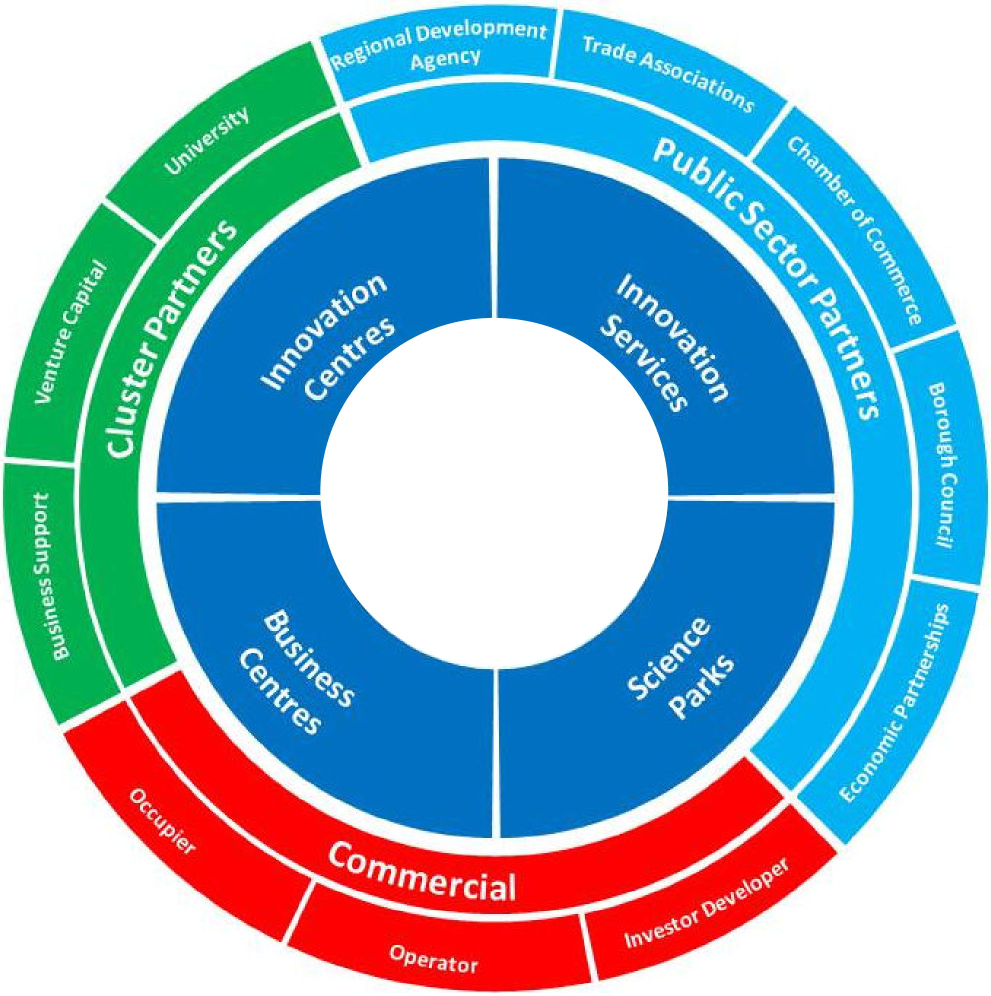
REPORT OF SCRUTINY PANEL C

KNOWLEDGE ECONOMY INQUIRY

JULY 2010 – JANUARY 2011



PANEL MEMBERSHIP

Councillor Ball (Chair)
Councillor Fitzhenry (Vice Chair)
Councillor Furnell
Councillor Jones
Councillor Odgers
Councillor Thomas
Councillor Letts

Scrutiny Co-ordinator - Mark Pirnie

Mark.pirnie@southampton.gov.uk
023 8083 3886

SOUTHAMPTON CITY COUNCIL ®

Contents

Knowledge Economy Inquiry

Introduction

1. Since the end of the 20th century many regions and cities of the world have seen their future economic success being based upon the development of a 'knowledge economy'.

2. There is no single universally accepted definition of the knowledge economy or the industry sectors that it includes. One of the clearest is published by the Work Foundation, a leading independent authority on work and its future:

   'The knowledge economy is a description of the transition from an economy reliant on physical capital and low cost labour for competitive advantage and organisational performance to an economy where advantage increasingly comes from investment in knowledge based intangibles: R&D, software, design, brand equity and human and organisational capital' (The Work Foundation 2010).

3. Policy at a national, regional and local level all expound a determination to pursue the creation and development of a knowledge based economy. Southampton and its adjoining areas have considerable assets upon which it could construct its future prosperity based upon the 'knowledge economy' – two universities, an expanding science park, a growing international airport, a number of private research institutions, effective local service and public sectors (including medical research facilities in SUHT) as well as a good quality of life.

4. Most commentators suggest that a successful knowledge economy is synonymous with a competitive economy. However, despite being part of one of the most competitive regions in the UK, Southampton currently underperforms in terms of its competitiveness. On the UK Competitiveness Index compiled by Roberts Huggins Associates Southampton is ranked 183rd out of 379 local authority areas, and Southampton is only ranked 160th on the number of knowledge based businesses.

5. Recognising the importance of developing the knowledge economy in Southampton the Overview and Scrutiny Management Committee (OSMC), at its meeting on 17th June 2010, requested that Scrutiny Panel C undertake an Inquiry into the knowledge economy and report back their findings to the OSMC.

6. The agreed purpose of the Inquiry was to determine what further action the City Council and its partners might take to promote the development of Southampton's knowledge economy to benefit local residents and businesses. The full terms of reference for the inquiry, agreed by the OSMC, are shown in Appendix 1.

Consultation

7. Scrutiny Panel C undertook the inquiry over 5 meetings and received evidence from a wide variety of organisations to meet the agreed objectives. A list of witnesses that provided evidence to the inquiry is detailed in Appendix 2. Members of the Scrutiny Panel would like to thank all those who have assisted with the development of this review.

Background

8. The term Knowledge Economy first came to attention in 1968 when it was coined by Peter Drucker in his book 'The Age of Discontinuity', but the concept only gained extensive popularity in the mid 1990s when taken up by academics and governments since when a very large body of research and policy has developed.

