

Annex 1 - Surrey's Economic Growth Strategy 2025-2035

Executive Summary

Surrey's economy – A dynamic and innovative place to do business

Surrey is an area of many economic strengths and the second biggest economy outside of London. The county is exceptionally well connected, globally because of the proximity of Heathrow and Gatwick Airports, as well as to London and the South-East coastal ports. As an internationally recognised region offering outstanding quality of life, Surrey provides a unique blend of dynamic urban centres, quaint villages, and breathtaking landscapes, making it a prime destination for investment and business opportunities.

With more than 110,000 businesses, a highly skilled workforce, an enviable location, Surrey has a great story to tell. The county boasts a long and successful history of attracting international businesses while nurturing some of the UK's most successful and innovative companies. Success has helped to breed success, and the collaborative business ecosystem has led to the evolution of world-class clusters in sectors such as automotive, cybersecurity, space, health, and creative industries. It all contributes to an economy worth £50 billion a year, making it one of the largest regional economies in the country. But Surrey's story is richer than headline figures; the thousands of success stories attributed to businesses based here have roots in the talent, innovation, and ideas of the 1.2 million residents who call the region home.

However, Surrey's overall success story does mask some disparities and pockets of deprivation within the county. West Surrey's economy is disproportionately more productive than East Surrey's, explained largely by the different business bases in the west and the connections to local universities. While many Surrey residents benefit from relative affluence and wealth, there are significant numbers of people in small neighbourhoods, often overlooked by data sets, that struggle with poverty, poor physical and mental health, worklessness, alcohol and substance abuse, and domestic abuse. Surrey has four areas at ward level that fall into the lowest 10-20% decile in the Index of Multiple Deprivation.

Strategic opportunities

There are several specific strategic opportunities that put the county in a strong position to continue to foster innovation and growth over the coming years.

- **Surrey's growth sectors** – Surrey tends to specialise in sectors that are more productive in terms of GVA contribution such as digital services or finance and insurance, with sub-sector specialisms also covering a large range of activities. Surrey also has a high concentration of businesses in the emerging economy, with a

particular strength in space activities. This helps to highlight the polycentricity of Surrey's economy.

- **Knowledge Intensive Services (KIS)** – Surrey has strengths in businesses that offer KIS, with 1 in 4 jobs in a knowledge-based industry in Surrey (i.e. Information and communication, Financial and insurance, Professional, scientific and technical). However, there has been a recent trend of KIS businesses declining at a faster rate than all businesses in Surrey, meaning that the proportion of businesses that are in knowledge intensive services is shrinking.
- **Highly skilled local workforce** – Surrey benefits from a broad-based highly skilled local workforce. Qualification attainment in Surrey is strong, with a particularly high proportion of working age residents qualified to a degree level or above. Since the publication of the last economic growth strategy this has remained consistent.
- **Innovation and R&D** – Surrey businesses perform better than the UK average across most indicators, with the only exception being businesses performing internal R&D. Employment in R&D is concentrated in Surrey's town centres and are often geographically close to key innovation assets in well-connected areas. 11 individual "clusters" in the emerging economy have been identified across Surrey, which demonstrates the extent to which innovation occurs across the county.
- **Infrastructure assets** – Surrey hosts several key innovation assets including universities, anchor businesses, incubators, research hospitals and science & business parks. Many key innovation assets are located near Surrey's largest towns, such as Guildford, Camberley, Staines and Egham, or Weybridge and Addlestone. Many are also located near key transport networks, such as motorways like the M3, M23 and M25 or commuter railway services, including the North Downs Line which provides a crucial East/West transport link.

Strategic challenges

The picture described above is broadly positive: there are substantial strengths on which we can build. However, as previously highlighted by the Future Economy Surrey Commission in 2020, there is risk of "complacency and relative decline". In a dynamic economy, past achievements are no guarantee of future success, and there are several strategic challenges and risks to Surrey's 'virtuous circle' of innovation, productivity and prosperity.

