, which also works to deliver residential chargepoints, are using AI initiatives to reduce inefficiencies and ensure that chargepoints are located in optimal places for profit maximisation and community need.
There are also important IT skills that are increasingly needed that go beyond the basics to encompass prompt engineering and SQL. Another essential skillset for managers is the ability to differentiate between technology skills that will be beneficial and those that are merely being marketed continuously and vigorously. Managers and leaders also need support to understand what skills will be needed in the future workforce, how to define these skills, recruit for these skills, and retain staff.

> ***Affordability is a really big issue, but [AI] technology is at the peak of the hype cycle and so there is price gouging clearly, but I think from a productivity point, we don't know which bits are really going to be productivity in the long-term. We know what's bright and shiny because it's busy shining at us. – London and South Forum Member***

[68] ONS (2023) Management practices in the UK: 2016 to 2023
[69] ONS (2023) Management practices in the UK: 2016 to 2023

Beyond simple adoption, the local technology sector needs to further develop its commercialisation skills to attract investment.

While the West of England Combined Authority has recognised the need for improving management practices, significant questions remain regarding how smaller businesses, spread across the largely rural areas of the South West, can be improved. Although London and the South East are rated higher than most of the country, these regions cannot rest on their laurels, as new technologies and skills are still needed.

5 Next Steps

We highlight key approaches to addressing the challenges outlined above, building in particular on the views and experiences of expert members of the Regional Productivity Forum for London and the South.

5.1 Net Zero and Digital

What?

We should establish a clearer national framework for Level 2 and Level 3 NVQ training courses in green and digital technology skills, while fostering systematic collaboration between the private and public sectors to share knowledge and expertise. People in education, training and employment all deserve access to learning opportunities in order to secure sustained work and contribute to sustainable productivity growth. The current problem is that skill investment by business is inadequate, and institutions of vocational training do not, on the whole, provide high calibre learning.

Why?

Equipping the workforce with green and digital technology skills is critical for a productive and inclusive transition to a sustainable economy in the London, South East and South West. Sharing expertise between sectors ensures the comprehensive adoption and implementation of these technologies, driving innovation and competitiveness. Cross-sectoral collaboration is particularly important as green technology is deployed on public land, requiring local government engagement. A sustainable and inclusive implementation also necessitates a ready local workforce to ensure its success.

How?

The government should standardise and prioritise Level 2 and Level 3 NVQ training programs in green and digital technologies, developing a national curriculum and accreditation system. Additionally, structured local partnerships between private and public sectors should be considered, creating mechanisms for regular skill and knowledge exchanges, such as secondments, joint training initiatives, and innovation hubs.

5.2 Health, Well-being and Skills

What?

We should address national funding challenges in Social Care and Special Educational Needs and Disabilities (SEND) and introduce greater fiscal incentives for local decision-makers to promote growth through effective planning.

Why?

Resolving Social Care and SEND funding at the national level will alleviate financial pressures on local authorities, enabling them to concentrate on delivering tailored, place-based solutions for health, wellbeing, and skills challenges. Additionally, providing fiscal incentives such as tax retention will empower local decision-makers to prioritise sustainable growth, fostering community wellbeing and economic resilience.

How?

The government should establish a national framework to fully fund Social Care and SEND services, removing these burdens from local authority budgets. Concurrently, fiscal incentives like tax retention should be introduced, giving local decision-makers the tools and motivation to plan effectively for growth, improve service delivery, and support long-term wellbeing and skills development in their regions. Finally, Adult Skills budgets should be fully devolved so that local governments can prioritise skill development to match regional needs (e.g., the blue economy in Cornwall).

5.3 Strategic Planning and Housing

What?

We should establish a clearer and more effective regional strategic framework for planning and housing, focusing on employment land, infrastructure delivery, and efficient planning processes to support economic growth and innovation.

Why?

A well-defined strategy for employment land requirements is essential for attracting FDI, fostering high-knowledge clusters, and supporting the transition from research to production. Addressing delays in infrastructure delivery and improving planning efficiency will remove key barriers to economic growth in key sectors like construction, energy, and logistics. Additionally, addressing extended decision times in planning is crucial to maintaining a responsive and dynamic development environment.

How?

A regional framework should be developed to prioritise employment land for high value-added activities and for high-knowledge clusters, including from foreign-direct investment. A unified approach to infrastructure planning and delivery is also necessary to address inconsistencies between the UK and EU systems, reducing delays and streamlining processes that hinder growth in critical sectors like construction, energy, and logistics. Additionally, increasing funding for development management teams is vital to improving planning decision times, enabling local authorities to manage planning more efficiently and effectively support economic development.

