

SURREY COUNTY COUNCIL**CABINET****DATE: 26 OCTOBER 2021**

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REPORT OF CABINET MEMBER: TIM OLIVER, LEADER OF THE COUNCIL**LEAD OFFICER: MICHAEL COUGHLIN, EXECUTIVE DIRECTOR FOR PARTNERSHIPS, PROSPERITY & GROWTH****SUBJECT: ECONOMY AND GROWTH UPDATE REPORT: DELIVERING A PROGRAMME FOR GROWTH****ORGANISATION STRATEGY PRIORITY AREA: GROWING A SUSTAINABLE ECONOMY SO EVERYONE CAN BENEFIT/TACKLING HEALTH INEQUALITY/ENABLING A GREENER FUTURE/EMPOWERING COMMUNITIES****Purpose of the Report:**

'Surrey's Economic Future: Our 2030 Strategy Statement' agreed by Cabinet in December 2020 directly supports the organisation strategy priority area focused on 'growing a sustainable economy so everyone can benefit' and indirectly contributes to the 'tackling health inequalities', 'enabling a greener future' and 'empowering communities' priorities.

This Cabinet report provides an update on the activities taken forward to deliver on the economic opportunities set out within the economic strategy and help address the economic challenges in Surrey following the COVID-19 pandemic. This includes an update on the work to establish a core Inward Investment Programme, examples of our developing local economies and High Streets work, in Horley and Staines, and the implementation of a Digital Infrastructure Programme. An update is also provided on the Surrey County Deal proposal.

Cabinet is asked to agree the key elements of the future work programme which will include the incorporation of five new projects within the delivery plan.

Recommendations:

It is recommended that Cabinet:

1. Note the update on the work undertaken to address the challenges and opportunities set out within Surrey County Council's Economic Strategy Statement to 2030: Surrey's Economic Future.
2. Acknowledges the role and contribution of the One Surrey Growth Board to the development of the economic growth future work programme set out
3. Agree the forward programme of work to deliver Surrey's Economic Future, as detailed in Annex 1.
4. Note that a further update will be presented to Cabinet in Spring 2022.

Reason for Recommendations:

The work programme to deliver on Surrey's Future Economy Strategy is at an early stage of development and needs to remain agile to take advantage of current opportunities as well as responding to the challenges which are limiting the productivity and growth of the Surrey

economy. Updates are presented to Cabinet to ensure the work programme remains aligned to the Council's priorities and responsive to the needs of residents and businesses.

Since the last update to Cabinet in April 2021, the programme of work has been significantly refined and expanded to incorporate detailed and deliverable projects. A further five projects have been identified for feasibility work to deliver on the objectives of the Strategy. Approval is sought from Cabinet to agree the updated work programme to reflect the addition of the five new projects detailed in section 21 of this report.

Executive Summary:

Strategic Context

1. Surrey County Council's 'Forward to 2030, Economic Strategy Statement', titled 'Surrey's Economic Future' was agreed by Cabinet in December 2020 and sets out the path to economic recovery and prosperity.
2. Four main themes/opportunities for the County's post COVID-19 resilience and growth have been identified, including:
 - a. Delivery of Surrey's Inward Investment Programme and promotion of the Surrey Story
 - b. Convening and place leadership to reimagine Surrey's High Streets for the future
 - c. Skills for growth: maximising opportunities through skills development for the future.
 - d. Delivery of key Infrastructure across Surrey, including gigabit capability, highways and transport, and business networks and partnerships.
3. The four opportunity areas were proposed through the work of Surrey's Future Economy Commission, led by Lord Philip Hammond through 2020- 2021, and through the subsequent engagement work undertaken. These priority areas have been further informed through wider stakeholder input secured through the One Surrey Growth Board, which is Chaired by Cllr Tim Oliver and brings together leaders across further education, higher education, business, community and voluntary sector, MPs and D&B representatives.
4. Since the strategy and themes were agreed in December 2020 and April 2021 respectively, specific interventions are already being taken forward to drive a more innovative, inclusive, and productive economy. This includes the launch of a new Surrey-specific approach to inward investment, a strategic, community-led approach to placemaking (with test modelling underway in Horley and Staines as those towns most impacted by the downturn in the aviation industry) and a programme of work to improve full fibre digital connectivity in Surrey.
5. A collaborate approach has been adopted to deliver the cross-cutting organisational objectives of economic growth, greener futures, and social value and maximising opportunities for all. This close working between the Economy & Growth team, Land & Property, and Environment, Transport and Infrastructure (ETI) has led to a co-ordinated approach to developing the Greener Futures delivery plan, Surrey's Economic Future Delivery Plan and Surrey's Infrastructure Plan. Going forward, further integration of these work programmes will maximise opportunity for specific projects to achieve cross-cutting organisational objectives.