9. The knowledge economy is beset with a range of definitions and views as to what business sectors it includes. An outline of suggested knowledge economy business sectors is shown in Appendix 3.

Drivers of the Knowledge Economy

10. The economies of all the countries in the Organisation for Economic Co-operation and Development (OECD), for which comparable statistical information exists, have seen three big structural changes in the past thirty years: the rise of knowledge based services[1] as major generators of value added, exports, and new jobs[2]; the shift in business investment priorities from investment in physical assets to knowledge based intangible assets[3]; and the growth of an increasingly well-educated and qualified workforce[4]. The recession has further intensified this process: 84 per cent of all jobs lost between the second quarter of 2008 and the second quarter of 2009 were in manual, administrative and low skilled trades.[5]

11. In April 2010 The Work Foundation published Flat or Spiky: The Changing Location of the British Knowledge Economy. They identify three drivers behind the changes to a knowledge economy:

- **Market demand** from consumers, business and government shifting towards higher value added goods and services associated with the knowledge economy – consumers are more demanding and much better informed than previous generations;

- **New 'general purpose' ICT technologies** introduced in the early 1980s and boosted by the spread of the internet in the 1990s have made the knowledge economy possible. As well as their universal direct technological applications they have simultaneously expanded and diversified global markets and vastly increased the flow of ideas and best practice across national borders;

- **Globalisation** acting as an accelerator on both demand and supply sides: increased trade, information, knowledge, capital and human flows across borders have accelerated the pace of change on both the demand and supply sides.

---

[1] As defined by the OECD. KE services include business, financial, communication and high tech services and education and health services. KE industries also include high to medium high tech manufacturing and in 2008 these industries accounted for about 50 per cent of UK manufacturing employment

[2] Across the OECD, employment in knowledge and technology based industries went up from 80 million to 186 million between 1970 and 2005, accounting for 44 per cent of total OECD employment in 2005 (The Work Foundation estimate from KLEMS database)

[3] Business investment in intangibles now matches or exceeds investment in physical assets in the UK and the US, and accounts for between 7.5 and 10 per cent of GDP in those OECD economies for which we have comparable figures

[4] In 1970 over 60 per cent of the UK workforce had little or no qualifications, compared with just over 10 per cent today (The Work Foundation estimates from KLEMS database)

[5] Brinkley, I. (2009) From Recession to Recovery. The Work Foundation: London

Knowledge Economy - Southampton and South Hampshire

12. The following key reports have been prepared within the last 5 years that relate to South Hampshire and Southampton;

- Knowledge Economy Audit for South Hampshire; The Local Futures Group; March 2005
- Building a Knowledge Economy: Research and Action Planning for the South East Diamonds for Investment and Growth; CLES Consulting; December 2009
- South Hampshire Economic Drivers and Growth; DTZ; January 2007
- Business in Growth Sectors in South Hampshire; TBR; March 2008
- South Hampshire Economic Development Strategy; PUSH (currently being refreshed)
- Charting the Course: Growing South Hampshire's Economy; Centre for Cities; March 2010
- Southampton Economic Development Action Plan; April 2009

13. The December 2009 report – 'Building a Knowledge Economy: Research and Action Planning for the South East Diamonds for Investment and Growth', provides a summary of the perceived areas of strength and weakness for South Hampshire in relation to the knowledge economy:-

Sector strengths and opportunities

- Significant presence of maritime, marine, aerospace sectors
- Advanced manufacturing/engineering (marine activities, building/repairing of ships/boats with strong local supply chain, defence and homeland security, aviation related manufacturing, manufacture of optical instruments and photographic equipment)
- Perceived major potential for low carbon technologies.

Drivers

- Key knowledge assets – significant university presence, improved HEI-business links and joint working with public sector
- Developing strong Public/Private relationships - including e.g. University Centre in Basingstoke co-located with innovation/incubation facilities
- Strong local partnerships across Urban South Hampshire
- Housing quality and supply issues not as acute as in other areas of the South East
- Huge potential labour pool
- Major urban agglomerations fostering knowledge flow
- Southampton Port is a major global gateway.

Blockers

- Over reliance on manufacturing where employment numbers have declined

- Concentrations of low resident skills levels
- Availability of business to business support services
- Image and branding of the area
- Some infrastructure issues – transport links (although not at the scale of some other Diamonds)
- Broadband infrastructure not sufficient.

14. The summary above identifies that South Hampshire has a number of assets that form the foundations of a knowledge economy. These include two universities, private research institutions, an international airport, and a good quality of life offer. However, if it is accepted that a knowledge economy is synonymous with a competitive economy, and most commentators suggest that it is, then the UK Competitiveness Index produced by the Centre for International Competitiveness allows us to assess Southampton's position. The 2010 index (which contains 13 datasets from 2008) puts Southampton at number 183 out of 379 local authorities in the UK. Of the top 40 positions in the Index only 7 are outside London and the South East.

15. Southampton scores more highly on the number of knowledge based businesses (160th), Productivity (135th), full-time weekly median pay (100th) but does less well in respect of the number of businesses per 1000 inhabitants (342nd), Economic Activity Rate (293rd), Business Registration per 1000 inhabitants (274th) and Working Age Employment Rate (273rd). In their publication – City Matters: Competitiveness, Cohesion and Urban Governance, Professor Martin Boddy and Professor Michael Parkinson argue that business density (upon which Southampton performs less well) is the critical factor driving competitiveness.

16. Of the South Hampshire local authorities the highest position on the UK Competitiveness Index is held by Winchester (29th). Test Valley (56th), East Hampshire (81st), and Eastleigh (79th) all appear in the top 100 of the Index. Portsmouth is at 188th position.

17. Research currently being undertaken indicates that our existing industrial estates, whilst performing a function in relation to smaller scale localised business, do not offer the quality of accommodation that knowledge economy businesses might require and although there are potential office sites with planning permission these have in the main stalled.

