



South East Diamonds for Investment and Growth

## Building a Knowledge Economy

Report 5: Action Plan and Scenarios for Growth

March 2010

  
**CLES**  
Centre for Local  
Economic Strategies

  
**SOUTH EAST  
DIAMONDS**  
for investment and growth



March 2010

***BUILDING A KNOWLEDGE ECONOMY: RESEARCH AND ACTION PLANNING FOR  
THE SOUTH EAST DIAMONDS FOR INVESTMENT AND GROWTH***

**REPORT 5: ACTION PLAN AND SCENARIOS FOR GROWTH**

Final report by

**CLES Consulting**

Presented to

**South East Diamonds for Investment and Growth**

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# 1 INTRODUCTION

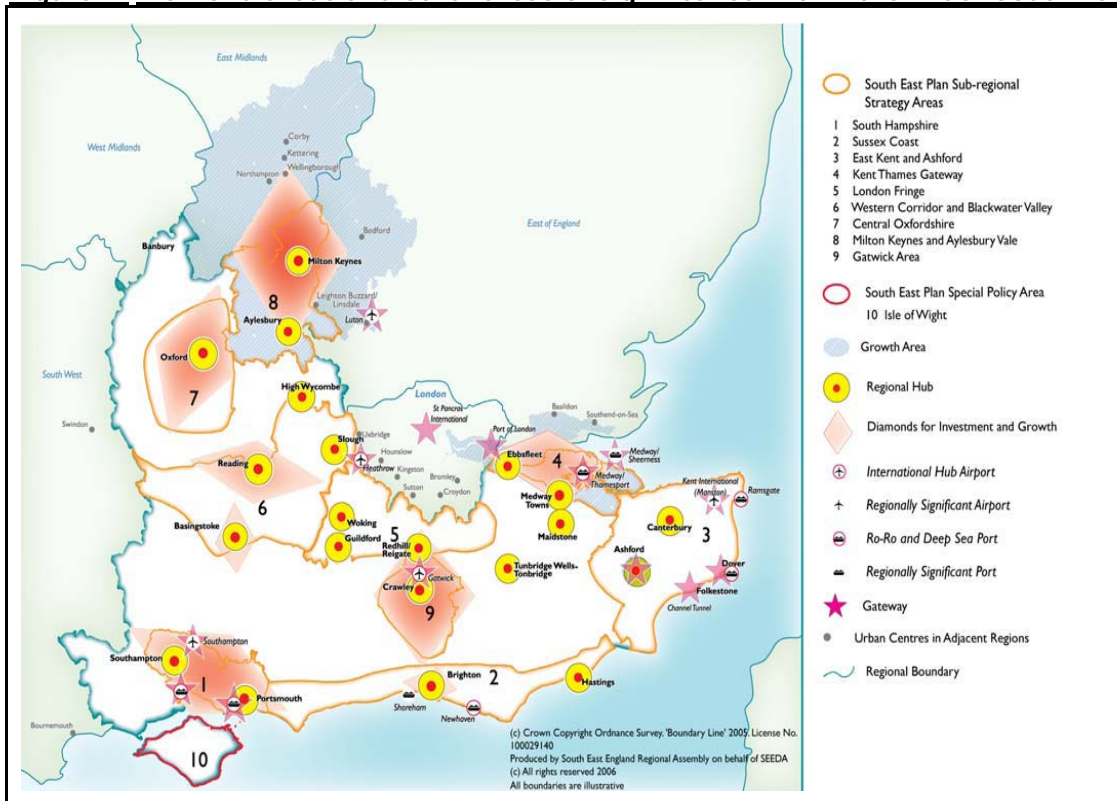
CLES Consulting was commissioned by South East Diamonds for Investment and Growth (SEDFIG Partnership) in October 2009 to undertake research and action planning on the knowledge economy within the ‘Diamond’ areas shown in figure 1 below; i.e. the functional economic areas with the most potential to accelerate long-term sustainable economic growth in the South East of England.

The purpose of the commission was to assess the size and potential of emerging industrial sectors within South East Diamonds focussing on knowledge economy sectors and the development of related policy actions. However, as part of a wider consideration, it also makes reference to the ‘enabling factors’ of growth including regional assets and infrastructure.