6 References

Boldyn Networks. (n.d.). *Creating the next generation connected city in London.*

Brighton & Hove Council. (2023). *Brighton & Hove Council Digital, Data and Technology (DDaT) Strategy*.

Chamberlain, P. (2024). The housing challenge for the next government: Meeting the housing supply delivery gap. Retrieved from https://www.paradigmhousing.co.uk/wp-content/uploads/2024/05/CASE-Housing-Report-2024.pdf

Cornwall and Isles of Scilly. (2022). *) Cornwall and Isles of Scilly joint Health and wellbeing strategy* .

Cornwall Council. (2023). Supported and Specialist Housing Strategy 2023-2050.

Cornwall and Isles of Scilly. (2022). *Good Growth Investment Plan*.

Dagdeviren, H., & Karwowski, E. (2022). Impasse or mutation? Austerity and (de) financialisation of local governments in Britain. Journal of Economic Geography, 22(3), 685–707.

Department for Energy Security and Net Zero. (2023). UK Greenhouse gas emissions statistics.

Department for Health and Social Care. (2018–2020). Public Health Outcomes Framework.

Department for Transport. (2024). Electric vehicle charging devices by local authority.

Devon County Council. (2019). *Happy and healthy communities*.

Devon County Council. (2024). Funding awarded to explore new ways of reducing carbon emissions in Devon.

Dorset Council. (2021). Older People Topic Data.

East Devon District Council. (2020). Housing Strategy 2020-2024.

Gray, M., & Barford, A. (2018). The depths of the cuts: The uneven geography of local government austerity. Cambridge Journal of Regions, Economy and Society, 11(3), 541–563.

Greater London Authority. (2023). The London Wellbeing and Sustainability Measure.

Institute for Government (Matthew Fright & Akash Paun). (2024). Completing the map.

Institute of Health Equity, NHS England, Greater London Authority, Office for Health Improvement and Disparities, & City Intelligence. (2024). Health inequalities in London: An update to the snapshot of health inequalities in London. Building the Evidence Data Collaborative.

LOTI (London Office of Technology and Innovation). (n.d.). Get Online London.

LOTI. (n.d.). Smart City Use Case Library.

Ma, L., Graham, D. J., & Stettler, M. E. J. (2021). Has the ultra-low emission zone in London improved air quality? Environmental Research Letters, 16(12), 124001. https://doi.org/10.1088/1748-9326/ac30c1

Mayor of London. (2023). Inner London Ultra Low Emission Zone – One Year Report.

Mayor of London. (2024). Wayleaves.

Mayor of London. (n.d.). Infrastructure Mapping Application.

Mayor of London. (n.d.). London Datastore.

Milton Keynes. (n.d.). Our Net Zero journey.

NHS. (n.d.). South East Region Delivery Plan.

Office for National Statistics. (2021). Census – Percentage of households with at least one car or van available to them.

Office for National Statistics. (2023). Management practices in the UK: 2016 to 2023.

Office for National Statistices. (2024). Housing affordability in England and Wales: 2023.

Oxford City. (n.d.). Oxford Local Plan 2040.

Padley, M. (2020). A Minimum Income Standard for London 2019. Centre for Research in Social Policy, Loughborough University, and Trust for London.

Padley, M., Davis, A., Blackwell, C., Shepherd, C., & Stone, J. (2023). A Minimum Income Standard for London 2022. Centre for Research in Social Policy, Loughborough University, and Trust for London.

Peninsula Transport. (2022). South West Rural Mobility Strategy.

Plymouth Plan. (2021). The Plymouth Plan 2014-2034.

Queen Elizabeth Olympic Park. (n.d.). SHIFT.

Reeves, N., Kenward, C. & Harrison, V. (2022). Our Future Health: Improving health and care in Bristol, North Somerset and South Gloucestershire.

Salesforce. (2024). AI center London opening. Retrieved from https://www.salesforce.com/uk/news/stories/ai-center-london-opening/

South East Clinical Senate. (2023). Health inequalities within the southeast region through a service change lens. Retrieved from https://secsenate.nhs.uk/wp-content/uploads/2023/09/Health-Inequalities-within-the-southeast-through-a-service-change-lens-v.Final_.pdf

South East Councils. (2024). Securing a Greater South East.

South East Councils. (n.d.). SEC aims to cooperate with the Greater London Authority (GLA).