6. In developing Surrey's Economic Future delivery plan, Surrey County Council (SCC) has led engagement with partners authorities, (including representatives from the One Surrey Growth Board and the Surrey Business Leadership Forum) to identify interventions which may be required to match the level of ambition set out within the economic strategy. This has led to five new projects having been identified.
7. Annex 1 sets out the full programme for agreement by Cabinet. The updated work programme includes the completion of feasibility work for the five new projects set out in section 21 of this report.

Update on work programme

Delivery of Surrey's Inward Investment Programme

8. To support the priority theme, 'Growing the Leading Edge' and, to deliver a 'step change' in Surrey's competitiveness, Surrey County Council is redesigning and reinvigorating its inward investment service, including a refreshed online presence promoting the County as an attractive and highly competitive business destination. This is drawing on and aligned with the ThinkingPlace work on the Surrey Story. It is the first time, in recent years, that Surrey County Council has taken a proactive approach to attracting new large-scale employers and innovative businesses to Surrey and has been able to provide support to growing businesses looking to relocate.
9. The team are proactively targeting several well-known companies and/or growing businesses (recently financed) interested in relocating to the region and are actively managing a pipeline of potential opportunities working closely with colleagues from SCC's Land & Property team and District & Borough partners to identify suitable sites for investment.

Reimagining Surrey's High Streets, retail centres and towns

10. The County Council is leading a pioneering new approach to reimagining town centres, through working jointly with borough councils to implement a community-led visioning and engagement process. This is most developed, in support of determining the investment priorities, for Horley and Staines. In Horley's case, this work has involved the submission of an innovative Community Renewal Fund (CRF) application, the outcome of which remains unknown at this stage. These two localities have been identified as initial test models due the impact of the downturn in the aviation and travel sectors affecting these towns. The approach being taken will be developed through the work in these localities prior to being considered for adoption in other key locations in Surrey.

Skills for Growth: Maximising opportunities within a balanced economy

11. As with the whole of the UK, Surrey has seen a dramatic change in the labour market both through the pandemic and in the post EU context. This has resulted in a significant skills mismatch whereby people displaced by the pandemic do not have the skills required to take up the employment opportunities that have become available in the new post pandemic / EU labour market. These changes have been further exacerbated by changes in the wider economic landscape such as a reinvigorated focus on climate action and increasing technological and digital opportunities.

12. The pace of change is expected to continue, and the skills provision will need to adapt to the shift in focus to new a greener economy, increased demand for health and social care and technological innovation across all sectors. Not only does this mean that employers need support to secure the skilled workforce of the future but also that SCC needs to undertake a role in supporting our more excluded communities to be able to be prepared to take up the opportunities on offer in the Surrey economy. This means providing support across all skills levels, to maximise the opportunity for everyone in Surrey to benefit from a growing economy.
13. SCC is working with partners to transition the Employment and Skills Board into a newly formed Surrey Skills Leadership Forum which will provide more strategic oversight of the skills system and use a research driven, evidence led approach to designing interventions for the future. Part of this approach will include the development of a locally agreed Skills Improvement Plan which will underpin future activities in the county (See section 21d below).