The project follows the requirements outlined in the original brief, providing SEDFIG with an evidence base to help identify future priorities around the development of its knowledge economy. As such, it follows the standard geographical definitions set out in the Diamond’s prospectus and uses the same (latest) supporting methodology agreed with partners to quantify each local economy. The work’s outputs consist of the following **five** reports:

1. **Executive Summary** – Providing a synthesis of the research findings and recommendations;
2. **Policy Review** – Identifying policy initiatives in various sectors of the knowledge economy within the UK and its implications for SEDFIG, together with a narrative on defining the knowledge economy and outlining critical success factors;
3. **Place analysis** - of economic performance within the Diamonds, including a review of sector strengths by location and supply side issues including employment, skills;
4. **Sector analysis** – detailed analysis of the sectors outlined for potential growth in the Diamond’s ‘Prospectus for Prosperity’ and HMG ‘New Industry New Jobs’ policy documents;
5. **Action plan** – outlining a series of development actions for partners and lobbying messages for central and regional policy makers, as well as summarising potential research-paths to drive further strategic thinking and understanding in this area.

**Figure 1: Diamond areas and other areas of significance within the wider South East**<sup>1</sup>



<sup>1</sup> Source: SEEDA, Regional Economic Strategy 2006

## 2 ACTION PLAN AND SCENARIOS FOR GROWTH

The following report sets out:

- ❑ The actions for local and regional partners to ensure that the full potential of the South East Diamond's knowledge economy is maximised;
- ❑ a high level reference and accelerated scenario for the future of the Diamond economies, presenting the likely changes in employment within each area within the next decade; and
- ❑ an outline research plan for the SEDFIG Knowledge Economy Group, to inform future commissions, drawing upon the findings of this study.

### 2.1 Developing the actions

Some of the actions we set out may already be taking place in one form or another; however partners need to appreciate the scale required of such interventions if the knowledge economy is to fully prosper – stakeholders need to assess the current interventions and decide if they are sufficient. This is based upon the evidence from the data and consultations used in the baseline analysis.

There are five key thoughts for stakeholders to bear in mind regarding developing future actions:

- 1) It is important for public stakeholders to create the conditions conducive to growth of innovation within the wider business environment, focusing on a supportive approach without being overly prescriptive or picking winners.
- 2) Each of the Diamonds are distinct and different economies in their own right; future actions will not always necessarily be collective and therefore each area needs to look at its own specific strengths (both general and sectoral) and plan to build upon these.
- 3) Partners should, wherever possible, work proactively with South East sector organisations, (for example South East Health Technologies Alliance; and South East Media Network). These organisations are easily accessible and take a view of the sectors before making the necessary interventions where they can make most difference. Crucially, these organisations have expressed a willingness to work with the knowledge economy group where possible, and have the in-depth sector knowledge required, together with access to key firms in the region.
- 4) It is important that partners account for the changes within government spending over the coming years. The Pre-Budget report, published in December 2009, highlighted a number of schemes to support innovation, including savings around HEI activity, science and research in the next few years, suggesting that partners need to ensure that proposed interventions are highly focused and targeted on key assets/accelerators within the Diamonds.

In addition to meeting the overall objective of maximising productivity, this may mean prioritising resources, particularly around growing high level skills (such as the western Diamonds, including Oxford, Reading and North Hampshire) and within particular growth sectors such as ICT/digital content, bioscience and areas of engineering/advanced manufacturing (e.g. aerospace and automotive).

- 5) developing actions further – moving towards local implementation - must continually make reference to the support products on offer through Solutions for Business, the government's portfolio of streamlined business support available in England<sup>2</sup>. These provide a range of help for businesses, covering the whole business life cycle from start-up to development and growth through the national Business Link network.

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<sup>2</sup> BIS (2009): Solutions for Business: Government Funded Business Support. <http://www.berr.gov.uk/files/file53913.pdf>

## 2.2 Delivering the actions

The action plan set out in the rest of this report will be taken forward by the Diamonds Knowledge Economy Policy Group. The role of the group should be to take an overview of actions taking place across the Diamonds sub-regions, pooling knowledge and developing a joint dialogue with regional agencies and other sector specific organisations. The group should work with sub-regional and other partnerships to identify where actions set out here are already taking place and assess whether current interventions are sufficient.

We make recommendations, where possible, on the different spatial scales which to address each action (local, regional, national), but we do not go further to define specific priorities, localities or delivery agencies. This was considered outside the scope of the study.

