

## “LEADING THE WAY TO RECOVERY”

### South East Diamonds for Investment & Growth Networking Event

9<sup>th</sup> November, St. Mary’s Stadium, Southampton

The third networking event to be held by the South East Diamonds for Investment & Growth (SEdfIG) took place on 9<sup>th</sup> November at St. Mary’s Stadium, Southampton. Building upon the success of previous events in Reading and Gatwick, this session brought together over 100 senior delegates from across the Diamond areas to focus upon the actions needed to lead the economic recovery of the Diamonds and the wider south east region.

The afternoon saw presentations from the new SEEDA Chair, Rob Douglas, and Bank of England Deputy Agent for Southern England, Andrew Holder. Workshop sessions then provided a focus upon the current work of the regional Diamonds partnership, with delegates given an opportunity to reflect upon initial findings from the SEdfIG research programme and shape future policy actions and priorities.

#### Introduction

SEdfIG Chair Andrew Finney opened the event with a welcome and some reflections on the current economic and political situation. Whilst it was possible that changes to regional structures and changes in personnel may take place, it would be important to retain a focus upon those areas, and those sectors, which drive the success of the south east economy. In seeking to drive the recovery from recession, it was more important than ever to hone in on the support needed to ensure renewed growth and economic success. The Diamonds partnership had, over the past two years, grown into a mature, open, regional economic partnership which actively supported growth in key locations. Networking events such as these allowed SEdfIG to reach out to the widest possible audience of key stakeholders, and ensure that their voices are integrated into the messages being taken forward to government on behalf of the urban south east.

#### The role of SEEDA

SEEDA Chair Rob Douglas then outlined the original rationale behind the designation of the Diamonds – their status as the key concentrations of people, employment, connectivity, infrastructure and knowledge, which would be vital in sustaining and

enhancing the growth of the region. These long-term factors still held true, and remained worthy of focus, regardless of the current economic climate. The development of an inclusive partnership between the Diamond areas was a welcome achievement, giving SEEDA a platform to engage with their priority growth sectors and providing a vehicle for the exchange of learning and best practice. Worthwhile outcomes were increasingly becoming apparent, with one such example being the recently launched 'No Nonsense Guide' to tackling ecological footprint, produced by SEEDA and the Diamond authorities. A key element of SEEDA's activity going forward would be to facilitate foreign direct investment, with the principal focus being upon developing a low carbon economy, enhancing global competitiveness and improving productivity in the region. The importance of the Diamonds, and the functions of SEEDA, would endure, irrespective of future political or structural changes.

### *The Economic Context*

Andrew Holder, of the Bank of England, then gave an assessment of current market conditions and the prospects of growth and recovery. The current recession was borne largely out of a spiralling loss of confidence amongst businesses, stemming in large part from the downfall of economic institutions such as Northern Rock and Lehmann Brothers. An event of such a magnitude had required a quick and appropriate response from policymakers to avoid gradual erosion and worsening of the situation. This was the rationale behind the Bank of England's proactive measures, through reduction of interest rates and quantitative easing, which actively sought to boost the flow of money in the economy. Looking forward, it was likely that the November inflation forecast of the Bank of England would not deviate much from that released in August 2009. CPI inflation was likely to sit around 1%, but with the likelihood of a sharp rise above the 2% target in early 2010. This would reflect the reversal of last years reduction in VAT and higher petrol price inflation. However, the Bank expected to see improvement in the economic situation from early 2010, with more positive forecasts expected from spring 2010 onwards. He was optimistic for the remainder of the current year, whilst remaining cautious about the next year.

### *Meeting the Skills & Employability Challenge*

The first of three workshops focused upon work that was currently taking place, led by SEDfIG, LSC and Step Ahead Research Ltd, to develop a Skills & Employability Strategy for the South East Diamonds. Initial data research had been carried out by the SEEDA economic research team, with subsequent consultation and depth interviews carried out by Step Ahead. The initial data analysis had highlighted a split between the following 'categories' of Diamond:

- Dynamic Knowledge Economy
- Constrained Knowledge Economy
- Traditional Industrial Economy
- Population Led Growth

Subsequently, consultation had been carried out with a range of economic partnerships, businesses, business representative organisations and local authorities. Taken with the data, this had suggested a range of issues which were common across a number of Diamond areas:

1. Increasing global competition – need to strengthen growth sectors of the future.
2. Diamonds are about growth, but also about *everyone* accessing a range of local work opportunities.
3. ‘Local first’ – the primary aim of regional strategy should be to support local priorities and actions.
4. The skills landscape is too complicated – need to ensure new initiatives complement existing structures.
5. Clear direction on priority sectors and clusters needed for each Diamond.
6. Low skills and low aspirations remain an issue, which needs to be tackled.
7. All Diamonds need more people with work readiness, leadership / management and STEM skills.
8. More apprenticeships and vocational skills are needed.
9. Closer education – business links are needed to improve people’s understanding of work.
10. Improved graduate retention and attraction needed to feed the Diamonds Knowledge Economy.
11. Existing good practice on employment and skills needs to be shared across the Diamonds.