Delivery of Gigabit Capable Infrastructure

14. The importance of digital technology has been recognised as a priority to support the growth of a leading-edge economy and tackle issues of social exclusion. However, data shows that the roll out of gigabit speed coverage across Surrey has fallen below national average. Only 24.81% of residential and business premises are currently able to access Gigabit speeds, relative to a UK average of 49.27%.
15. This position is expected to change significantly over the next few years with large scale upgrades planning by Openreach, Virgin Media and new smaller 'Alt-Net' providers also investing in Surrey. Further details about these plans to increase digital infrastructure coverage can be found on the [Surrey County Council website](#).
16. Furthermore, Building Digital UK (BDUK), as part of the Department for Digital, Culture, Media and Sport (DCMS), have announced plans to invest up to £171m within Surrey to support connectivity in hard-to-reach areas which are not able to attract investment by the private sector, due to viability issues. We are in dialogue with BDUK to ensure that Surrey's needs are considered a priority for delivery and continue dialogue with commercial providers to promote Surrey as an attractive place for investment.
17. In order to encourage commercial investment, a targeted work programme has been established to tackle barriers to investment in digital infrastructure within Surrey. This includes work to maximise the use of SCC's own assets for installation of full fibre and 5G technology. The first stage of this work has been to complete an options analysis for the potential charging and method of implementation.
18. DCMS have recently launched an opportunity for Local Authorities to bid for between £400,000 and £500,000 to become a pilot area: to trial the use of assets and street furniture to support the digital infrastructure and the roll out of advanced wireless connectivity. Officers are considering preparation of a bid for this funding as an opportunity to take forward this work programme.

Updated delivery plan

19. The activities undertaken over the last six months, in support of Surrey's Future Economy, set a direction of travel, but a more ambitious programme of work is

required to deliver the transformative change and achieve the economic opportunities which have been identified for Surrey.

20. SCC has worked with stakeholders across Surrey, such as through the One Surrey Growth Board, Surrey Business Leadership Forum, and the Skills and Employment Board, to identify additional activity that will align with the economic priorities and areas of opportunity and drive enhanced performance of Surrey's economy.

21. To date, the following five additional work streams have been identified to support Surrey's Economic Future.

- a. **Scaling up the Inward Investment Service** – As described in section 8 and 9 of this report, work has been completed over the last six months to develop a 'core' inward investment service that covers the whole of the County, which, in view of the LEP structures and responsibilities in place, has not been the case in recent times.

There is an aspiration and opportunity to provide a scaled and enhanced inward investment offer, which would establish an integrated service, to cater to the wider needs of relocating and expanding businesses. As well as providing support in identifying commercial space, the provision of additional services could be explored, including links to people and skills, and support to help navigate 'the system'.

This enhanced offer would require a team of people to deliver and would come with higher operating costs. The next step for will therefore be to develop a business case, identify potential funding sources, explore potential operating models and costs. Part of this work is likely to be impacted by the imminent results of the national LEP Review, which will be factored into the business case development.

- b. **Innovation Programme** – Different potential interventions are being considered to help incentivise the relocation of businesses to Surrey and the growth of existing high value businesses within Surrey. The options under review include creating a Challenge Fund and/or Innovation Loan Fund. These funding streams would be targeted at the development of innovative concepts and solutions to grow the Surrey and UK economy. A particular focus of these funding streams could be on the development of clean growth technologies, to help meet Net Zero Carbon targets.

The next steps will be to complete feasibility work for these proposed interventions, to understand the case for investment and to consider how the measures could be targeted to add value to existing funding sources.

- c. **Social Innovation Hub** – Universities in Surrey have expressed a desire to increase their physical reach and delivery outcomes with business and local communities, as a way of sharing their leading-edge research and gaining mutual benefit from the practical application of concepts and prototypes. The idea of Social Innovation Hubs remains at an early stage and requires further exploration with partners and potential end users.

Alongside this, there is a strong desire to support the diversification of high streets with an alternative offer to retail use. A project concept has therefore been identified, for SCC to work with the universities and create pop-up Social Innovation Hubs on the high street, as a way of testing and delivering on these two objectives.

The offer that could be provided within each Social Innovation Hub will be driven by the needs within the local community it serves. The next steps will be to work with the Universities and other partners to produce feasibility work, to explore the concept further and help identify the distinct offer of the Social Innovation Hubs.

