

**SURREY COUNTY COUNCIL****CABINET****DATE: 27 OCTOBER 2020****REPORT OF: MR TIM OLIVER, LEADER OF THE COUNCIL****LEAD OFFICER: MICHAEL COUGHLIN, DEPUTY CHIEF EXECUTIVE****SUBJECT: SURREY ECONOMIC STRATEGY 2030 UPDATE****SUMMARY OF ISSUE:**

At the end of 2019, Surrey County Council and key stakeholders came together through the Surrey Economic Commission to consider evidence related to the Surrey economy with the intention to refocus attention on the Surrey geography and to understand what story the economic data told about the economic position of Surrey. The Commission was Chaired by Lord Philip Hammond of Runnymede and, in the first instance, received evidence in the form of a comprehensive data analysis from ARUP.

The intention was for the Commission to present its findings and recommendations to support the production of a Surrey Economic Strategy early in 2020, however the impact of the COVID-19 Pandemic on the economy required that the original strategy was paused whilst a revised consideration of the economic position of Surrey relative to the UK economy was undertaken.

The COVID-19 Pandemic remains a live issue for the economy creating an unprecedented set of circumstances and an unknown future environment. There remain a number of ongoing macro issues which are impacting on the Surrey economy, including the imminent EU exit, the impact of digitisation and automation on the world of work and the climate change agenda. Whilst understanding and responding to the economic situation in this context is complex and challenging, it is also vital that we do.

The development of a new Surrey 2030 Economic Strategy has therefore started, and this report provides an update on progress of that work, the wider strategic context and alignment with other related activity with a view to bringing a final strategy for approval in December 2020.

**RECOMMENDATIONS:**

It is recommended that Cabinet:

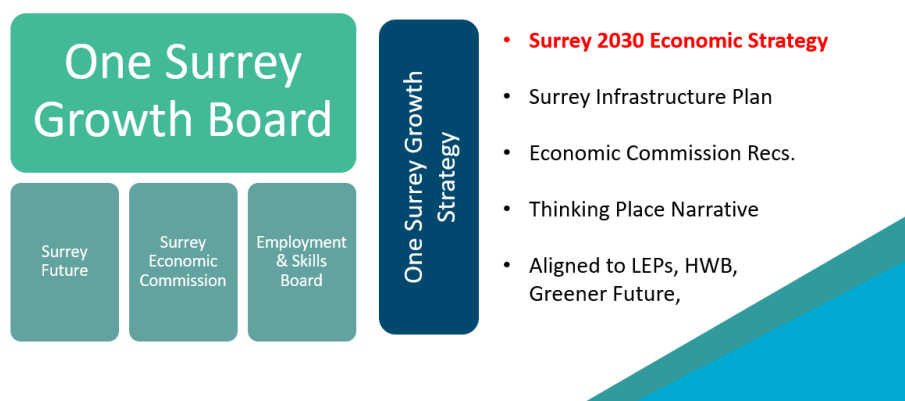
1. Note the progress taken on the development of the Surrey 2030 Economic Strategy to date and the proposed process of engagement and approval;
2. Note that the final strategy will be presented at Cabinet in December 2020.

**REASON FOR RECOMMENDATIONS:**

Cabinet is receiving this update to ensure that the process of engaging and consulting on the 2030 Economic Strategy is inclusive and that Members are aware of the wider context and emerging themes; this will give all stakeholders the opportunity to contribute to the Strategy in advance of it being presented for approval in December 2020.