PUSH

18. PUSH (Partnership for Urban South Hampshire) is approaching this matter on a sub-regional basis and has both commissioned work and has a Task Group – Enterprise, Innovation and Business Support aimed at addressing these matters. The Task Group has a number of the key players at sub-regional level participating including Solent Innovation and Growth Team, Solent Synergy, Higher Education, Business Link, Manufacturing Advisory Service, SEEDA and local authorities.

Universities

19. Universities have a key role to play in the development of the knowledge economy. Their contribution can be categorised as follows:

    - The creation of a more highly skilled workforce through the formal education process

- Acting as a source of new business and contributing to business growth through the creation of spin out companies, licensing and royalty arrangements
- Knowledge transfer from the academic body to businesses via initiatives such as Knowledge Transfer Partnerships, consultancy and research projects
- Acting as a catalyst for inward investment.

Findings and Conclusions

20. A summary of the key evidence presented at each of the Knowledge Economy Inquiry meetings is attached as Appendix 4. Conclusions were drawn from each meeting and discussed by the Panel at meeting 4 of the Inquiry.

21. The Scrutiny Panel recognise that many of the key elements required for a thriving knowledge economy are in place but need joining up, and that a number of projects which would improve the City's offer are already in development. These include:-

    - Delivery of schemes such as the Cultural Quarter, West Quay 3 and the Royal Pier Waterfront; all 3 of which would enhance the perception of the City
    - The Local Development Framework (including Core Strategy, City Centre Action Plan)

22. The recent developments such as the Ocean Village Innovation Centre, the partnership between BAE Systems and the University of Southampton to develop the warship engineers of the future, and Lloyd's Register decision to relocate its research experts to a new site in Southampton demonstrates that the City has a lot to offer the knowledge economy sector.

23. From the evidence presented to the Panel the following areas for improvement were identified as being key to enhancing the development of the knowledge economy in Southampton:

    Improving Quality Of Life and Infrastructure in the City

    - Creating a more attractive City in terms of quality of life, lifestyle and infrastructure to attract and retain talented people
    - Need to build a better connected city – Improve broadband and digital hub

    Sector Planning

    - Focus on developing specific sector clusters including attracting businesses that are within those clusters
    - Focus on high value sectors and other business sectors that will support these

    Branding, Marketing and Promotion

    - Promote Southampton as a location for the knowledge economy
    - Develop an improved marketing and branding strategy aimed at businesses in the knowledge economy
    - Use "Low Carbon" and "Digital/Connected City" themes to underpin the marketing and branding strategy
    - Exploit new ways of connecting such as social networking

Developing Partnerships and Networking

- Share information more freely and create an environment where partners are on an equal footing and input into emerging strategies for the City
- Improve ways in which the City Council interacts with business

Developing Skills

- Increase local skills base to attract business investment

Improving Business Support and Nurturing Businesses

- Improve support for graduate “Spin out” programmes
- Develop and promote better, simpler packages for start up/smaller businesses to incubate them-help them to develop finance and entrepreneurial skills
- Get start up businesses in front of “Angel” investors (An angel investor is an affluent individual who provides capital for a business start-up, usually in exchange for convertible debt or ownership equity to test their ideas and business plans)

Getting Entrepreneurialism on The Curriculum

- Find ways to give students chances to have local work placements with aim of retaining talent in Southampton for the future

Solent Local Enterprise Partnership (LEP)

24. During the development of the Knowledge Economy Inquiry the Government announced that the business-led proposal for a LEP in the Solent area had been successful. The LEP’s are replacing the Regional Development Agencies and are tasked with providing strategic leadership in their local areas and creating the right environment for business success and economic growth.

25. The vision of the Solent LEP, incorporating Southampton, Portsmouth, the Isle of Wight, and parts of South Hampshire, is to create an environment that will better facilitate economic growth and private sector investment in the Solent area, allow businesses to grow, become more profitable, greener and enable new businesses to form and prosper.

26. The Solent LEP will focus on: rebalancing the local economy in favour of the private sector; reindustrialising the economic base, supporting the development of knowledge based industries and high value added manufacturing; and providing a catalyst for regeneration.

27. The Solent LEP submission identified that in the first 18 months of the LEP eight key areas of work, building on what has already been achieved in the area, will be taken forward:

    (1) Develop a growth hub and strategic based clusters which can deliver export led growth in high value employment, capitalising on the sectoral strengths of the area and as a leading location and growth hub for advanced manufacturing and engineering, transport and logistics.

(2) Strengthen the visitor economy reflecting the increasing importance of the sector to the Solent economy, capitalising on our reputation as an international gateway for business visitors and tourists as well as our natural assets, accommodation, heritage and retail experience.

(3) Invest in skills to enable higher levels of employment and deliver a more balanced and sustainable pattern of growth to ensure that local residents are equipped to take up the jobs that are created.

(4) Realise the potential of our cities and supporting areas that are economically vulnerable in order to substantially reduce the high levels of welfare and dependency and secure an additional 10,000 job opportunities for those not in work.

(5) Focus on infrastructure priorities including key land assets, transport and housing, flood risk mitigation and reliable high speed broadband.

(6) Support enterprise, new business starts and business survival through the further development of the Solent Synergy model, recognising that restrictions on public funding will limit the level of direct Government assistance available for enterprise development and business support.

(7) Establish a single inward investment and place marketing function building on the streamlining of services that has already taken place.

(8) Continue to implement innovation in delivery and funding in order to secure a financially sustainable future and commit to a continued programme of public sector rationalisation and co-location of services across the Local Authorities and with key partners such as Job Centre Plus and the Environment Agency.

28. There is evidently a significant match between the areas for improvement identified by the Scrutiny Panel as being key to enhancing the development of the knowledge economy in Southampton, and the eight key areas of work the Solent LEP will be prioritising from January 2011.

Recommendations

29. To avoid duplication, and to reflect the key strategic role the Solent LEP will have in driving economic development, and the development of the knowledge economy, in Southampton, the Scrutiny Panel have identified a number of recommendations that the Panel believe would, if implemented, boost the development of Southampton's knowledge economy thereby strengthening and diversifying the economy of the City.

30. The Scrutiny Panel has identified a small number of key recommendations that, in times of financial constraint, the City Council and partners can prioritise.