- d. **Local Skills Improvement Plan (LSIP)** – As described in sections 10 - 12, the skills needs within Surrey are changing. It is therefore proposed that SCC should work closely with local partners, including the Surrey Skills Leadership Forum, to establish an ambitious LSIP. This will set the framework for the redesign of the Surrey skills system, to ensure that it meets the needs of both employers and resident. The LSIP will identify gaps in provision and make recommendations for future skills interventions to align course provision more closely with future business needs.
- e. **Corporate Social Responsibility (CSR) and maximising role of large employers** – Surrey is fortunate to benefit from the presence of large businesses and anchor institutions, but engagement with both the public and private sector has indicated that more could be done to maximise the potential social value and economic benefit of this economic advantage.

Businesses have what is referred to as a “Corporate Social Responsibility”, whereby consideration should be given to the social, economic and environmental impact of the business. Many businesses in Surrey recognise the beneficial impact that CSR activities can have and already undertake work to positively engage with their local communities.

There is an opportunity for SCC to take a leadership role, to harness and help direct private sector investment, coordinate businesses Corporate Social Responsibility offer and lead by example, as a large employer in Surrey.

Whilst work is already underway by SCC, such as through the social value responsibilities as part of procurement processes, there is an opportunity to go further. SCC will look internally and externally at the potential to further support SMEs and to create opportunities for all within the County.

- 22. Funding has yet to be identified for the delivery of these interventions. Subject to Cabinet’s comments and approval, work will be undertaken to prepare business cases for investment and to seek suitable and sustainable funding sources. To take forward these interventions from early-stage concepts to the stage of being ready for delivery once funding for implementation and operation has been identified, working groups will be established. These will draw on the experience and expertise of partner organisations to ensure the proposed interventions add value and deliver on the needs of Surrey businesses and residents.

Levelling Up and County Deals

23. In advance of a White Paper due to be published in the coming weeks, the government have set out their initial views on 'levelling up' as well as taking a more flexible approach to devolution and the establishment of 'County Deals', to support the conditions for long-term growth and productivity. Although the detail will be set out in the White Paper, it is clear that a central part of the agenda is to address ingrained issues that have historically been barriers to social mobility. This is as relevant to Surrey as it is to other parts of the country and we are determined that the residents of Surrey are not left behind.
24. It is anticipated that County Deals will see powers, freedoms and flexibilities devolved from central government to local government, offering the same powers metro mayors have to other parts of the country. They will be negotiated and led by upper tier Councils. There will be no new or additional funding for them, and they will not require local government reorganisation.
25. In view of the significant opportunity and potential contribution a County Deal could provide in support of the County's Economic Strategy, work programme and priority projects as set out in this report (as well as enabling us to deliver more effectively our other three priority areas of tackling health inequality, enabling a greener future and supporting and empowering our communities) the County Council has begun work and engaged with key partners on the broad content of a draft County Deal, which will be subject to further development, refinement and engagement following the publication of the Levelling Up White Paper.

Measuring Success – growth measures

26. To help track Surrey's economic performance, Table 1 shows six measures and target positions. Future update reports to Cabinet will show the progress towards these targeted positions.

Table 1 – Growth Measures

Metric	Targeted position
Gross Value Add (GVA)	19% increase by 2030 from 2019 baseline
Employment in Knowledge Intensive Industries	1 percentage point increase to employment in knowledge intensive industries across Surrey, by 2030.
High Growth Businesses	5% of active businesses to be High Growth businesses, by 2030
Gigabit Capability	Increase coverage to 40% to keep pace with rest of UK, by 2030
Housing Affordability	Improve housing affordability ratio from 11.5 to 10.5, bringing Surrey closet to the South East, by 2030
Claimant Count	Claimant count to return to 1.1% within three years
Carbon Output	Reduction in output to meet Climate Change Strategy target of county net zero by 2015

Consultation:

27. The updated delivery plan has been developed through engagement with local partners. Specifically, a series of workshop meetings were organised during July 2021 to discuss potential project ideas under each of the economic priorities. These

workshops were well attended by organisations represented on the One Surrey Growth Board.

