

Medway Innovation Strategy

Summary Paper for Overview & Scrutiny Committee

Introduction

SQW has been commissioned by Medway Council to develop an Innovation Strategy alongside a suite of other economic development and regeneration strategies, including *Medway 2037* – an update to *Medway 2035*, the Council's core economic development and regeneration strategy – a new Town Centres Strategy, a refreshed Skills and Employability Strategy and a new River Strategy.

Medway Council previously adopted an Innovation Strategy in 2014 which was relatively streamlined in approach and now requires substantive updating.

SQW presented to the Overview and Scrutiny Committee in January 2022 to present the approach being taken to developing this strategy suite and to seek feedback from Members to inform the drafting process.

Since this time significant progress has been made regarding consultations and in preparing a first working draft of the strategy suite, with a first working draft issued for Medway Council officer review on 11 February 2022.

The purpose of this paper is to provide a detailed overview of the draft Innovation Strategy including an overview of the approach which has been taken, key stakeholder feedback, conclusions from a review of the evidence, the proposed strategy, vision for innovation in Medway, key priorities and delivery plan.

The full detail is contained in the working draft of the Innovation Strategy which is subject to ongoing consultation with key stakeholders within Medway Council and will be concluded by 31st March.

Feedback from members of the Overview and Scrutiny Committee is welcomed to inform the final draft of the strategy.

Approach to the Innovation Strategy

Importantly, '*innovation*' was recognised in the draft *Medway 2037* core economic development and regeneration strategy as a key theme cutting across all six of Medway Council's identified

priorities. The principle of this approach to innovation was presented to the Overview and Scrutiny Committee in January 2022.

Since this time consultation with Medway Council stakeholders has emphasised the importance of the link between creativity and innovation; not just the important role of the creative industries in Medway, but also the need for the Council to think and act creatively in how it delivers upon its regeneration and economic development objectives, particularly within the wider challenging public funding and macro-economic context. Accordingly, the relevant cross-cutting theme within *Medway 2037* has been updated to be '*creativity and innovation*'

A cross-cutting approach to *creativity and innovation* is proposed to be adopted within *Medway 2037*. For the avoidance of doubt, *creativity and innovation* are also embedded in the draft Town Centres Strategy and Skills and Employability Strategy (and will be in the River Strategy) which are explicitly linked to specific *Medway 2037* priorities (Priority 1 - destination and placemaking; Priority 3 - town centres; Priority 6 - improving employability).

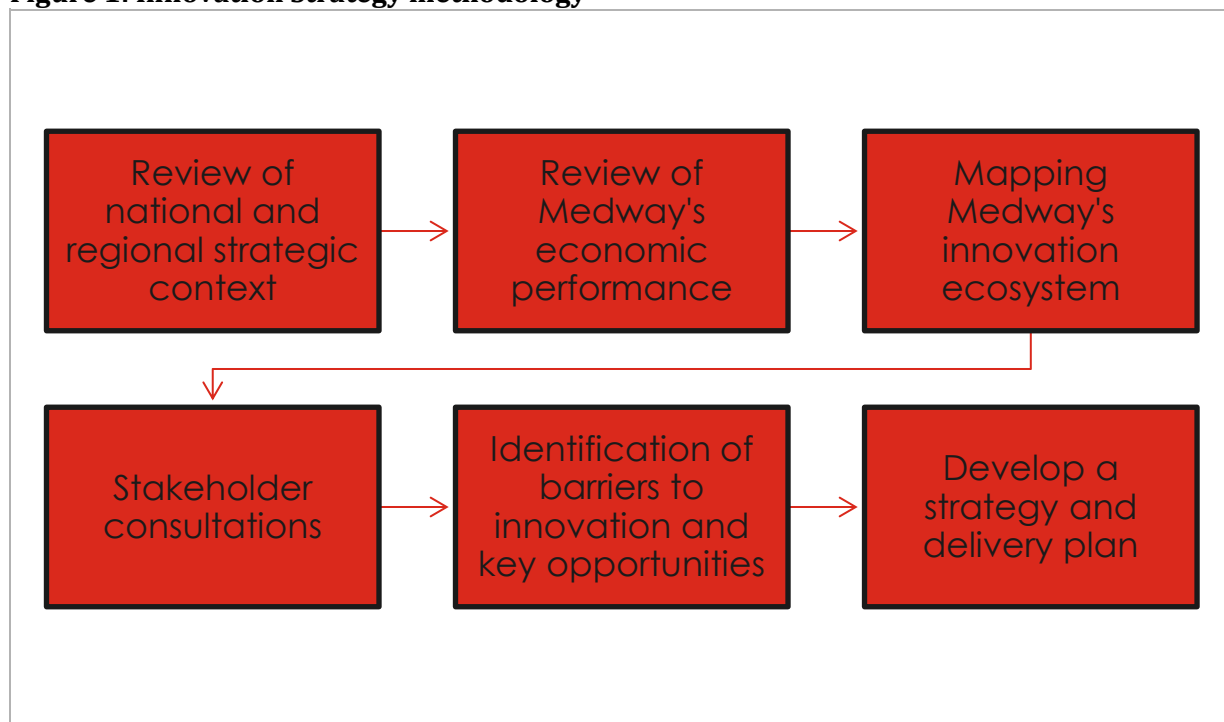
Recognising that *creativity and innovation* need to be considered and applied in very different contexts, and acknowledging that the other components of the strategy suite (identified above) do this in relation to town centres, the River, skills and employability, this Innovation Strategy has been developed with a tight focus linked to the following *Medway 2037* priorities:

- Priority 2 – inward investment
- Priority 4 – business accommodation and digital connectivity
- Priority 5 – sector growth

The focus of this Innovation Strategy is principally on innovation within an economic context with a focus on economic outcomes recognising the important contribution of innovation to unlocking economic productivity outcomes which in turn supports wider prosperity. The Council recognises that socio-economic prosperity is not solely a function of economic output and is linked to things like social infrastructure provision, health and wellbeing, education outcomes, quality of place, public health etc – this holistic approach also being a key pillar of the Government's recently published Levelling Up White Paper – and the development of a suite of focused strategies spanning distinct but related areas (town centres, innovation, employability and skills etc) will play a key role in the Council's holistic response.

However, within this wider context innovation remains a key driver of productivity and the intention of this Innovation Strategy is to articulate what innovation means for Medway and *how* the Council can use the levers at its disposal to support the delivery of innovation outcomes and a more productive economy, building on the evident successes, productivity gains and economic growth particularly seen in recent years.

The approach taken to developing the Innovation Strategy is detailed below

Figure 1: Innovation Strategy methodology

Source: SQW

Context

The Innovation Strategy is positioned within a broader context in terms of the policy and funding landscape and key trends. Additionally, this Innovation Strategy has been developed in the context of Medway's specific demographic and economic related strengths, weaknesses, challenges and opportunities.

Specifically, the draft Innovation Strategy includes detailed sections addressing the following areas, which are summarised below:

- 1) **Defining innovation** – referencing commonly held definitions of development to ensure a common understanding, consistent with the UK Government's Innovation Strategy: *"a new or improved product or process (or combination thereof) that differs significantly from the unit's previous products or processes and that has been made available to potential users (product) or brought into use by the unit (process)"*
- 2) **A review of the wider context** – the UK Government's recent Levelling Up White Paper, Innovation Strategy and its overarching plan to 'Build Back Better' places a strong emphasis on innovation in creating a functioning and productive economy, in particular supporting the private sector to create more wealth, to invest more and take more risks. Supporting innovation is, and will continue to be, a key policy and funding priority, including a focus on the four pillars of business; people; institutions and places; and missions and technologies – collectively all components of innovation ecosystems. Key emerging sectoral and macro socio-economic trends are also considered (i.e. digitalisation, net zero transition, automation, post-Covid economy).

- 3) **Medway's economic baseline** – this review includes analysis of business counts, employment rates, GVA (real terms, per capita and growth), business survival rates and sectoral dynamics. Key points include the high rate of business growth in Medway over the last decade (48%) compared to Kent (30%) and nationally (32%); GVA growth in Medway over the last decade (46%) has outstripped Kent (42%) and nationally (42%); however, GVA per head in Medway is still 15% lower than Kent, and 43% lower than for England. Key growth sectors in terms of employee count between 2015 and 2020 included manufacturing, the professional, scientific and technical services, health, construction and business administration and support, with a significant decline in employment in retail in particular.
- 4) **Medway's innovation ecosystem** – this section provides an overview of key innovative businesses in Medway, mapping of Government funding via Innovation UK (investment in R&D) including key sector investments, a review of high-growth firms and sectors in Medway using Beauhurst data, a high-level review of the existing innovation support landscape, an overview of existing innovation workspace facilities – along with the forthcoming pipeline – alongside identification of key innovation and research assets. Collectively this review builds a picture of Medway's innovation ecosystem – including its relative strengths and weaknesses – and supplemented by stakeholder consultation feedback, a number of key barriers to innovation in Medway are identified.
- 5) **Barriers to innovation in Medway** – following the preceding analysis, a number of key barriers to innovation in Medway are identified alongside analysis of how the Council is addressing it either through its existing programme of interventions or if it needs to be addressed through this Innovation Strategy, including:

Table 1: Identified barriers to innovation in Medway

Barrier to innovation	How Medway can overcome it
Not enough high-quality flexible workspace for start-ups	Intervention underway
Not enough high-quality grow-on space for businesses seeking to grow and progress beyond their existing start-up premises	Intervention underway
Lack of business awareness and/or simplified, consolidated 'front door' access to Medway's universities and their resources (research, resources, facilities, expertise)	Intervention proposed
Medway is not widely known as a place for businesses to be based and to innovate	Intervention proposed
Uncertainty regarding how key emerging trends and sectors might specifically generate opportunities for growth and innovation in Medway (i.e. hydrogen)	Intervention underway

Source: SQW

The Innovation Strategy for Medway

The early sections of the draft Innovation Strategy establish the analytical baseline and platform for the subsequent Strategy and Delivery Plan.

Importantly, the Council recognises that it is only one stakeholder in Medway's economy: the businesses, colleges, universities along with the residents, students, employees and entrepreneurs of Medway all represent key stakeholders in the innovation landscape. This Strategy therefore sets out how Medway Council will seek to deliver enhanced innovation outcomes in its economy, in line with the ambition set out in Medway 2037 using the levers it has its disposal.

Vision for a more innovative Medway

The Council's vision for innovation in Medway is:

Our overall vision for innovation in Medway is:

To establish Medway as a prominent centre of business innovation and high value employment, connecting, maximising and growing the assets we have and sharing the benefits of innovation with all businesses, communities and places. We will support innovation and growth in our key and potential future growth sectors including advanced manufacturing and engineering, construction, the creative industries, food-tech and hydrogen, identify and nurture emerging opportunities associated with the twin drivers of the transition to the net zero carbon economy and increasing technological advances.

Priorities for innovation in Medway

Medway Council and its partners will work together to stimulate innovation, product and process development, and technology transfer (including the dissemination and adoption of improved products, processes and services) across Medway's economy. There are a number of overarching intervention themes that will guide its activities moving forward:

1) Supporting our businesses to innovate – start-up; grow; relocate

Medway Council will work to provide the right conditions to enable businesses to innovate, including targeted provision to support businesses on their innovation journey, and a focus on attracting new businesses to locate and innovate in Medway

The Council recognises that it needs to raise awareness of Medway as a location of choice to do business and to innovate. It will celebrate our success stories, distil Medway's unique message and brand and articulate the strength of its assets to attract prospective start-up, growing and relocating businesses along with public and private finance to invest in Medway. Beyond a focus on the 'brand' and promotion the Council will link this to a focus on considering how to improve the inter-connections and relationships between the key components of Medway's innovation ecosystem: businesses, research institutions, sources of business

support and finance. There is significant untapped potential for the Council to act as a facilitator and broker between Medway's innovative businesses, whether small or large, to understand their needs and requirements, and to connect them with Medway's universities and FE institutions. Laying the foundations for this will be critical in enabling businesses to adopt innovative research and practices coming from Medway's universities and FE offer.

Networks are fundamental to the sharing of new business products, services, processes and ideas, which enable innovation to take place. Having a well-networked economy, will help increase the adoption and spread of innovative ideas, but also encourage collaboration between individuals, businesses and organisations to develop new ones.

Medway Council should work with partners to establish networks that bring together Medway's higher and further education institutions, businesses and stakeholders to enable innovation to take place.

2) Providing and supporting others to deliver the right spaces for innovation

Having the right type of space and facilities is critical in enabling businesses to be able to innovate. Medway has a range of different innovation spaces (as identified in the previous chapter) that are either live, or about to come on stream, and so it needs to maximise the potential of this existing and new space. The key focus for Medway Council within this priority is on delivering its identified pipeline – some of which are funded, others will require creative approaches to funding and delivery.

The next few years will see a step-change in the supply of workspaces suitable for innovative businesses of all scales looking to locate themselves in Medway thanks to the success Medway Council and its key partners has had in securing investment to date. Emphasis in the short-medium term will be on successfully delivering all of these projects.