Discussion then took place with delegates around these issues, with feedback sought on the relevance and importance of each. A clear consensus emerged which suggested that the complicated skills landscape and the lack of new entrants into the labour market with work ready and STEM (level 3) skills were major barriers to growth and development. The nature of global competition also needed to be addressed – too often, people sought to compare the south east economy to other regions of the UK when, in fact, real competition was coming from overseas.

Following on from this debate, the workshop then looked at priorities for action, and how they should fit into a Diamonds Action Plan. The following were felt to be key priorities for action:

1. **Supporting the development of growth sectors and clusters in light of increasing international competition – with growth being measured by both GVA and employment:** Whilst it would be difficult to lobby for additional resource in the current climate, it would be important to preserve existing resources where appropriate, whilst seeking to better tailor them and secure flexibilities to meet local need.
2. **Developing further work readiness, STEM and leadership / management skills:** The need for creative, innovative leadership was felt to be key, as was the need to develop focussed initiatives which sought to improve the work-readiness of graduates through schemes such as business mentoring.
3. **Strengthening Education – Business Links:** Too often these were seen as being for young people only. Efforts needed to be focussed upon changing this approach, so that education – business links ran from school to retirement. It was also felt that better, employer-led career advice was needed, which sought to address long-term priorities and needs, translated into careers advice for all ages.
4. **Simplifying the system to make it easier for employers to engage:** This priority should run through all other activities which were to be considered. The current skills system is far too complicated and crowded, with too many initiatives, too many providers and too many attempts at ‘engagement’ deterring employers.

These priorities, and the feedback obtained on the wider issues and data which should underpin a Diamonds Skills & Employability Strategy, are to be used in taking forward the strategy development work. It is anticipated that a final document will be published in January 2010.

### *Building a Knowledge Economy*

The second workshop was led by Oxford City Council & CLES Consulting, and provided an opportunity for delegates to take part in the development of research into the strength and potential of emerging sectors across the Diamonds. CLES Consulting had been commissioned to examine priority sectors in the south east, which had been defined through the governments ‘New Industries, New Jobs’ paper and the Diamonds ‘Prospectus for Prosperity’. These included:

- Advanced Manufacturing
- Bioscience
- ICT
- Environmental Technologies
- Creative / Digital / New Media
- Engineering Construction
- Opportunities from an Ageing Society.

Whilst initial analysis had suggested a range of sectoral strengths and potential across the Diamonds, the following appeared to be the common themes:

- Strong base in ICT (especially M4/M3 corridors) and Bioscience to build upon, with high concentrations of R&D;
- Evidence of some highly Advanced Manufacturing activity – with the links to new ‘green’ technologies and other niches
- Beyond these sectors, high value Financial and Accounting still has a clear function.
- Skills though a critical issue which poses difficult questions – key skills gaps reported in many sectors nationally and within the South East, and skills imbalances across the Diamonds reflected in earnings and occupational structure (Reading / Oxford compared to PUSH/Thames Gateway for example).

Following an initial outline, the workshop was split into three groups, which looked sought to develop understanding of three key, cross-cutting issues – Critical Infrastructure, Skills and Innovation. A summary of key points is given below:

**Critical Infrastructure:**

- The infrastructure across the South East is not joined up enough in general to allow rapid economic growth, and congestion simply seems to be getting worse. There needs to be proper co-ordination with the Department of Transport and the Highways Agency.
- It is important to ask the big question of where is the money going to come from now to pay for critical infrastructure – unlikely to be S106 or CIL contributions. There is a need to explore tax increment financing and other new financial models.
- Sufficient broadband is critical to attracting inward investment, reasonable across the Diamonds, although there are still improvements required. Super Fast Broadband is soon to go live in Basingstoke and Dartford, and the wider South East is about to get a large volume of the exchange (all of the Diamonds will have access to sufficient broadband speeds and there is a conscious effort to avoid disparities).
- There could be planning requirements in place, or at least dialogues between developers and planning authorities, before any developments are passed through, to ensure that the fibre technology will be in place.

- There are some key issues in several urban areas around poor office stock available – for example in Southampton where there is an oversupply, and a lack of incubators. Within North Hampshire, there are new ‘working centres’, which are viewed as touchdown areas for people/small firms (there is recognition of the need to meet the needs of business and investors through a quality, forward thinking office space/incubator offer). Flexible shared space is something to also explore.