31. **Solent Local Enterprise Partnership**

Recommendation 1

Southampton City Council and local partners work to ensure that the needs of Southampton, in respect of the knowledge economy, are given appropriate consideration and influence as the Solent Local Enterprise Partnership commences its role to provide a clear vision and strategic leadership to drive sustainable private sector-led growth and job creation in the Solent area.

32. **Improving Southampton Quality of Life and Infrastructure**

Recommendation 2

Recognising that a focus for the Solent LEP over the next 18 months will be on infrastructure priorities, including key land assets, transport and housing, flood risk mitigation and reliable high speed broadband it is recommended that, in the context of Southampton, Southampton City Council explores opportunities wherever possible to improve broadband speed and connectivity in the City, and continues to work with partners to deliver city centre transformational development schemes and improve the quality of the housing stock.

33. **Sector Planning**

Recommendation 3

Southampton City Council works with partners to bring forward high quality employment sites that meet the needs of target clusters identified by the Solent LEP, particularly marine and advanced manufacturing . This should include:

- The provision of suitable office accommodation particularly a new office quarter for the city centre
- Manufacturing space for advanced manufacturing, environmental technologies, marine and aerospace
- Waterfront facilities for marine and environmental technologies
- Studio and workshop space for creative industries
- Labs and test facilities associated with advanced manufacturing, environmental technologies, marine and aerospace.

34. **Branding, Marketing and Promotion**

Recommendation 4

To support the aim of the Solent LEP to establish a single inward investment and place marketing function building on the streamlining of services that has already taken place, Southampton City Council works with Marketing Southampton and the Solent LEP to develop a consistent and improved marketing and branding approach for Southampton to build on existing cluster strengths.

The approach needs to consolidate, and maintain, base data that answers all the basic questions about the current economy. This should be in the form of a high profile, easily accessed information portal that acts as a foundation for marketing; presenting Southampton to inward investment and; carrying out gap analysis. The broad data headings that need to be covered are:-

Strategic
- R&D profile of the Universities
- Profile of the current economy (companies and sectors)
- Supply chain quality and availability
- Business support services

Staffing
- Workforce profile
- Skills availability
- Training support

People
- Quality of Life
- Culture and recreation

Location and access
- Commercial Property data-base (exists)
- Transport infrastructure – travel times to key (international and UK) destinations)
- Services infrastructure (utilities, broadband)
- Forecast issues, opportunities

Regulation
- Ease of doing business

35. **Developing Partnerships and Networking**

Recommendation 5

To improve the City Council's relationship with, and understanding of businesses within Southampton, it is recommended that, through working with Business Southampton and the Hampshire Chamber of Commerce, Southampton City Council develops a more business friendly approach in its interactions with local companies. This should include establishing informal networks to support emerging and developing sectors. This will require the Council to become less formal and more focused on the needs and preferences of business.

36. **Developing Skills, Improving Business Support and Nurturing Businesses**

Recommendation 6

Working with the Solent LEP, higher education and agencies such as Solent Innovation Growth Network, Marine South East and Oxford Innovation develop a local implementation plan to complement the LEP's aims relating to business support (6). This should include:

- Improving support for graduate "Spin out" programmes
- Developing and promoting packages for start up/smaller businesses to incubate them and help them to develop Finance and Entrepreneurial skills
- Establishing an "Angel" investors network and get start up businesses in front of "Angel" investors to test their ideas and business plans
- Encouraging and supporting the development of apprenticeship training and local work placements for students with the aim of increasing the number of students entering knowledge based employment and retaining talent in Southampton
- Sector skill initiatives e.g marine development zone, office skills etc.

Appendices

Appendix 1 - Knowledge Economy Inquiry Terms of Reference

Appendix 2 – Project Plan

Appendix 3 – Knowledge Economy Business Sectors

Appendix 4 – Summary of Key Evidence

Appendix 1 – Knowledge Economy Inquiry Terms of Reference

1. **Scrutiny Inquiry Panel**: Scrutiny Panel C

   Membership:

   Councillor Ball (Chair)
   Councillor Fitzhenry (Vice Chair)
   Councillor Furnell
   Councillor Jones
   Councillor Odgers
   Councillor Thomas
   Councillor Letts

2. **Purpose**: To determine what further action the City Council and its partners might take to promote the development of Southampton's knowledge economy to benefit local residents and businesses.

3. **Background:**

   Since the end of the 20th century many regions and cities of the world have seen their future economic success being based upon the development of a 'knowledge economy'.

   There is no single universally accepted definition of the knowledge economy or the industry sectors that it includes. As a result, the terms "knowledge economy" and "knowledge worker" are often taken as self-evident and in some cases are not tested against hard data (The Work Foundation). Neither is their universal agreement as to which industry sectors fall within the knowledge economy. Definitions based upon knowledge intensive industries and services, occupations, and the number of innovating businesses all exist.

   Nevertheless, Policy at national, regional and local level all expound the determination to pursue the creation of a knowledge economy. The Partnership for Urban South Hampshire has defined specific sectors within the knowledge economy upon which it believes future action should be concentrated in order to close the current gap between the economic performance of South Hampshire and the South East region. These include aerospace and defence, advanced manufacturing (including marine), environmental technologies (including low carbon), finance and business services and creative and media.

   Southampton and its adjoining areas have considerable assets upon which it could construct its future prosperity based upon a 'knowledge economy' – two universities, an expanding science park, a growing international airport, a number of private research institutions such as Roke Manor and IBM Hursley, and a good quality of life.

   However, despite being part of one of the most competitive regions in the UK, (the South East) Southampton's underperforms in terms of its competitiveness. On the UK Competitiveness Index compiled by Roberts Huggins Associates Southampton is ranked 183rd out of 379 local authority areas.

4. Objectives

a. To understand the key components of a Knowledge Economy, Southampton's current performance and potential.
b. To examine the key issues that face the city in developing a prosperous local economy based upon the creation of a Knowledge based Economy as well as the benefits that might flow to local residents and businesses as a result
c. To identify the roles of the City Council, its partners, and others in the city in developing the knowledge economy and the scope for and appropriateness of local intervention to stimulate development and remove barriers to growth.
d. To draw up a set of proposals that will provide the basis for implementing action that will turn Southampton's aspirations into reality.