Innovation Park Medway provides a substantial opportunity to attract and support the most innovative of businesses, with up to 101,000sqm of space set to be delivered aimed at high value technology, advanced manufacturing, engineering and knowledge-intensive businesses. Its positioning within the North Kent Enterprise Zone provides a real opportunity to encourage a pioneering and collaborative community of businesses. Significant progress has been made in the early stages of delivery: a Local Development Order has been adopted (2021) to simplify the planning framework, public investment has been secured and works commenced to deliver enabling and infrastructure works and marketing has begun to attract potential development partners and operators in target innovative sectors including advanced engineering and manufacturing.

Funding secured through the Levelling Up Fund and Future High Streets Fund will also support the delivery of new innovation spaces in and around Chatham, with the Docking Station, Brook Theatre and Incubator Centre (Pentagon Shopping Centre) set to be delivered by Medway Council and its partners in the next three years. Ensuring all these new assets are plugged into the existing Medway innovation ecosystem will be critical to enabling their success. Medway Council should explore, where it can, the potential for supporting other lead partners in their

aspirations to deliver further workspace propositions, particularly in areas in Medway which have benefitted less from recent investment, subject to robust demand and business planning.

As well as having formalised innovation spaces for Medway's businesses, there is a need to ensure that business space is provided for the whole spectrum of business activity that takes place in Medway. This includes developing meanwhile use spaces, particularly for the cultural and creative industries. This is a key deliverable of Medway Council's Town Centre Strategy; there will be particular potential for supporting the delivery of creative meanwhile uses in high-street locations where there are vacant units. Opportunities will be explored across Medway to deliver upon the Council's objectives for delivering growth for all.

3) Pursuing and supporting emerging opportunities

Few businesses in Medway appear to be anticipating/ responding to the emerging / future pressures / opportunities which are in view – including those from within Medway. Making businesses aware of these opportunities will encourage them to adopt new practices and benefit from wider interventions taking place in and around Medway. There are two key elements to this:

- Responding to global and national drivers – e.g. Net Zero and digitalisation
- Responding to local opportunities and drivers – e.g. Hydrogen, Hoo Peninsula development

There are a range of global and national drivers impacting on all sectors of the economy, which Medway's businesses should be aware of and adapting their business practices to. This includes:

- **Net Zero:** The UK has ambitions to decarbonise all sectors of the UK economy to meet its net zero target by 2050. The government has set out its Net Zero Strategy, which is expected to unlock £90 billion in investment to 2030.
- **Digitalisation:** the UK economy is becoming increasingly digital-based, particularly following the COVID-19 pandemic, with production of goods and services using greater levels of digital technologies.

Within Medway itself, there are a number of substantial opportunities that are expected to come forward over the next decade. This includes:

- The delivery of up to 27,000 new homes across Medway by 2037, as identified within the latest Local Plan.
- Substantial development across the Hoo Peninsula, including new urban centres and services, which will require new businesses/innovations to support its growth.
- The development of the Thames Estuary Production Corridor, with the area set to become a world-class centre for creative and cultural production. The Corridor is expected to experience strong growth in these sectors, as artists, businesses and institutions seek new locations and grow their networks in order to scale-up and innovate. It is thought that up

to 50,000 new jobs will be delivered by the Thames Estuary Production Corridor, creating the UK's largest concentration of production activity.

- The potential development of a hydrogen ecosystem around Medway, building on initial cluster working being undertaken by Thames Estuary Growth Board. The Hydrogen Route Map has identified the potential for an investable hydrogen generation, distribution, storage and usage infrastructure within the region. Project Cavendish (located on the Hoo Peninsula) has the potential to both produce and distribute low-carbon (blue) hydrogen, supplying this to gas and electricity networks across London and the South East. There is an opportunity for Medway Council to be a potential pioneer for early adoption of hydrogen processes, becoming a leader in adopting hydrogen for the delivery of its services.