However, building upon this, the Knowledge Economy Group should seek to work with actors and agencies who can play a role at national, regional and local actions identified in the plan, where interventions are not currently taking place or are not sufficient. The group can serve as a platform for further targeted lobbying around key messages of support need, as identified through taking forward this action plan.

The role of the Diamonds Core Team will be vital in supporting this work, providing a structure and secretariat to the policy group and plotting interventions, bringing together analysis, broadening networks and maintaining the focus of the group.

## 2.3 Future Opportunities

The economy that emerges from the current downturn will continue to be defined by globalisation. The South East Diamonds need to plan for more than simply recovery from recession as the region (and UK) faces continued structural changes in the global economy. The world's economy is set to double in size and will present significant new opportunities for businesses – growing populations and rising prosperity; new technologies; the transition to a low carbon economy; changes in age profiles; and the spread of international supply chains will have an impact on the Diamond's performance.

As other economies respond to the same opportunities, or try to replicate the UK's strengths, the competitive pressure our businesses face will intensify. The South East Diamond's response has to be to continue to raise productivity, improve resource efficiency and concentrate on developing comparative advantages. All this must help to differentiate the region's economy from that of other international regions. It will therefore be critical for the UK economy and businesses in the Diamonds to invest and skill-up to win in high-value markets and sectors.

Two key inter-related elements will be critical to succeeding in this challenge:

- 1) The continued focus on ensuring that the South East (and UK's) economy is driven by, and has the relevant supply of, high levels of skill and creativity; and
- 2) ensuring that its economic base is continually moving to the front of technological change – where this is reshaping industries and demanding high levels of innovation, skills and investment from those businesses who will ultimately lead these markets.

In response to the first of these, increasing the number of Knowledge Business Industries and the level of demand that can be sustained in turbulent time will be critical. Research testifies that there are strong positive correlations between the concentration of high-level skilled jobs and levels of innovation and economic growth.

The Diamond's have emerging and distinctive high-skill specialisms in particular around ICT, Bioscience, Pharmaceuticals and Advanced Engineering (Automotive, Defence and Homeland Security, and Aerospace). Actions to build upon these internationally renowned strengths and to manage the costs (the balance of what economists refer to as positive and negative externalities) to businesses located and trading within the Diamonds where these sectors are predominantly located (Oxford, Reading, North Hampshire and Milton Keynes) will be an important priority for future support and investment.

The response to the latter will depend on ensuring the success of the private sector in developing product and process innovation and forging global trading networks with firms at the vanguard of technology and creativity. Leveraging the impact of the region's Higher Education Institutions (HEIs), and key regional science and innovation assets such as Harwell Science and Innovation Campus will be vital to the future success of the knowledge economy in the South East and for the economic engine that will drive much of the UK's future growth as the country moves out of recession.

## 2.4 Priorities

It is important to be clear throughout this study, that whilst we recommend setting a new agenda of industrial activism, we do not recommend picking winners, nor ignoring market signals, but taking steps to remove barriers which hold business back within the Diamonds. The South East Diamonds have the skills, resources and knowledge base to do well.

However the response of regional and local policymakers must not be one of complacency. Nor has it been. It must be to strengthen the Diamond's competitive position further, creating the best possible conditions in which businesses can thrive; removing barriers to success and offering targeted support to unlock new potential in existing and new technologies. Key areas for the Diamonds, also identified by NINJ for immediate action and reform, are centred on innovation, skills, finance, infrastructure and trade.

They include above all:

- 1) more support for **innovation** - turning bright ideas into products that win in the marketplace by maximising opportunities from the work of HEIs, public and private research establishments – in particular opportunities within the Diamonds to support Bioscience, and Advanced Engineering sectors (Automotive and Aerospace Research);
- 2) improving policymakers ability to identify the **skills** needed for future success and making sure the education and training system delivers them;
- 3) making sure high growth, high innovation firms get the **financing** they need, including examining urgently whether, and in what form, further intervention could help increase the supply of long term growth capital to small and medium sized businesses; and
- 4) a coherent strategy for making sure Britain has the modern **infrastructure** and networks, from energy to broadband, that will be the foundation of future prosperity.

In relation to this final point, it will be critical to ensure that place based infrastructure/regional assets (such as quality of environment, local services, cultural assets) are recognised as an important factor in building a knowledge economy – in particular in attracting and retaining highly skilled people and high value businesses. This became one of the most important issues discussed with consultees during the study.