**Strategic Context**

1. The wider UK and Surrey economic context in October 2020 is incredibly unpredictable. The COVID-19 Pandemic remains a live issue for the economy creating an unprecedented set of circumstances and an unknown future environment. Various other macro issues remain and these also have an impact on the Surrey economy. They include (but are not exclusively): the imminent EU exit, the impact of digitisation and automation on the world of work and the climate change agenda. Whilst understanding and responding to the economic situation in this context is complex and challenging, it is also vitally important. In order to present an effective strategy in this context, it will need to be flexible and agile and able to adapt to changing external circumstances, policy, governance structures and resource availability.
2. The Surrey 2030 Economic Strategy will provide a Surrey-wide economic perspective, adding value to the work undertaken locally through Districts and Boroughs, LEPs and direct government interventions, providing a Surrey specific vision for change underpinned by clear objectives and a strong strategic intent. Economic impacts are cross-cutting and diverse and therefore the emerging Strategy needs to reference many competing interests, harmonising and prioritising a number of different objectives. In order to do this, the Strategy is underpinned by a robust analysis and interpretation of Surrey specific data and evidence and will refer directly to other relevant strategies, for example the Infrastructure Strategy, Surrey Future Ambition, Health and Wellbeing Strategy and Surrey's Greener Future; it is also likely that additional, more focused strategies emerge, for example a Surrey Skills Strategy.
3. The Strategy is also being developed in the context of the Surrey Economic Commission findings and the new One Surrey Growth Board. The diagram below sets out how these various strands of work will come together.

**Evidence Base**

4. The emerging strategy will draw on various strands of evidence including:
  - Surrey Place Ambition (July 2019)
  - ARUP Baseline Research (March 2020)
  - ARUP COVID-19 Economic Impact Assessment (June 2020)
  - ARUP Infrastructure Plan (June 2020)
  - University of Surrey Cluster Research (November 2020)
  - Surrey Economic Commission Findings (September 2020)

- Socio-economic research on 'Surrey in a COVID context' (due October 2020)

However, it is apparent that further research will be essential to refresh and update the strategy at regular intervals in order to ensure that it remains current and deliverable in the changeable environment.

- The following summarised SWOT analysis of Surrey data, undertaken by the University of Surrey in September 2020, is a helpful interpretation of the available evidence. The full research report is being launched on 12<sup>th</sup> November and this evidence will continue to be enhanced as the strategy develops. In addition to the University of Surrey Research and evidence base, we will also include ARUP's evidence base, the Social Progress Index and underpinning Health and Wellbeing data also utilising our internal capability in our Insight and Intelligence Team.

Strengths	<ul style="list-style-type: none"> <li>• Surrey has a strong, productive economy with the biggest GVA outside of London (2018)</li> <li>• We have a high-skilled, mature workforce concentrated in highly productive sectors including financial services, sciences, professional and scientific areas of work</li> <li>• Strong international and business connections, with easy access to two major international airports</li> <li>• Surrey has low deprivation &amp; high standards of living</li> </ul>
Weaknesses	<ul style="list-style-type: none"> <li>• GVA showing relative weakness in preceding 5 years: GVA growth rate since 2014 has been slower than the overall UK and England growth</li> <li>• GVA per hour worked is considerably higher than the regional and national averages in both West Surrey and East Surrey. However, West Surrey contributes over twice as much GVA as the East Surrey area</li> <li>• Low housing affordability: Surrey is the second most expensive County in England, with an average house price of £537,000 versus a national average of £298,000.</li> </ul>
Opportunities	<ul style="list-style-type: none"> <li>• Further investment in digital connectivity and the expansion of fibre optic services to homes and businesses within the county to enhance remote working capabilities.</li> <li>• Improving the business environment and innovation by attracting high technology businesses – traditionally a Surrey strength</li> <li>• Attracting and retaining young people within the County Surrey has a below average number of young people (20.7% of population in 2018) and current projections indicate this worsening to 19.1% of population by 2040.</li> </ul>
Threats	<ul style="list-style-type: none"> <li>• International companies may choose to reduce office space and increase work from home as a result of COVID, reducing the need to live near to towns and within the London commuter belt.</li> <li>• We are 'competing' for government attention with the north of England</li> <li>• We have declining town centres, with significant loss of shops in Guildford (-10.9%), Epsom and Ewell (-10.3%), and Woking (-9.3%) since 2000.</li> <li>• There is a lack of county growth initiatives and future economic development plans</li> </ul>