5. **Methodology and Consultation**:
a. Review of existing literature and its application to Southampton
b. Identify best practice
c. Seek stakeholder views

6. **Proposed Timetable**:

The Inquiry will be undertaken by Scrutiny Panel A between July and November 2010 as follows:-

Meeting 1 - Thursday 1st July
Meeting 2 - Thursday 29th July
Meeting 3 - Thursday 30th Sept
Meeting 4 - Thursday 28th October
Meeting 5 - Thursday 25th November

All meetings will start at 6pm (tbc) and are scheduled to be approximately 2hrs.

Appendix 2 – Project Plan

DATE	MEETING THEME	TOPIC DETAIL	EVIDENCE PROVIDED BY
1/07/10	**Introduction to inquiry**	Set the context and where Southampton now is in terms of - Assets - Performance - Policy Direction and Research	• Kishor Tailor, Economic Development Director, Partnership for Urban South Hampshire (PUSH) • Jeff Walters, Economic Development manager, Southampton City Council
29/07/10	**Education**	How do the Universities see themselves as contributing to the local knowledge economy? What plans for development do they have? How can we work better together? How can we promote innovation, skills and enterprise through adult education and the 14-19 Consortium?	• Dr Keith Johnson, Pro Vice-Chancellor, (External Development), Southampton Solent University • Dr Tony Raven, Director of Research and Innovation Services, University of Southampton • Professor Philip Nelson, Deputy Vice Chancellor, University of Southampton • Denise Edghill, Service Manager, Learning and Skills, Southampton City Council • Angela Wright, Chief Executive of Solent Education Business Partnership
30/09/10	**The Business View**	Examples of best practice What is the potential for the knowledge economy for the city? What experiences do companies and organisations have of setting up and doing business within Southampton?	• David Pollard, Portfolio Director, Solent Innovation and Growth Network • Chris Allington, Managing Director, Oxford Innovation • Sally Lynskey, Chief Executive of Business Southampton • Kristine Salomon Olsen, Hampshire Chamber of Commerce • Representatives from local businesses

DATE	MEETING THEME	TOPIC DETAIL	EVIDENCE PROVIDED BY
28/10/10	**Considering Evidence**	Summary of evidence received	• Tim Levenson, Head of City Development, Southampton City Council
27/01/11	**Agree final report**	Approve report for submission to Overview and Scrutiny Management Committee	

Appendix 3 – Knowledge Economy Business Sectors

High technology Manufacture of:

- pharmaceuticals, medicinal chemicals and botanical products
- office machinery and computers
- radio, television and communication equipment and apparatus
- medical, precision and optical instruments, watches and clocks
- aircraft and spacecraft.

Medium technology Manufacture of:

- chemicals and chemical products (excluding pharmaceuticals,
- medicinal chemicals and botanical products)
- machinery and equipment
- electrical machinery and apparatus
- motor vehicles, trailers and semi trailers
- other transport equipment (excluding building and repairing of
- ships and boats, and manufacture of aircraft and spacecraft).

Knowledge-intensive services

- Financial intermediation
- Real estate, renting and business activities
- Education
- Health and social work
- Recreational, cultural and sporting activities
- Water transport
- Air transport
- Post and telecommunications.

High-technology knowledge- intensive services

- Computer and related activities
- Research and development
- Post and telecommunications.

Market services (excluding finance and high-tech services)

- Real estate activities
- Renting of machinery and equipment without operator, and of
- personal and household
- Water transport
- Air transport
- Other business activities.

Financial knowledge intensive services

- Financial intermediation.

Appendix 4 – Summary of Key Evidence

Evidence	**Source**	**Early Ideas Toward Possible Recommendations**
Meeting One - Context and Setting the Scene		
Meeting 3 should get a number of local businesses to give their views on what are the problems businesses face locally and how SCCC/partners could help	Panel Member's Views	For discussion at meeting 3
Need to decide and focus on a number of key growth areas	Jeff Walters Evidence	Further discussion and decision on what sectors to focus on
Need to understand more about what Southampton has that differentiates us from other destinations	Jeff Walters Evidence	Marketing exercise to better understand and promote Southampton Unique Selling Points (USPs)
Reading, Milton Keynes and Brighton doing well in this area	Jeff Walters Evidence	Possible venues for meeting 4
South Hampshire region gives us the scale we need to be a major player	Jeff Walters Evidence	Continuation and acceleration of PUSH work
Assets needed to become a 'knowledge city': • **Higher Education and Private Sector Research bodies** • **Quality Transport Infrastructure** • **Large and Well Educated workforce** • **High Business Density** • **Knowledge Intensive Businesses** • **Distinctive Identity/Diverse Specialisations** • **Critical Mass** • **Accommodation** • **Support Mechanisms – for business/for people**	Jeff Walters Evidence	Any new strategy to focus on developing these
Key challenges we face in becoming a Knowledge City • **Business Density** • **Knowledge intensive businesses** • **Skills inc Ability to Attract and Retain** • **Accommodation** • **Image and Identity** • **Location Factors**	Jeff Walters Evidence	Any new strategy to focus on developing these
Southampton fares badly compared to other areas on the UK Competitiveness Indexes (2010) for the development of its knowledge economy or	Jeff Walters Evidence	Develop understanding through meeting 4 of what others are doing better

"Knowledge Economy Business Hotspots" outside London in which we came 180th		
Top competitive areas to look at in "hotspot" list: • Wokingham (4) • Hart (5) • Elmbridge (6) • St Albans (8) • Woking (10) (Southampton 180)	Jeff Walters Evidence	Possible venues for meeting 4
Key targets • **Increasing business density** • **Increasing proportion of skilled workers** • **Master plan crucial to future success** • **Extending and Improving Accommodation offer** • **Communicating our Identity** • **Working with Others**	Jeff Walters Evidence	For overall recommendations
Evidence showed that there were high-value activities / industry sectors with on-going growth potential that were receptive to intervention – these included: advanced manufacturing; marine and aerospace industries; Environmental Technologies and Transport and Logistics In turn the sectors below the high value sectors were considered essential to support those above - these included retail, leisure and tourism and the creative industries	Kishor Tailor Evidence	For recommendations on possible sectors to target
Centre for Cities research- key messages • Potential to specialise in High-Value activity • Improve Housing stock • Improvement in Skills and links with FE • Inward Investment co-ordination • City Brands	Kishor Tailor Evidence	Note points for possible new strategy
South East Diamonds for Investment and Growth ***Drivers*** • Key knowledge assets – significant university presence, improved HEI-business links and joint working with public sector.	Kishor Tailor Evidence	Note points for possible new strategy

