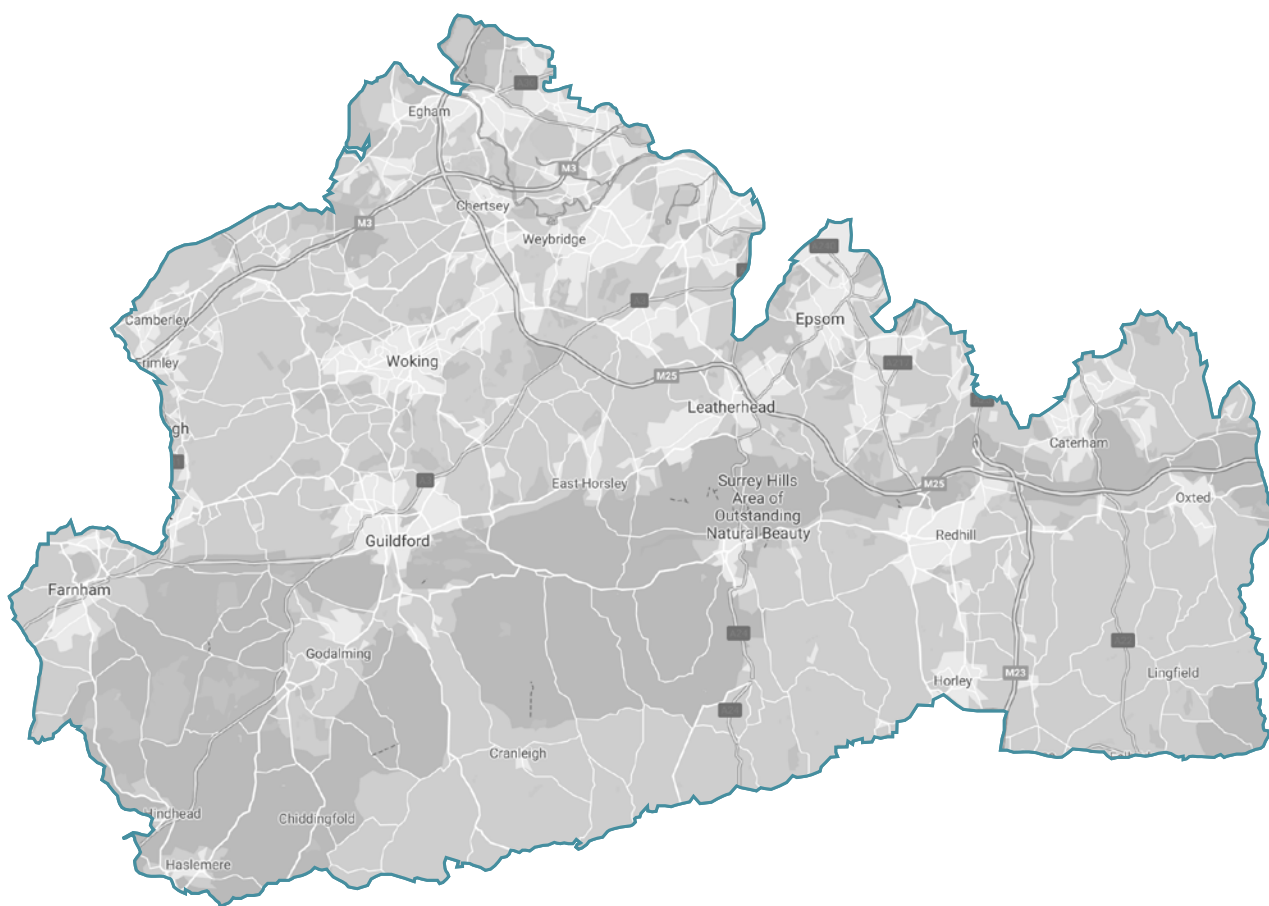




►► CHARTING COMMUNITY-BASED ◀◀
GROWTH IN SURREY:
LOCAL RESPONSES AND
COUNTY DRIVERS
JUNE 2021



SURREY

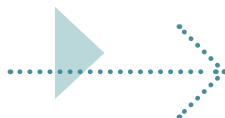


Table of Contents

Research Team	04
Foreword: Rejuvenating Surrey:	
Tim Oliver, Leader, Surrey County Council	07
Foreword: County and Community:	
Professor Amelia Hadfield,	
Research Team Leader	08
Executive Summary	10
Introduction	12
Surrey's Economic Growth Outlook:	
From Covid Slump to Long-term Prospects.....	18
Covid's Impact on Surrey's	
Business Demography	19
Green Shoots: Surrey's Post-Covid Recovery ..	29
Deyton Bell Survey.....	30
Localism and Rejuvenating the High Street	34
Employment and Skills	44
Inward Investment.....	56
Sustainability and the Green Economy	76
Policy Recommendations	86
Our Contributors	91
References	93