It is important therefore for all localities to ensure:

- an effective transport infrastructure to connect a region internally but also globally;
- appropriate land-use needed to cater for inward investment in knowledge based industries;
- ensuring that strategic plans and planning processes do not unnecessarily inhibit growth.
- affordable housing for both highly skilled and secondary support workers;
- adequate provision of local utilities and communications infrastructure; and
- quality public services, including healthcare, education, cultural and environmental services.

## 2.5 Action Plan: Business, Enterprise and Innovation

Background			
<ul style="list-style-type: none"> <li>• A fundamental concept behind building a knowledge economy, this, perhaps more than other issues, requires the strongest levels of support, both in terms of general innovation and more sector specific interventions.</li> <li>• There are pockets of innovation across all of the Diamonds, although this is more skewed towards the western areas.</li> <li>• Highly knowledge intensive sectors, such as ICT/Digital Media and Bioscience, have particular strong clusters within Reading, Oxford and North Hampshire, with the presence of world class HEI facilities and major businesses outlining the potential of such areas.</li> <li>• Mixed impact of KTPs. In Reading they have been effective, but elsewhere they are not seen to always be responsive to business needs. Additionally, despite the extensive presence of HEI, the view is that they could be doing more to help promote innovation and hosting business networks.</li> <li>• In recent years there has been a shift in emphasis by UK venture capital firms towards larger transactions beyond the early stage of a young firm's life cycle. This transition in venture capital activity has meant that high growth start-ups and other young firms find it difficult to access the smaller amounts of risk equity funding they need – commonly known as the Equity Gap.</li> </ul>			
Actions	National	Regional	Local
<ul style="list-style-type: none"> <li>• Ensure a programme of <i>bespoke</i> support and mentoring services for high value start-ups. These need to go beyond mainstream business link support (e.g. facilities providing incubator space and mentoring to help entrepreneurs become 'investor ready')</li> </ul>		✓	
<ul style="list-style-type: none"> <li>• Ensure that business support services prioritise the key sectors identified in this report, in particular ICT/Digital Media, Biosciences and Advanced Manufacturing/Engineering.</li> </ul>		✓	
<ul style="list-style-type: none"> <li>• Work with the private sector to establish appropriate managed workspace which is linked to the knowledge base (a network of business spaces, linked virtually to local HEI and their R&amp;D capabilities, as well as bespoke business support and mentoring services).</li> </ul>		✓	✓
<ul style="list-style-type: none"> <li>• Ensure maximise opportunities arising from developing and hosting Olympic Games, in particular benefiting local manufacturing and construction enterprises.</li> </ul>		✓	✓
<ul style="list-style-type: none"> <li>• Invest and support the location of national/regional research funding/centres along the M4 and M3 corridors and in Oxford Diamond.</li> </ul>	✓	✓	
<ul style="list-style-type: none"> <li>• Develop 'proof of concept' funding for seed corn start-ups (national issue).</li> </ul>	✓	✓	
<ul style="list-style-type: none"> <li>• Work more closely with private venture capital to encourage increased investment for young, high growth firms having trouble accessing finance within the 'equity gap' of around £100,000-£500,000.</li> </ul>		✓	
<ul style="list-style-type: none"> <li>• Provide a clear 'signposting' service to push high growth firms towards Regional Venture Capital Funding and relevant VC sources.</li> </ul>		✓	✓
<ul style="list-style-type: none"> <li>• Strengthen Knowledge Transfer Partnerships across the Diamonds and support cross-sector networks / supply-chain development.</li> </ul>		✓	✓
<ul style="list-style-type: none"> <li>• Promote enhanced collaboration between local actors (including policy makers, academia and the private sector) to stimulate demand in viable propositions including proof of concept funding and other equity sources.</li> </ul>		✓	✓

Tick-box represents our view on the relevant spatial scale at which the action should be addressed. A tick within both regional and local suggests a collaborative regional approach to addressing the action.