• Developing strong Public/Private relationships - e.g. Science Parks - innovation/incubation facilities. • Strong local partnerships across Urban South Hampshire. • Huge potential labour pool. • Major urban agglomerations fostering knowledge flow. • Southampton Port is a major global gateway. ***Blockers*** • Over reliance on manufacturing where employment numbers have declined. • Concentrations of low resident skills levels. • Availability of business to business support services. • Image and branding of the area. • Some infrastructure issues – transport links (although not at the scale of some other Diamonds). • Broadband infrastructure not sufficient		
Need to develop and capitalise on overflow from business conglomerations from Cambridge to Basingstoke, Southampton well placed to be the next destination, trick is to get businesses past the Winchester "gap" toward Southampton	Kishor Tailor Evidence	Developing strategy to promote local area as the next big destination
Branding is vital but keeps changing and is not well funded-need consistency	Kishor Tailor Evidence	Develop a clear Marketing and Branding Strategy which is well resourced and solid-need to develop the proposition
Need clear strategy on what we want to become	Kishor Tailor Evidence	Develop a clear Marketing and Branding Strategy which is well resourced and solid-need to develop the proposition
We are competing globally not locally	Kishor Tailor Evidence	Develop a clear Marketing and Branding Strategy which is well resourced and solid-need to develop the proposition
There is a deficit in higher level skills	Kishor Tailor Evidence	Assess and plan for what skills are needed once we know which industries we wish to attract
Need to make the local environment more attractive in many ways to want to make people stay here after	Kishor Tailor Evidence	To better understand what factors would make people want to stay in Southampton

University everything from street entertainment to architecture		
Local area does not do well at nurturing start up businesses that have high failure rate. Also moving up from being a 5 person or so business problematic	Kishor Tailor Evidence	Find new ways to nurture and incubate local small businesses
Environmental Technology, Marine and Aerospace good sectors to target	Kishor Tailor Evidence	Need to develop strategy to focus on a few key areas to create business clusters

Conclusions From Meeting One

- Southampton in a good position generally but needs to get more focus on key Knowledge Economy and related emerging sectors
- Need to find how to differentiate Southampton to compete in a Global marketplace
- Significant support for working as a region with PUSH
- Many challenges and assets to focus on in any new strategy
- Need for greatly improved branding and consistency
- Local deficit in higher level skills
- Need to make local environment and quality of life better

Meeting Two - Local Universities and Adult Education		
Two major initiatives will help: Consortium for development of hybrid Marine and Maritime Innovation Centre at Woolston Centenary Quay as part of SEEDA/SCC designated Marine Employment Zone Extension of Southampton Skills Development Zone (SSDZ) into other private sector areas, in particular marine (Solent Marine Skills Development Zone – SMSDZ); construction and retail.	Dr Keith Johnson Evidence	SCC and partners need to help to ensure these initiatives are successful
Need to be actively encouraging and supporting under-graduate and graduate ‘spin-out’ – *SPEED* programme	Dr Keith Johnson Evidence	Assess validity and possible pursue programme

Need to keep raising aspirations and levels of achievement: instilling both motivation and opportunities for progression (14-19 Consortium and Education-Business partnership).	Dr Keith Johnson Evidence	Build links into any new strategies
Need to create vitality in "dead" heart of city-Cultural quarter really good idea	Dr Keith Johnson Evidence	Continue to develop cultural and environmental offer
SEEDA have been a "log jam" with private partners "champing at the bit"	Dr Keith Johnson Evidence	Investigation of how the barrier can be unblocked with the demise of SEEDA
Need to work more cleverly and openly together to build partnerships-there is no unified view of achieving it together e.g. environmental awareness, sustainability, efficiency, innovation. Partners need to be treated more equally and are not transparent	Dr Keith Johnson Evidence	Review of partnership arrangements and joint projects-creating a clearer joint vision. Need a joint "rule book". Need to be better at sharing information and working as equal partners-less silo-ism. Better co-ordination on strategic side
Lack of engagement with private business	Dr Keith Johnson Evidence	Find ways of getting private sector more involved
With demise of SEEDA, more land will become available	Dr Keith Johnson Evidence	Identify and market these opportunities
Agencies including the Chamber of Commerce, SCC and Business Southampton need to become better at sharing information	Dr Keith Johnson Evidence	Review of multi agency working and creating shared vision and strategy
Other cities are doing better because they have better aspiration and achievement starting in schools	Dr Keith Johnson Evidence	Recognise the importance of raising aspirations and attainment in schools on this area
Areas to focus on could be Marine, ICT, Media and Creative industries, need for manufacturing to return. Need to support them as well as attract them	Dr Keith Johnson Evidence	For inclusion into new refocused vision and strategy
Need a better incubation "package"	Dr Keith Johnson Evidence	Identify what is done now and what would need to be in the "package"
Need to encourage and support graduate enterprise and retention through enterprise and entrepreneurialism within the curriculum, possibly guaranteed placements for	Dr Keith Johnson Evidence	Changes to curriculum