### Emerging Framework

- The strength of the Surrey 2030 Economic strategy lies in the county's existing competitive advantage, its robust performance across a range of areas and its relative resilience. The strategy must build from these strengths and assets and position Surrey as the primary driver of economic recovery and renewal, recognising the need to position ourselves strongly against a strong northern focus.
- The Strategy objectives have evolved in direct alignment with the findings of the Surrey Economic Commission which Lord Hammond, as Chair, presented to the Growth Board on 1 October 2020. The Commission proposed that a four-fold action plan in the form of a 'growth first' strategy needs to be put in place to address:
  - Intra-County disparities:** Addressing the deepening economic disparity between East and West Surrey's economies and sectoral performance to avoid widening inequalities and to increase the County's overall GVA per capita growth rates.
  - Governance:** Local Authorities at both levels need to work more effectively with LEPs, and a host of key stakeholders to design "local-growth, local-jobs"

programmes, tailored to the different local economic realities, but promoting the same key message that “Surrey’s in Business”.

- iii. **Surrey Specialisms:** For example, building the County’s claim to be England’s Silicon Valley by consolidating existing high-tech hubs, connected by ‘business corridors’, while kick-starting rescue packages for those aviation-related industries whose current woes will negatively affect Surrey’s overall GVA.
  - iv. **Healthy Surrey:** Launching packages to promote an uplift in Surrey’s demography; retaining high-skilled students, attracting highly-qualified younger workers and their families by providing enhanced and sustainable infrastructure, accessible housing and an attractive lifestyle.
8. Recognising and building further from these themes, the emerging 10-year ambitions of the strategy are:

- Our reputation as an economic leader and primary location to do business is retained and strengthened;
- Digital infrastructure for ‘whole-place’ is directly linked to our residents’ lived experiences and targeted business innovation / growth;
- Surrey as a place that nurtures innovation to retain and grow our dynamic business base;
- Our resilience builds from our sectoral opportunities including the green economy, sustainable construction, health, life sciences and social care;
- Surrey as a network of future-proofed, hyper-local, interconnected places that complement each other through sustainable transport networks;
- We have a refreshed mutually beneficial, symbiotic relationship with the wider sub-region, including London;
- A place where we have rural economic resilience linked to our urban strengths;
- Surrey is known as a place for equity of opportunity, identifying inequality within places (including socio-economic determinants of health) and intervening to re-balance our economy;
- We grow the economy with an acute awareness of climate impacts.

9. The above objectives can be delivered under the following three ways of working:

i. **Strategic Economic Leadership**

- *The need to co-ordinate and agree joint strategic priorities in the interest of Surrey to ensure a clarity of purpose for all partners.*
- *Working to maximise investment and external funding into Surrey through targeted service delivery, aligning resources, initiating and support funding bids and providing project management resources.*
- *Through a new digital infrastructure strategy, secure successful delivery of improvements such as Full Fibre networks and 5g.*
- *Release full business capability and support equity of opportunity through a strategic approach to the skills system in Surrey.*

ii. **Whole Place-making**

- *Reimagine our places in the context of the ‘hyper-local’ economy.*
- *Enable the digital and sustainable transport connectivity needed in a COVID-19 economic environment.*

iii. **Strategic Relationship Management**

- *Develop an influential strategic relationship across primary stakeholders e.g. Surrey Future Board, key businesses and government.*

- *Communicate as a coherent voice for Surrey to enable positive and constructive dialogue with key players such as Central Government and LEPs.*
- *Use all available public sector economic levers and networks (e.g. focusing on retaining the Surrey pound).*

10. Recognising and building further from these themes, the emerging 10-year ambitions of the strategy are:

- Undertake research to guide and direct our programmes of work and influence others.
- Resolutely focus on opportunities for growth, for example through our emerging priority sectors:
  - o Green, Sustainable Construction, Energy
  - o Scientific (Health, Care, Pharma, Animal Disease)
  - o Technology, Digitally driven clusters
  - o Establish infrastructure to support county-wide, interconnected (digital and sustainable transport) hyper-local economic centres with social, learning and environmental vibrancy.
- We will lead innovation through interventions across Surrey, intervening to increase connection between innovators and institutions
- Lead the strategic coordination of skills provision to improve resident skills and employability at all levels
- We will retain our international business base and secure greater investment and international trading opportunities as part of our unique Surrey offer
- Support rural economic resilience developing a symbiotic relationship with urban strengths

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## Measuring Success

11. Whilst it will not be possible to define all our success measures in advance of the detail of the strategy being known, it is anticipated that high level economic indicators will be enhanced by a broader set of more holistic indicators, such as the Social Progress Index and those detailed in the [Grant Thornton Sustainable Growth Index](#) which looks at progress across related economic themes such as 'Inclusion and Equality', 'Resilience and Sustainability' and 'Health, Wellbeing and Happiness'.