## 2.6 Action Plan: Trade and Investment

Background			
<ul style="list-style-type: none"> <li>A strong entrepreneurial base is an essential driver of growth and prosperity in a modern economy. New and more dynamic businesses increase competitive pressures in markets and facilitate the introduction of new ideas, technologies and more efficient working practices. This raises the incentives for firms to invest, innovate and seek efficiency and quality improvements.</li> <li>Overall across the Diamonds there is a high level of enterprise. Despite the overall high enterprise levels, this still needs to further improve if competition and the related improvements in innovation are to be enhanced.</li> <li>Much of the growth of knowledge industries in recent years has resulted from dynamism within the private sector and the continued and increasing attraction of the SE Diamonds in investment terms (e.g. concentration of skilled workers, proximity of science and innovation assets, access to International Airport, proximity to London).</li> <li>The continued and increased success of the Diamonds in attracting new companies, alongside the retention, growth and increasing productivity of indigenous firms is central to the Diamonds future growth prospects.</li> <li>It will be vital to continue to develop key international markets, related to the opportunities through growth in knowledge industries - significant potential to tap into the emerging markets of the likes of India, China and Brazil – the world leading activities within the South East means that pharmaceutical activities, in particular, could further consolidate their positions.</li> <li>Competition and trade is an important driver of productivity performance. Vigorous competition strengthens incentives to innovate and ensures that resources are allocated to the most efficient firms. Competition can be viewed both domestically and internationally, where trade networks are in place for firms to be able to compete effectively.</li> </ul>			
Actions	National	Regional	Local
<ul style="list-style-type: none"> <li>Develop co-ordinated/shared plans to promote inward investment of R&amp;D intensive enterprises in the Diamonds, particularly building upon strengths and critical mass in place in the Western Diamond areas as a 'knowledge capital'.</li> </ul>		✓	✓
<ul style="list-style-type: none"> <li>Development of coherent and highly focused plans to increase investment in Diamonds (or smaller geographies) which have not experienced recent investment and are therefore at risk of losing knowledge firms.</li> </ul>		✓	✓
<ul style="list-style-type: none"> <li>Support to attract investment from emerging economies, linked specifically to key sector opportunities (e.g. international trade programmes and networks for the specific sectors, which would require bespoke investment).</li> </ul>	✓	✓	
<ul style="list-style-type: none"> <li>Develop local trade networks by supporting cross-sector and supply chain management events with Universities, Chambers of Commerce and local trade associations / sector representative consortia.</li> </ul>		✓	✓
<ul style="list-style-type: none"> <li>Develop support systems to grow international trade links with BRICS economies, focussing on Diamond key sector strengths.</li> </ul>		✓	✓

Tick-box represents our view on the relevant spatial scale at which the action should be addressed. A tick within both regional and local suggests a collaborative regional approach to addressing the action.

## 2.7 Action Plan: Employment and Skills

<b>Background</b>			
<ul style="list-style-type: none"> <li>• Skilled workers adapt faster and more effectively to change, and are better at implementing new investments and pursuing innovation. A highly skilled workforce enables firms to update working practices and products at the rate demanded by rapidly changing markets, making the economy more flexible and productive in the longer term.</li> <li>• Overall the level of skilled residents within the Diamond areas is high (although below the regional average for the L4 qualified rate). However performance differs considerably across the eight sub-regions. There is also a need for particular technical skills across these knowledge sectors which partners need to understand.</li> <li>• The support workers are also vital to growth –although the number of lower skilled jobs continues its long-term fall, entry and intermediate level skills are part of the skills escalator, as is employment.</li> <li>• Low employment and economic activity rates have severe consequences for the whole economy, reducing the available workforce, reinforcing deprivation and acting as an anchor on business productivity and performance. Despite the strong labour market performance within the Diamonds, there are considerable disparities, and within well performing Diamonds there is polarisation.</li> </ul>			
<b>Actions</b>	<b>National</b>	<b>Regional</b>	<b>Local</b>
• Develop local skills provision that meet specific area needs – moving towards an employer led system of skills training provision.		✓	✓
• Ensure that higher level and technical skills provision is provided for the Western Diamonds (in general), where the critical mass of knowledge activity is highest.		✓	✓
• Other Diamonds require specific, bespoke provision to ensure that intermediate skills needs are met, in addition to steadily increasing graduate levels.		✓	✓
• Develop programme of research to understand and articulate the future skills needs within the key sector clusters and ensure that HEIs are involved in the planning, development and dissemination of the research findings.		✓	
• Develop interaction between HEIs, employers and undergraduates to drive up teaching quality and relevance of course curriculum to sectors/employers needs.		✓	
• Develop labour market and skills information and work experience for young people linked to the Diamond’s key sectors (current examples include the Marine Schools Challenge for South West England).		✓	✓
• Starting from pre-school age, children are provided with the development that they require – both educationally and behaviourally – this must be focused in particular in deprived areas and can have significant positive long term impacts.			✓
• Work to improve life chances through creation of dual employment and skills programmes tailored to their individual needs.			✓
• Work closely with the private sector to increase ‘knowledge’ employment opportunities in all areas, helping to embed higher aspirations amongst all residents.			✓

Tick-box represents our view on the relevant spatial scale at which the action should be addressed. A tick within both regional and local suggests a collaborative regional approach to addressing the action.