- **Start-ups and microbusinesses** – The total number of businesses in Surrey has decreased in recent years (more sharply than UK and CIPFA¹ averages), driven largely

¹ 'Nearest Neighbours Model', CIPFA, <<https://www.cipfa.org/services/cipfastats/nearest-neighbour-model>>

by microbusinesses, whilst large businesses have grown. Post-pandemic, the number of businesses in Surrey fell by 5.0%, a sharper decline than both the CIPFA average (3.9%) and nationally (0.8%). Business birth rates in Surrey also fell sharply in 2020 and are still below pre-pandemic levels indicating that the county is a more challenging place to start a business.

- **High-growth businesses** – The proportion of high growth businesses in Surrey has declined recently and is below the UK average. In 2022, there were 230 high growth enterprises in Surrey, accounting for 0.34% of all active enterprises, compared to places like Oxfordshire and Cambridgeshire with significantly higher rates at 0.52% and 0.47% respectively.
- **University “spinouts”** – There has been a low level of active spinouts in recent years, and this declining trend is against a national backdrop of increasing numbers. Addressing this will be crucial, as the three universities are important local assets and spinouts are a key way to foster innovation, create high-value jobs, and can help contribute to a strong and resilient entrepreneurial ecosystem.
- **Regional competition for talent** – Surrey has a high proportion of residents in high-skilled occupations. However, workplace occupations are generally lower-skilled occupations than resident occupations in Surrey, suggesting that residents often commute out of the county for top roles (such as London or Reading). In one respect, this is welcomed as those residents will likely have greater disposable income and a portion of which will be spent locally. But for Surrey-based businesses, this competition for workforce presents a challenge for recruitment and filling key skills gaps to support growth.
- **Inactivity rates** – Inequality remains an acute issue, as certain populations have a higher chance of being economically inactive. A large driver of economic inactivity is due to looking after family/home, and people with no qualifications or from the Gypsy Romany Traveller Community are more likely to be economically inactive than comparators.

Our vision and strategic priorities

The core mission of the economic growth strategy is to:

Ensure that Surrey continues to retain its position as one of the country's leading high-value and innovative regional economies by increasing productivity (GVA) and delivering wider socio-economic benefits to ensure no one is left behind.

Surrey is in a strong position to build on the local economic strengths of a highly mixed and polycentric economy with several nationally significant sectors and emerging economy sub-sectors. These are the key engines of innovation, productivity, growth, employment, investment, and sustainability, which contribute to Surrey's "economic USP".

Underpinning this mission are three interconnected strategic priorities that are the key components that will help deliver local growth:

- 1. Ensuring Surrey's residents can support the workforce and skills demands of Surrey's businesses***
- 2. Creating the right conditions for Surrey businesses to start, grow and thrive***
- 3. Enabling economic infrastructure to unlock growth through place-based approaches***

Priority 1 – Ensuring Surrey's residents can support the workforce and skills demands of Surrey's businesses

Why is it important?

Surrey's economic future will involve an increasingly high-value, knowledge-intensive, and 'digitised' economy. Access to a skilled workforce that reflects economic need and is adaptable to future demand will enable more businesses to operate efficiently, to expand, improve their competitiveness, and can help foster innovation through the implementation of new technologies and processes.

The county has also consistently benefited from high-employment rates, therefore addressing economic inactivity and underemployment is a crucial element of this priority, by providing opportunities for all to acquire relevant skills. This will lead to increased household incomes, improved health and wellbeing outcomes, and help tackle the pockets of deprivation that exist across the county.

Creating a stronger and more responsive alignment between the skills of the local workforce with local business needs will be a key driver of productivity growth and enable a virtuous cycle of opportunity that benefits businesses, residents, and the wider community.

Key areas for action

- Local skills provision is reflective and responsive to current and future needs of Surrey businesses.
- Attracting working age populations (16-64) and ensure employment opportunities are available for all, particularly targeting those without formal qualifications and helping lower skilled residents into high demand sectors.

- Upskill residents to help address workforce needs across Surrey employers.
- All residents can navigate and take advantage of employment support and skills/professional development provision.
- Careers provision is aligned to emerging and future workforce needs of Surrey businesses to inspire the next generation and ensure a local talent pipeline.
- Employers supported to recruit from a wider talent pool to help address inequality in skills and employment and tackle micro clusters of deprivation.

Priority 2 – Creating the right conditions for Surrey businesses to start, grow and thrive

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Why is it important?