students-getting them into local companies and keeping them there. Also by actively encouraging and supporting under-graduate/graduate spin out e.g. through government funded Student Placements For Entrepreneurs In Education (SPEED)Scheme and focusing on developing business skills		
A move to focus on life long learning and accredited part time study would shift the emphasis from the youngest people	Dr Keith Johnson Evidence	More focus on life long learning
Noted that with two universities in the City the high level skills figure for the City population should be higher. This indicated a retention issue relating to a lack of suitable employment for graduates and that higher skills would thus need to come from outside the City	Through Panel Member question	Relates to other points on skills
Dealing with the Council and Public sector difficult due to discontinuity, different answers from different people and "siloism"	Through Panel Member question	Consideration of business/Economic Development One Stop Shop
A need was identified for the Council to provide a simple package for start up companies including premises, rates, planning and business advice	Through Panel Member question	Consideration of current arrangements and develop new ideas
The Panel felt there was scope to better exploit the gateway the City had to the cruise market – by building on the weekend away offer for example	Through Panel Member question	Follow up in Cruise Economy Inquiry
Need for better City Branding to make Southampton a more attractive place to stay post University	Through Panel Member question	Implications for future branding
Areas to focus on include Marine and Maritime including logistics, ICT/Media./Creative industries, Social Enterprise	Through Panel Member question	Develop hit list of industries for inclusion into new strategies/ Possibly set up time limited "blue sky" thinking group including Universities

and Healthcare		and SCC and other partners to look over the horizon and forecast the “next big thing”
Employment and skills issues presented problems that needed to be tackled - such as • low expectations and aspirations of the resident population • generations of non-workers • skills shortages bringing people into the area with resultant reduction in employment and housing prospects for the resident population	Through Panel Member question	For inclusion into new refocused vision and strategy
Efforts in this whole area need to be joined up better	Dr. Phil Nelson/Professor Tony Raven Evidence	As earlier, improve partnerships and create more focused vision and strategy
It’s not about looking at what industries and sectors are big now, it’s about what will be big in 10 years time	Dr. Phil Nelson/Professor Tony Raven Evidence	Investigation within new strategy of what is likely to emerge-need joint think tank of what is likely to emerge
Need to create space for partners to consider the future in more detail-don’t rush into selecting a couple of sectors	Dr. Phil Nelson/Professor Tony Raven Evidence	Create “blue sky” thinking space for equal partners well ahead of vision or strategy development
Social infrastructure, Leisure etc vital to make City attractive. Traffic issues a challenge	Through Panel Member question	Recognition of impact of these areas
Capitalise on clean/green/environmental successes of Southampton	Through Panel Member question	Southampton has an amazing good news story on this that needs better promotion-capture the imagination of students and businesses
Need a more coherent offering that Southampton is a great place to be and work-get businesses to cluster together like Bristol	Through Panel Member question	Implications for future strategy and branding
Skills gap-need more technicians	Through Panel Member question	Implications for future strategy
Need to get people earlier on in their University courses to consider what they may do when they leave and develop entrepreneurial and career skills as part of curriculum	Through Panel Member question	University to pursue and look at how to offer these new modules more seriously as part of the curriculum
Focus has been on NEETS and vulnerable groups not	Denise Edghill Evidence	Consider how to help those who are not so vulnerable or

moving people on who are possibly “higher up” the aspirational scale		in need to develop
Literacy and Numeracy key skills to focus on-getting schools to perform better on attainment critical	Denise Edghill Evidence	Make links to attainment strategies
Careers advice in schools seen as needing to refocus- have been changing priorities and lack of employer engagement	Through Panel member question	Re-focus careers service
Key Challenges for Knowledge Economy development • Loss of Post 16 Commissioning Function. • Increased market determination – opportunities for intervention • Availability of market intelligence. • Reduced funding for learning provision. • Low existing skills base and deprivation factors	Denise Edghill Evidence	For inclusion into new refocused vision and strategy
Need to capitalise on Gateway/Cruise Industry aspects	Through Panel Member question	Mentioned previously-next Inquiry will follow up
Need to improve quality of life offer	Through Panel Member question	Again mentioned several times
More focus needed on training and other needs of smaller employers	Through Panel Member question	Consideration of how we develop and grow smaller businesses

Conclusions From Meeting Two

- More support needed for initiatives already in place such as Southampton Skills Development Zone (SSDZ)
- Need more support for graduate “spin out” programmes and smaller companies
- Create more vitality and focus in City Centre
- Better open and equal partnership working
- Improve engagement and interaction with business
- Raise aspiration and attainment in schools and above
- Need to focus on some key sectors

- Get entrepreneurialism on University curriculums
- Shortage of higher level skills and technicians
- Council can be inconsistent and confusing to work with
- Significant improvements in branding needed
- Whole area of work needs more joining up
- Create space for partners to work together and do some “blue sky” thinking
- Low carbon/Green sectors good ones to focus on
- Improve input from Careers Service

Meeting Three -The Business View		
Definition of Knowledge Economy is “A large number of companies with people doing non-routine analytical work that cannot be automated”	David Pollard Evidence	
Key Issues for Southampton -No recognisable centre -Waterside potential not exploited -Universities underestimated -Not enough high-profile advanced companies -Poor support from Council on entrepreneurialism -Not focused on key sectors to support =Winchester seen as having more advantages Little support for more than 40 Marketing/Advertising companies	David Pollard Evidence	Infrastructure/Quality of Life improvements Need to focus on key sectors
Business Support= -Key issue for most start ups and businesses is money -low levels of understanding of Finance/Entrepreneurial skills especially in small businesses -Entrepreneurs do not see Universities as an asset they can tap into -Better Broadband needed	David Pollard Evidence	Develop entrepreneurial and finance/business skills Ensure easy to move between premises Focus on key sectors

-Need better ability to switch premises from smaller to larger offices easily =Not all companies are office based-Millbrook Technology Campus is a good idea but has uncertain future -Get to people young-show benefits of staying in this City -Get clearer view of sectors to build on within wider initiative		
Actions- -Get better at keeping graduates here-understand more about what they think of Southampton at start and end of their course through Marketing Research -Run a high-profile start your own business programme -help people to foresee problems before they start-get businesses starting up to work and learn together -Encourage Universities to work with people on smaller projects and business start ups -Develop and support network for Knowledge Businesses -Celebrate success for local entrepreneurs-use local media -Get developing businesses to put their ideas before experts-boosts confidence	David Pollard Evidence	Marketing research about Southampton with students Build networking, guidance and support for businesses Improve promotion of local success stories Get developing businesses to put their ideas and plans before experts
Need to focus on key areas e.g. Green and Biotechnology/low carbon building on our success Ensure Universities involved in supporting such businesses	Through Panel Member question	Suggestions for a focus on key areas
There is no reason Southampton cannot deliver word class performance like Oxford	Chris Allington Evidence	
It’s all about Branding and Destination-Branding not established-need to compete on world class level	Chris Allington Evidence	Focus on branding-budgets/funding required