## 2.8 Action Plan: Infrastructure and Place

<b>Background</b>			
<ul style="list-style-type: none"> <li>• Transport is a key component underpinning economic growth, and will be crucial for the growth of the knowledge economy – connectivity affects the decisions of business. Equally, the quality of accommodation (sites and buildings) for knowledge intensive businesses is a key factor in the delivery of a successful knowledge economy. Transport infrastructure is not joined up enough, and congestion is getting more problematic. Providing substantial improvements may become more difficult in future and how the funds will be found for such major projects is open to question.</li> <li>• Digital connectivity is crucial to attracting inward investment, and it will be vital to ensure that the Diamonds has the infrastructure in place. Whilst there is reasonable access and speed throughout the Diamonds, there are still areas with poor access and improvements need to be made.</li> <li>• There are some issues around poor quality office stock, not suitable for many of today's footloose, small knowledge firms (e.g. within software development).</li> <li>• If the offer is not in place for sufficient housing close to key transport nodes, then the continued growth of the knowledge economy will be under threat. Increased demand for graduate employment and the higher incomes and aspirations generated through this will result in higher demand for more expensive housing. In effect the affordability issue, which is already acute in several Diamonds (though not all), will become even more prevalent.</li> <li>• Having a reputation for a vibrant culture and good quality of life is important in attracting the key knowledge workers to an area. At present there is a mixed story throughout the Diamonds, with some places being very desirable to live and work, but other Diamonds struggling perhaps to create a strong cultural/quality of life brand.</li> </ul>			
<b>Actions</b>	<b>National</b>	<b>Regional</b>	<b>Local</b>
<ul style="list-style-type: none"> <li>• Work to strengthen arrangements for devolving infrastructure funding powers to necessary scales within the Diamonds in order to enable more effective delivery of transport priorities, <i>which are integrated within other policy areas</i>.</li> </ul>	✓	✓	✓
<ul style="list-style-type: none"> <li>• Spatially prioritise cost-effective transport interventions which will create maximum economic benefit to the Diamonds – dependent primarily on the locations of key sector clusters, and provide the critical bespoke funding for longer term economic gain.</li> </ul>	✓	✓	
<ul style="list-style-type: none"> <li>• Provide innovative solutions to accommodation – e.g. developing commercial models to complement edge of town business parks which will energise urban areas, including developing urban buildings into high occupancy space for staff to 'touch-down', hot-desk etc.</li> </ul>			✓
<ul style="list-style-type: none"> <li>• Ensure, where possible, that planning requirements are in place (or dialogues at the least) for new business/industry developments to have access to cutting-edge fibre technology before being given clearance by planning authorities.</li> </ul>		✓	✓
<ul style="list-style-type: none"> <li>• Work closely with relevant private/public agencies to ensure that Super Fast Broadband is rolled-out as soon as possible, clearly articulating and securing areas for priority in terms of knowledge based industry.</li> </ul>			✓
<ul style="list-style-type: none"> <li>• Ensure the housing planning policy is directly related to that of transport infrastructure, ensuring that future quality housing is available to workers close to key public and highway networks directly linked to major employment nodes.</li> </ul>	✓	✓	
<ul style="list-style-type: none"> <li>• Deliver quality housing that supports the key sectors highlighted in this report, with proximity to major growth nodes – due to issues around affordability, there also needs to be a key focus upon the quality of private rented housing.</li> </ul>		✓	✓
<ul style="list-style-type: none"> <li>• Marketing to promote areas as key locations for starting a career, and to move to in establishing longer term employment.</li> </ul>			✓
<ul style="list-style-type: none"> <li>• Create cultural amenities for attracting and retaining knowledge workers – essentially creating a cultural 'buzz' about an area.</li> </ul>			✓

Tick-box represents our view on the relevant spatial scale at which the action should be addressed. A tick within both regional and local suggests a collaborative regional approach to addressing the action.