The Delivery Plan

The proposed Delivery Plan for the draft Innovation Strategy is relatively focused to (a) avoid duplication with other key strategies (i.e. Town Centres; Employability & Skills) and to (b) reflect the specific levers at the Council's disposal. The proposed deliverables are grouped according to the three key priorities identified above. These are summarised at a high-level below, including the inter-linkages between specific deliverables:

Supporting our businesses to innovate – start-up; grow; relocate

- 1) **Develop and support networks to connect existing and proposed innovation assets** – active facilitation, curation, growth. Potential consideration of a role for a rebooted 'Medway for Business' within this context as well as key FE and HE institutions. It will be imperative for key pipeline projects and respective operators (Medway Council, University of Kent / Institute for Cultural and Creative Industries) to be plugged into this network.
- 2) **Develop a distinctive brand/identity for Medway's innovation ecosystem**, which would act as a visible 'front door' for businesses seeking to locate/invest in Medway and connect to FE/HE (roles of Locate in Kent and We are Medway to be considered) – recommendation to be operated / delivered at an arms-length from the Council but will require specific resourcing; a platform for inward investment; to include explicit links and connectivity to Medway's innovation ecosystem – individual institutions, workspaces (see [3] and [4]), facilities, organisations, businesses – ideally linked explicitly to the network developed through recommendation (1), and acting as a platform to highlight early successes and/or opportunities in emerging sectors (see [5] and [6]).

Providing and supporting others to deliver the right spaces for innovation

- 3) **Deliver the Council's existing funded pipeline alongside key partners:**
 - Docking Station (Chatham Historic Dockyard Trust; University of Kent; Institute of Cultural and Creative Industries)
 - Brook Theatre (Institute of Cultural and Creative Industries)
 - Innovation Hub, Pentagon Centre

- Fitted Rigging House, South (Chatham Historic Dockyard Trust)
- Former Debenhams, Chatham

4) Secure funding for and deliver the Council's flagship priority economic regeneration project, Innovation Park Medway – potentially in partnership with key target occupiers and development partners.

It will be imperative for each proposition to ensure that the proposed spaces/typologies align with demand – a balance between innovation outcomes vs commercial practicalities will require carefully developed and pragmatic business models for each asset. Innovation-intensive propositions focused on supporting start-up and growing businesses are typically not significant revenue generators as by definition the target sectors, and stage of business growth, are often at a nascent stage – carrying significant risk - and often public investment is required to respond to this market failure and deliver the spaces required to support innovation. Accordingly the Council will need to develop operational and business models for each proposition which acknowledge these challenges with consideration of risk sharing arrangements with potential specialist operators with demonstrable track record of delivering innovation and/or commercial outcomes – this will clearly depend on the Council's commercial exposure to the developed and operational asset and/or any outcomes required as a condition of funding.

Delivery of these propositions could be linked into the delivery of the proposed network outlined in (1) and to support the development of an distinct identity for Medway's innovation ecosystem in (2)

Pursuing and supporting emerging opportunities

Medway Council can play an important role in supporting and facilitating opportunities in emerging sectors, or in response to sectoral trends such as automation and digitalisation. Some of this work is underway but it will be important for the Council to follow-through on the early stage work taking place to ensure opportunities can be fully realised and leveraged:

- 5) Commission and drive concept development and feasibility work regarding emerging opportunity areas (i.e. hydrogen and smart cities).** Significant progress is already being made in relation to these workstreams, particularly regarding the Smart Cities agenda; identifying the 'art of the possible' and specific areas or interventions which the Council can then potentially seek to capitalise on either via direct delivery (potentially subject to seeking associated funding), through undertaking further 'proof of concept' work (or seed funding these initiatives) or through supporting and/or investing in partner organisations to respond to/engage with these opportunities. In the first instance it is essential to build a robust evidence base through targeted research and feasibility work to identify clear routemaps for the Council to follow in relation to key priority areas for innovation to include a clear priority on leveraging external sources of funding to de-risk and drive delivery.
- 6) Medway Council to be a key pioneer and demand driver in emerging sectors** – this is closely linked to [5] and is a recognition that in relation to some emerging sectoral opportunities an important dimension to realising potential is often demonstrating /

generating demand. Medway Council has significant procurement power which combined with its wider objectives and commitments set out in its Climate Change Action Plan mean that the Council could and should play an instrumental role in driving demand and pioneering interventions in innovative new sectors, technologies and/or service delivery to act as a beacon. Clearly the appropriateness of this approach will depend on the sector/technology/service area but linked to recommendation (2) could be a key component of demonstrating Medway's credentials as a genuinely innovative local authority within a dynamic local economy to attract further inward investment to support innovative businesses seeking a market for their services/products/technologies.

- 7) **Engage local businesses in a technology / horizon scanning group** – build awareness of emerging opportunities and challenges from the perspective of Medway's existing business base to identify their needs, challenges and potential opportunities associated with technological and sectoral changes (linked to [1] above)