Southampton has most of the checklist of things companies would consider vital to an area to relocate/locate in already in place-it's about better presentation. Build Destination Southampton-caveat- it's not cheap to do	Chris Allington Evidence	Branding implications
Be realistic and aspirational about who we want to be	Chris Allington Evidence	Branding implications
Focus on some key sectors-Advanced Manufacturing and Green/Eco good but don't be too exclusive and narrow. Be smart about seeing what is coming next in terms of technology or sectors	Chris Allington Evidence	Focus on key sectors
Need more research in terms of perceptions of Southampton outside the City	Chris Allington Evidence	Research required
Create a retention package all about the brand	Chris Allington Evidence	Creation of retention package
Remove barriers and formality of people talking to each other-get smarter at using Business Networks and getting dialogue between community/public and private sector	Chris Allington Evidence	Better use of business networks
Do not need public sector innovation centres-leave to private sector	Chris Allington Evidence	Consider how we use these private centres
Need better targeted support for innovation especially from Council	Chris Allington Evidence	Better targeted support for innovators
Need better network to access businesses and for start ups etc to meet "Angel" investors-not a shortage of investors for good ideas	Chris Allington Evidence	Improved use of business networks
Develop programme to get angel investors to see Southampton	Chris Allington Evidence	Work with Oxford Innovation/others
Develop entrepreneurs business planning skills and put them in front of investors to test	Chris Allington Evidence	Improve business planning and entrepreneurial skills locally
We have accountants who will offer free advice to entrepreneurs-promote and capitalise on this as part of bigger package of support	Chris Allington Evidence	Develop improved package of support

Don’t force SCC agenda on people-allow clusters to evolve	Chris Allington Evidence	Implications for future strategy
Work with businesses in far less formal ways-engage better with business to business networks on their territory	Chris Allington Evidence	More on improved business networks
Have “easy in easy out” accommodation and cluster support e.g. receptionists etc	Chris Allington Evidence	Improve ease of accommodation moves
Think about and develop supply chain infrastructure	Chris Allington Evidence	Implications for future strategy
What would ideal network look like? Business Southampton working with Angels network/business to business supply chain/Council/Universities	Through Panel Member Question	More on networking
How can SCC stop putting people off through our formality? Use private sector intermediaries to bridge the gap	Through Panel Member question	Make the way we do business more focused on innovative and business like methods-reduce formality
Significant expenditure will be needed for example Grow Cornwall spending £1 ½ m per year on this type of branding activity-Savings generated by property/accommodation	Through Panel Member question	Look at funding sources
Need about £1/2m funding from PUSH area to promote destination as attractive to knowledge businesses. Funding would have been from Regional Development Agencies	Through Panel Member question	Look at funding sources
Innovation and Growth Teams offering real Business Support needed	Through Panel Member question	New, improved package of support
Council needs to be more risk taking and entrepreneurial to enable it to operate in the business world	Through Panel Member question	Consider how SCC can be more entrepreneurial
Use more innovative and business like ways of working such as SKYPE, IPads Videoconferencing etc	Through Panel Member question	Make the way we do business more focused on innovative and business like methods-reduce formality
Need to position as a magnet-to get businesses working together but the glue	Sally Lynskey Evidence	Improve ways we work together

is missing		
The private sector are putting £400k per annum into Business Southampton	Sally Lynskey Evidence	
The Maritime Sector involves 750 sectors we need to enable them to have a collective voice to influence	Sally Lynskey Evidence	Look at tapping more into this market
Southampton has fabulous assets, need to get business to collaborate and gradually inspire those who are not productive	Sally Lynskey Evidence	
Branding should focus on "Connected City" and a digitally enabled cluster. Wendy Hall, Nigel Shadbolt and inventor of the internet Tim Berners-Lee are pioneers and have local connections which we should exploit and ask them to be ambassadors	Sally Lynskey Evidence	Branding implications
Need to enable local business voices to be better heard in this process. Suggested event or got to one of their board meetings involving speaker from this Inquiry, the business community including large, small and start up companies. Debate the knowledge economy and the Chamber of Commerce	Through Panel Member question	Better business networking
Comment were made and largely accepted about the style of the panel, its formality and how it scared people away. SCC should get members to attend more business network events	Through Panel Member question	Make scrutiny and overall approach to business less formal and threatening
Southampton has excellent environmental credentials but is not known for them-scope to improve promotion	Kristine Salomon-Olsen evidence	Improve promotion as carbon efficient City
Branding improvements needed	Kristine Salomon-Olsen evidence	General branding implications
Southampton is in perfect position to be key Maritime sector location	Adrian Watson evidence	Capitalise on waterfront/maritime elements
Marine sector is very large and innovative	Adrian Watson evidence	

Need for better support to Universities, dealing with them can be bureaucratic	Adrian Watson evidence	Look at how we work together
Need to be prepared for industries/ sectors that are coming across the horizon	Max Thompson evidence	For consideration of key sectors
Southampton needs to promote and develop itself as a "digital hub"	Max Thompson evidence	For future strategy/promotion
Waterfront innovation and opportunities especially for quality of life need more exploitation	Max Thompson evidence	Include in quality of life offer
Environmental technology/low carbon a very appropriate sector for the City	Through Panel Member question	For consideration as target sectors

Conclusions From Meeting Three

- Exploit maritime/waterside aspects more fully
- Ensure people know how good Universities are
- Better packages of support for new and developing entrepreneurs needed especially Knowledge industry ones
- Focus on a few key sectors
- Build retention packages to keep people here
- Celebrate local success more
- Get start up businesses to work with investor to test out their ideas
- Better branding and substantial budgets needed to compete globally
- Need more research on how the city is perceived outside Southampton
- Need less formal and more effective ways to work with business-networks etc
- Make it easy for people to move premises as needs change
- Develop and promote Southampton as a connected city/digital hub

This page is intentionally left blank