## 2.9 Scenarios for growth

As set out in the original study brief, we have developed reference and accelerated scenarios for growth which is intended to help understand the future potential of each location, but not to provide a detailed set of forecasts for all places by the NINJ sectors. The starting point for producing the **Reference Scenario** is the analysis of the ONS Annual Business Inquiry, which provides data on employee numbers during the last decade and to use forecasts published by Experian in a series of reports delivered to the SEDFIG Partnership during the last twelve months, covering forecasts for the period 2008 to 2015. The Reference Scenario acknowledges the future growth potential within the South East and recognises many extant economic and regeneration strategies that are already underway in the region<sup>3</sup>. In itself, the Reference Scenario suggests that the Diamonds areas can attain high levels of employment growth in the long-term, creating a net increase of **+54,000 jobs** over the next decade.

However, an alternative **Accelerated Scenario** has also been developed, where an interplay of factors and influences bring about an overall improvement in performance that exceeds that anticipated under the Reference Scenario. This incorporates the additional opportunities identified through the Workshop held with SEDFIG partners in November alongside potential developments based on our research and discussion with key partners<sup>4</sup>. The Accelerated scenario suggests an additional **+12,000 jobs over and above the Reference Scenario growth**. Additional factors taken into account include:

- ❑ the expected growth of Gatwick, the Airport and benefits to its hinterland.
- ❑ recognition of the level of current construction activity within the Thames Gateway.
- ❑ the view that a number of Diamond areas; for example Oxford, Reading, Milton Keynes and North Hampshire, will increasingly become centres for key business functions and knowledge-intensive businesses in line with current trends.
- ❑ the combined attraction and growth of the region's universities, in particular linked to international science assets and innovation hubs.
- ❑ the availability of space in terms of both land and property to accommodate growth across all sectors.
- ❑ that Diamonds are able to secure funding to address transport constraints to growth.
- ❑ a turnaround in the performance of most of the manufacturing sub-sectors building upon the aspirations of partners to support skills development, innovation and entrepreneurship.

**Table 1: Future scenarios for growth in KBI employment within Diamonds, 2008 to 15**

Figures=net in year increase in employees 2015 vs 2008

Diamond area	Reference scenario	Accelerated Scenario (over and above Reference)	Diamond area	Reference scenario	Accelerated Scenario
Brighton and Hove	+3,500	+1,000	Oxford/Central Oxfordshire	+7,100	+2,000
Gatwick Diamond	+3,500	+1,000	Urban South Hampshire	+4,400	+1,000
Milton Keynes and Aylesbury Vale	+13,800	+1,500	Reading Diamond	+9,900	+2,000
North Hampshire	+5,900	+1,000	Thames Gateway/Kent (see footnote)	+5,900	+2,500

<sup>3</sup> Here we refer to the 5 year period of employment growth up to the onset of the recession. We take the view that these areas will continue to experience strong performance as the UK's economy returns to growth in the latter part of 2010 and beyond

<sup>4</sup> We understand that the Thames Gateway Delivery Plan has set targets (in its Consultation Draft) for the creation of 225,000 new jobs (58,000 in Kent) by 2016. Our views are based upon continuing trends and the actions and assumptions set out in our report - against the aims of the brief.

### 3 FURTHER RESEARCH

This section sets out a high level outline research plan for the SEDfIG Knowledge Economy Group. The list is not definitive. There is potential cross-over between several projects that could be brought together under a single commission. Our research has also shown that regional partners are commissioning further sector work that will benefit the Partnership.