## Next Steps

12. This update is intended to give Cabinet early sight of the emerging strategy to facilitate full engagement and consultation. At the time of writing, internal SCC engagement has started and will be followed by targeted external engagement with key stakeholders. A proposed strategy will be brought to Cabinet for approval at the December meeting.

## CONSULTATION:

13. This framework has been discussed with Cabinet Members at SCC and it is now intended to take consultation more widely externally.

14. A meeting of Select Committee Chairs is planned to ensure that they are able to give their feedback and an all-Member briefing is planned to follow on from that discussion as

appropriate. This will all take place to ensure full engagement in advance of the Strategy approval in December.

#### **RISK MANAGEMENT AND IMPLICATIONS:**

15. There is an ongoing risk related to the unprecedented changing economic context and the related challenges in setting a strategy when it is not possible to be certain of future economic trends and circumstances. Nonetheless, it is also of equal importance to focus efforts to ensure that the economy is able to recover, not only to support our Surrey residents and businesses but also as part of our role in leading the UK economy.
16. There is a risk that, on producing the strategy, the resources are not made available to deliver on it. Implications of costs will be considered throughout the engagement process and will be included within the December report.

#### **FINANCIAL AND VALUE FOR MONEY IMPLICATIONS**

17. Costs of delivering this strategy within 2020/21 will be met from existing Economic Development budgets.
18. However, budget growth for 2021/22 will undoubtedly be needed to deliver against the ambitions of the Surrey 2030 Economic Strategy. This will be incorporated into the Medium Term Financial Strategy budget setting process.

#### **SECTION 151 OFFICER COMMENTARY**

19. Although significant progress has been made over the last 12 months to improve the Council's financial position, the medium-term financial outlook is uncertain. The Public Health crisis has resulted in increased costs which are not fully funded in the current year. 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 from next year onwards, 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. The Section 151 Officer supports the development of a Surrey 2030 Economic Strategy. Any budget growth required to enable this, alongside any budget efficiencies identified, will be considered as part of the Medium-Term Financial Strategy process

#### **LEGAL IMPLICATIONS – MONITORING OFFICER**

20. On the basis that the Cabinet is only being asked to note the progress of the development of the Surrey 2030 Economic Strategy there are no legal implications at this point.

#### **EQUALITIES AND DIVERSITY**

21. It is fully expected that the Strategy will have a direct, positive impact on priority groups and it is an intention to focus on this element as the Strategy evolves. A full EIA has not been completed for this report as it is an update report. A full EIA will be undertaken when the proposed Strategy is submitted to December Cabinet.

#### **WHAT HAPPENS NEXT:**

22. Cabinet Members are invited to continue to engage with the development of the Strategy through direct discussions with the Director for Economic Development and Prosperity.

Wider consultation with key stakeholders will continue throughout October and early November.

23. The Director for Economic Development and Prosperity is fully engaged with parallel pieces of work, such as the One Surrey Plan for Growth and the Infrastructure Plan and will ensure alignment.

24. The proposed Surrey 2030 Economic Strategy will be brought back to Cabinet in December 2020 for approval.

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**Consulted:**

SCC Economic Development Team

SCC Leader

SCC Corporate Leadership Team

SCC Cabinet Members

**Sources/background papers:**

- Surrey Place Ambition (July 2019)
- ARUP Baseline Research (March 2020)
- ARUP COVID-19 Economic Impact Assessment (June 2020)
- ARUP Infrastructure Plan (June 2020)
- University of Surrey Cluster Research (September 2020)



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