28. The One Surrey Growth Board met on the 8 September to provide a steer on the emerging new workstreams and will continue to be engaged through the development of the project concepts.
29. Furthermore, the Surrey Business Leadership Forum met on the 16 September 2021 and were provided with an update on the proposed future delivery programme and fed in their comments to the projects at section 21.

Risk Management and Implications:

30. The proposed programme of work is at an early stage of development. The next stage of development will test the case for investment, costs and deliverability of the proposed interventions. There is a risk that this further work will identify project constraints which slow or prevent the delivery of these interventions in the near future. Cabinet will be kept up to date on the delivery of the work programme and any emerging project risks.
31. The funding for the delivery of the interventions listed in section 21 has not yet been identified. As the projects are currently at concept stage, existing revenue funding will be used to support the development of project business cases and make the case for investment to enable the projects to proceed to delivery. There is a risk that SCC will not be successful in securing funding for the delivery of these interventions.

Financial and Value for Money Implications:

32. It is proposed that the development of the project proposals will be taken forward using a combination of the existing revenue budget allocated to the Economy and Growth team and through a bid for Transformation Funding. An increase to the revenue budget is being requested as part of the 2022/23 budget proposals, but this is yet to be approved. In addition, transformation funding to the value of £310,000 has been bid for internally. If these additional funding requests are unsuccessful, the delivery of the interventions will be phased based on capacity within the team.

Section 151 Officer Commentary:

33. Although significant progress has been made over the last twelve months to improve the Council's financial position, the medium-term financial outlook beyond 2021/22 remains uncertain. The public health crisis has resulted in increased costs which may not be fully funded. With uncertainty about the ongoing impact of this and no clarity on the extent to which both central and local funding sources might be affected in the medium term, our working assumption is that financial resources will continue to be constrained, as they have been for the majority of the past decade. This places an onus on the Council to continue to consider issues of financial sustainability as a priority in order to ensure stable provision of services in the medium term.
34. The Section 151 Officer supports the proposals set out in the forward programme of work to deliver Surrey's Economic Future. The additional capacity required in the Economic Development Team is being considered as part of the wider budget setting process for 22/23 onwards. Future capital and/or revenue implications of the

proposals will be better understood as part of the next steps and development of the relevant business cases. Future approval will be sought from Cabinet before any of the interventions listed in section 21 proceed to delivery.

Legal Implications – Monitoring Officer:

35. This is an updating report on the progress of delivery of the Council’s Economic Strategy. Cabinet has previously received advice on its general statutory powers and duties to promote economic growth including the general power of competence contained within the Localism Act 2011. There are no further specific legal implications associated with this update.

Equalities and Diversity:

36. An Equality Impact Assessment will be developed for each of the interventions listed in section 21 of the report, as part of the project development work. The document will be drafted as part of the feasibility work and will remain a live document throughout the delivery of the project.

Other Implications:

37. The potential implications for the following council priorities and policy areas have been considered. Where the impact is potentially significant a summary of the issues is set out in detail below.

Area assessed:	Direct Implications:
Corporate Parenting/Looked After Children	No significant implications arising from this report.
Safeguarding responsibilities for vulnerable children and adults	No significant implications arising from this report.
Environmental sustainability	No significant implications arising from this report.
Compliance against net-zero emissions target and future climate compatibility/resilience	The proposed programmes have the potential to support Surrey’s NetZero and resilience ambitions through supporting low carbon transport, green skills required to decarbonise homes, decarbonisation of businesses among others. The programmes are at early stage of development, the extent of impact will be assessed for each programme at design stage.
Public Health	No significant implications arising from this report.

What Happens Next:

38. An update on the delivery programme will be brought back to Cabinet in six months.

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Consulted:

SCC Leader

SCC Corporate Leadership Team

SCC Finance Officers

SCC Legal Team

Annexes:

Annex 1 – Summary of forward work programme

Sources/background papers:

Surrey's Economic Future: Our 2030 Strategy Statement