Surrey is an entrepreneurial county and home to innovative businesses, particularly in sectors like Professional Services, Space, Creative, Automotive, Games, Animal Health, and Cyber Security, which contributes to a vibrant and dynamic regional economy. However, we know that many Start-ups and SMEs are facing wide-ranging challenges impacting their ability to grow and scale-up, such as increased economic costs/uncertainty, access to finance, investment readiness, and technological change. There are also new “emerging economy” sub-sectors across Space Energy, deep tech including quantum and sensors, as well as part of life sciences like MedTech, that will be the key drivers of future growth and will have more specialised support requirements that need to be considered.

Fostering the right business environment through access to dedicated support, funding, networks, and facilities will enable successful firms to expand, new innovative firms to emerge and grow, and enable widespread technology adoption across the county’s SME base. This will help unlock long-term economic growth, stimulate job creation, and increase productivity.

Key areas for action

- Grow the business base, by supporting start-ups, university ‘spinouts’, and small businesses, particularly those in knowledge intensive services.
- Target more intensive support at high-growth SMEs, or those with high-growth potential.
- Sustain local strengths in tradeable jobs and support businesses to expand into new markets, within the UK and internationally.
- Surrey’s innovation strengths should be leveraged to support growth across the wider region.
- Build stronger business-to-business and business-to-knowledge base links between ‘anchor’ and emerging businesses, universities and support institutions.
- Ensure capacity for innovative businesses to expand.

Priority 3 – Enabling economic infrastructure to unlock growth through place-based approaches

Why is it important?

Surrey is polycentric, benefitting from a widely distributed network of strategic towns and sub-regional clusters of several nationally significant sectors and sub-sectors.

Economic infrastructure, such as transport networks, availability of commercial sites, digital connectivity, and local energy systems, are crucial foundations of a thriving economy. Improving these local assets will boost productivity by enabling businesses to operate more efficiently, have space to grow, and attract investment.

We need to align our economic growth interests with our spatial and infrastructure priorities to help tackle the physical barriers to unlock growth. By addressing specific local needs and leveraging local strengths will help to generate maximum impact and help to foster thriving communities.

Key areas for action

- Improve road and public transport infrastructure to tackle congestion and improve inter-county travel.
- Fill out existing commercial/industrial space and maximise the opportunities it brings.
- Ensure employment and commercial land demands are balanced against growing housing targets.
- Support the increased provision of new and affordable homes.
- Continue to ensure that digital and electricity infrastructure supports businesses across the county, including rural areas.
- Take a more strategic view across all local growth and investment funding streams to maximise benefits to local people and places.

Governance

One Surrey Growth Board

The One Surrey Growth Board helps to influence and steer the council's strategic approach to growing the regional economy. The board is a constructive check and challenge of local decision-making and helps to drive forward the county's economic growth policy and programmes. It includes representatives from the public and private sector, including multinationals, business representative organisations, education and local government.

The board is focused on:

- understanding the county’s current economic context,
- highlighting regional assets, advising on key strategies,
- providing feedback on the implementation of economic growth programmes and initiatives,
- working collaboratively to support and grow our economy.

The One Surrey Growth Board is supported by several partnership groups in achieving its ambitions and delivering the local economic strategy. This includes the Surrey Business Leaders Forum, Surrey Place Leaders Group, Surrey Skills Leadership Forum and Surrey Innovation Working Group.

Further details about membership can be found here:

<https://www.businesssurrey.co.uk/about-business-surrey/how-we-work/one-surrey-growth-board/>

Surrey Business Leaders Forum

The Surrey Business Leaders Forum represents a diverse range of businesses linked to the county’s economic strengths. It brings together companies from across the county including SMEs, Surrey-based multinationals, businesses from Surrey’s priority sectors, and business representative organisations.

The Forum plays a critical role in elevating the voice and role of business in local decision-making related to economic growth. It is an advisory group providing the One Surrey Growth Board and Surrey County Council with business insight, expertise, and challenge relating to the business impact of council initiatives. The Forum also helps to raise awareness of local business and economic needs.

Further details about membership can be found here:

<https://www.businesssurrey.co.uk/about-business-surrey/how-we-work/surrey-business-leaders-forum/>

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