Research Theme	Description	Priority	Issues for consideration
<b>Mapping out the drivers of firm level decisions throughout the Diamonds</b>	<ul style="list-style-type: none"> <li>A large primary research project (allied to reviewing market intelligence reports and any local databases containing firm level information) to interview decision makers within a wide range of knowledge intensive companies, covering small, medium and large enterprises.</li> <li>The study could look at the 'pull factors' for knowledge intensive firms, assessing the importance and effectiveness of labour market skills, critical infrastructure, business networks and KTPs. The study could also look at the decision making processes employed by large employers / investors and assess what can be done to influence these decisions.</li> </ul>	High	Expense. It would be important that such a project is given the necessary funds to achieve a wide-ranging survey (and depth interviews) of businesses. Partners should also use the knowledge and experience of the various sector consortia for such research.
<b>Sector studies for the priority knowledge sectors decided upon by SEDfIG</b>	<ul style="list-style-type: none"> <li>This study only has the scope to be a top level overview of a number of sectors and sub-sectors. This study would be a comprehensive sector based piece of research, which would involve, in addition to the secondary research, significant primary research to enable practitioners to develop a detailed understanding of the drivers and blockers for industry sector growth.</li> </ul>	High	Expense. It is recommended that a number of detailed sector studies are carried out to help develop a deeper understanding of sector potential – and the blockers and drivers of future growth. This would be costly (in the region of £15,000 to £20,000 per sector).
<b>Quantitative forecasting</b>	<ul style="list-style-type: none"> <li>The scenarios used in this report are top level highlighting the very broad 'direction of travel'. To make detailed actual forecasts would be very different. This would involve using the services of forecasting houses such as Oxford Economics, Cambridge Econometrics and Experian.</li> <li>Such a study could be sector based, assessing the conditions for the priority sectors and providing a range of scenarios for growth in those sectors in terms of output, productivity and employment. The forecast growth within these sectors could then be applied to overall growth across the Diamonds, and indeed the wider region, helping to put a case towards stakeholders for targeting investment and support.</li> </ul>	Medium	Expense. Despite current economic uncertainties, forecasts can be a useful tool in helping strategic thinking and understanding the economic impact of policy choices. However bespoke forecasts (by sector and location) are costly, and partners could expect to budget for anything in the region of £20,000 to £30,000 for a robust set of forecasts and accompanying narrative for all the Diamond areas.
<b>Employment land-use / property study</b>	<ul style="list-style-type: none"> <li>Quality business units suitable for knowledge businesses are not always available with disparities across different Diamonds. This would assess in detail whether there is sufficient space and quality accommodation for firms (of all sizes), and assess the future needs of knowledge businesses and what plans need to be put in place to meet these needs.</li> </ul>	Medium	Coordination and collaboration. The nature of this study requires coordination between all Diamonds, rather than commissioning separate – potentially conflicting series of analyses and future forecasts.

Research Theme	Description	Priority	Issues for consideration
<b>Skills study for the knowledge economy</b>	<ul style="list-style-type: none"> <li>Whilst this report has provided an overview of some of the skills issues, there is a requirement to delve deeper and understand what skills employers want in their key knowledge staff. Such a study would rely on accessing detailed skills datasets and considerable employer and stakeholder consultation.</li> <li>The study should provide a critical assessment of the regional context relating to high level skills and then conduct a synthesis of what works in high-level skills development in order to inform future interventions in the regional – Diamonds - context.</li> </ul>	High	Expense. Depending on resources available, this could either be a stand-alone study or one which is incorporated into a series of wider sector studies.
<b>Understanding the South East Innovation Ecosystem</b>	<ul style="list-style-type: none"> <li>This study would help develop an understanding the networks between businesses, and the specific individuals within them. Research (primarily through both large scale surveys and in depth consultations) could attempt to understand the nature of innovative enterprises within the Diamonds, as well as the structure and importance of enterprise networks in supporting the spread of innovation across the region.</li> </ul>	High	Expense. Strategic choices should be made on focussing on particular parts of the economy rather than trying to understand complex networks across all the region.
<b>Reviewing the Diamond's key assets</b>	<ul style="list-style-type: none"> <li>This study could be for either all the Diamonds, or limited to those which are viewed as being the key areas for growth of the knowledge economy. Such a study would not necessarily assess the sector strengths in detail, but would provide a comprehensive review of the Diamonds assets (how well or not they are working to embed a knowledge economy), the nature of the firms located there (dangers of footloose firms not 'well rooted' in a place for example), levels of innovation, skills, and the wider infrastructure, for example.</li> </ul>	Medium	Coordination. There is similar work which has recently been commissioned by PUSH with the Centre for Cities.
<b>Understanding the Diamond's digital infrastructure</b>	<ul style="list-style-type: none"> <li>This is key in the development of high-tech, knowledge sectors. Without the required broadband capacity, footloose firms will simply move elsewhere as will hinder operations. Such a project would research the current broadband offer in place in the Diamonds (highlighting disparities and if the core knowledge areas have the capacity they need), the plans by policy makers and communications providers to install and roll out a premium service, and understand what they see as being the main blockers to this.</li> </ul>	Medium	Again, this need not have to be a particularly costly study, but should provide an overview for practitioners allowing where necessary further lobbying for improvements.

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