### **Skills**

- There is a need to build on individual knowledge economy strengths within each Diamond - one size will not fit all, with some Diamonds being stronger than others with regards to the knowledge economy. Perhaps focus 'higher' skills funding on the Western Diamonds - the price of which might be less funding in these areas to support lower level skills?
- Understand and articulate the future skills needs within each cluster – at the moment there may be a gap in understanding what is required. Knowledge economies need highly skilled workforces so ensure that HE/FE are aware of future skills needs and their role in developing the correct skills sets.
- Ensure that skills provision meets projected need - simplify the skills 'offer' - encourage young people to consider the knowledge economy as an employment sector of choice by working with them at an early age and showcasing the various employment options - work closely with EBP's. Education is crucial in embedding innovation in the long term and there is a need to work closely with schools to ensure that this happens. STEM participation and achievement is an equally important part of this process to fill the skills gaps in areas such as Bioscience and high value Manufacturing
- Future vision of the Knowledge Economy – supporting the knowledge economy in the future is about identifying the problems that will drive innovative solutions and facilitating the necessary support to be in place, providing a stable environment for business, in addition to creating the right skills sets to succeed. More transfer of knowledge to businesses from HEIs will be important and helping businesses generally overcome barriers of access to finance, planning blockages and general red-tape.

## **Innovation**

- The emphasis should always be on understanding the enabling factors to industry performance and supporting innovation rather than being overly prescriptive. One example are the Innovation and Growth Teams that have been set up by SEEDA – helping potential high growth firms in the South East are teams of experienced business professionals, coaches and mentors who will help these companies succeed.
- The purchasing power of the public sector is particularly important and should be a key driver going forward – the influence on stimulating innovation should not be understated
- Small company support needs to be in place – small, innovative companies need specialist support to grow, and this goes beyond the current generic support mechanisms in place. There are finance support structures in place though - “Compete 4” fund and “BEN” Venture Capital Fund for example, designed to support high tech start ups – however availability is not sufficient and is likely to hinder innovation. There are also the Regional Venture Capital Funds which each of the RDAs administers. The Innovation Centre Medway is one good example of specialist support, providing state-of-the-art facilities for start-up technology companies.
- Networks and collaboration are important - inter sector collaboration works best – especially around a joint opportunity or tackling a joint problem. It is felt that there is a greater role for the region’s universities to help be part of region innovation system, places, spaces and opportunities to help pull different sector networks together.
- It was agreed that sectors being looked at in the study seemed right, but there are not detailed enough. More depth is required even if it is to talk about some general 'cutting edge' opportunities under each of those sectors and to explore/explain each of them, however it is acknowledged that the niches within the South East Diamonds are not yet well developed.

These summary findings, along with the wider dialogue and conclusions, will be taken forward to inform the development of this piece of research and the action plan which will sit alongside it. The anticipated publication date for “Diamonds – Building the Knowledge Economy” is February 2010.

### *Delivering Sustainable Growth – Meeting the Climate Challenge*

The third and final workshop looked at how public - private partnerships could help to tackle climate change, and how learning and best practice could be shared across the region.

Bill Clark, Sustainability Manager at Southampton City Council gave a presentation on behalf of PUSH (Partnership for Urban South Hampshire), informing the group about developments underway within the sub-region in meeting the Climate Change Agenda. He outlined the composition of PUSH and collective ongoing strategies adopted by the partnership towards the formation of sustainable communities.

The headline targets put forward by PUSH were:

- To provide net 59,000 jobs
- To deliver 80,000 new homes
- 2 million m<sup>2</sup> of employment space

The PUSH strategy was centred on improving the economy of South Hants through delivering more homes in the sub-region. The initial focus of the strategy was on City Centres and older urban areas to secure sustainable regeneration. The strategy ensured that infrastructure investment was in place prior to build out and also focussed on the protection of quality of life and quality of design in the built environment.

The presentation provided examples of innovative and best practices examples of green infrastructure across Europe. An example from the Netherlands involving a rooftop garden highlighted the incorporation of innovative design strategies within a dense urban environment. Participants noted that such innovative strategies by local authorities in the South East region would ensure higher design qualities within urban areas, greener environments and improved quality of life. This would require collaborative actions in strategic policy across the Diamonds.

Participants felt that best practice involving good design were also available locally which could be replicated depending on suitability. It was also observed that an appropriate platform was required for sharing good practice with SME's and other sectors, driven by appropriate planning responses. A number of potential innovative

solutions were discussed including sharing best practices through the platform of the 'Ecological Footprint Policy Group' of SEDfiG.

The presentation set out how a Sustainability Framework had influenced the two LDF Core Strategies adopted within PUSH. The role of public transport was also discussed, with participants agreeing that innovative and effective public transport in urban areas is a key driver to boost the 'low carbon' action process. However, it was likely that finance for relevant and appropriate public transport schemes would become increasingly constrained over coming years.

The workshop also heard about the 'No Nonsense Guide' to Tackling Ecological Footprint which had been produced by SEEDA, working with the SEDfiG Ecological Footprint Group. The guide provided a comprehensive report on the ecological footprint of each of the Diamonds, before providing linked best practice examples which were easily broken down into each of the key components of footprint. The guide was web-based, and had been produced in a Wikipedia style format, which would allow all users to sign up and get involved. SEDfiG and SEEDA were now publicising the guide, and a wider roll-out would begin in December. The web guide can be found at:

<http://www.southeastdiamonds.org.uk/Policy/Ecological.htm>

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2010 SEDfiG Networking Events are expected to be held in June and November