▶▶ Research Team ◀◀



▶ TEAM BIOS ◀



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Amelia joined the University of Surrey in January 2019 as Head of the Department of Politics, Chair in European and International Affairs and co-Director of the Centre for Britain and Europe (awarded prestigious Centre of Excellence funding in August 2020). Previously, Amelia worked as Director of the Centre for European Studies (CEFEUS), a Jean Monnet Centre of Excellence at Canterbury Christ Church Uni (2013-2018), where she worked in conjunction with Kent County Council and Kent-based stakeholders to produce a series of county-wide Brexit impact assessments on business and rural economy, health and social care, and the UK border. In January 2021, Amelia was appointed Dean International. Following the launch in autumn 2020 of a cross-sectoral appraisal of Covid's impact on Surrey, entitled '[Charting Surrey's post-Covid Rescue, Recovery and Growth](#)', this is the second report that Amelia has produced in conjunction with Surrey County Council.



Dr Alia Middleton ►

Dr Alia Middleton is a Lecturer in Politics and co-Director of the Centre for Britain and Europe. After completing her PhD at the University of Edinburgh, she worked as a Research Associate at Newcastle University before joining the University of Surrey in 2015. She is a specialist in British politics, with particular expertise in political leadership, voter behaviour, the impact of leaders during election campaigns, national and local campaigning and party electoral strategy. She has published widely on local, regional and national elections and is regularly called upon by national and international media.



◀ Christian Turner

Project team leader for this report, Christian Turner is a Junior Fellow at the Centre for Britain and Europe and a former Policy Advisor at the Department for Business, Energy and Industrial Strategy (BEIS), where he worked on EU Exit, including on Rules of Origin and no-deal preparation, as well as Free Ports. Christian has a BSc in International Relations with American Studies, and an LLM in International Law, in addition to experience of working with local government in both Kent and Surrey.



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Marta Alvaro-Taus is currently studying a PhD in Economics at the University of Surrey. She holds a MA in European Economics from the College of Europe (Belgium), and an Bachelor's degree in Economics from the University of Valencia (Spain). Her previous experience includes working as Macroeconomic Analyst at Fidelity Investments, and as Research Analyst at the European Central Bank.



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James is studying BSc International Relations and is currently in his final year at the University of Surrey. He has a keen interest in foreign affairs, international development and sustainability, he is also one of the Jean Monnet Studentship Holders for 2020-2021 within the Centre for Britain and Europe.



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Megan graduated from the University of Surrey in 2020 with a First-class Honours degree in BSc Politics and Sociology. She is now completing a Master's degree in Gender, Peace and Security at the London School of Economics and Political Science. Megan has been a Research Associate with the Centre for Britain and Europe since June 2020.



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Zoe is a final year student, studying Politics BSc at the University of Surrey, and is also one of the Jean Monnet Studentship Holders for 2020-2021 within the Centre for Britain and Europe. Her main interests in the field are public policy, issues of gender, and global governance.





FOREWORD:

Rejuvenating Surrey

Local matters. Now, more than ever, our towns, villages and local areas have greater meaning to us as individuals and as a community. Over the last year, the impacts of Covid-19 have played out in different ways across the county, highlighting pre-existing challenges, and opening up new opportunities. As we gradually move beyond the initial effects brought about by the pandemic, Surrey as a whole still faces a complex set of strategic challenges, both now and into the future. Whilst these might not be easy, the concept, logic, and sheer pull of the county's many different local areas and communities are helping to refine, our thinking and focus on our goals. In particular, policies to create and promote economic growth in our local communities are emerging as a key part of post-pandemic decision-making in Surrey, and its various levels of government.

This new report builds on the previous 'Charting Surrey's post-Covid Rescue, Recovery and Growth' report co-published in 2020 with the University of Surrey, and explores the challenges and opportunities of economic recovery and growth in our local communities. It will assist the Surrey Growth Board and other key stakeholders to determine current and future policies in this regard. As the report lays out, this is an exciting opportunity to reshape our streets, villages, towns, boroughs and county in new ways, as a result of Covid-19. The pandemic has made us look afresh at the special qualities and strengths of Surrey, including its people, communities, economy, natural environment, globally significant location, clarifying how we can continue to grow, and remain successful, attractive and competitive, nationally and globally.

Pursuing local growth in the coming years requires a series of parallel goals. We need to enhance and rebuild our local communities, while seizing opportunities to enact real, innovative change. We must ensure that Surrey remains a place of high GVA, and also a healthy, prosperous area, encouraging innovation in new and emerging sectors of our diverse economy that can provide high-quality jobs for our residents.

The report investigates four key aspects that will underpin the economic resilience of our communities: rejuvenating the high street; employment and skills; inward investment, and sustainability and the green economy. The report also sheds light on structural issues regarding health and well-being, and the multi-level challenges facing our parishes, districts, boroughs, as well as our key towns and strategic sectors. Through its policy suggestions, the report identifies specific ways to make strong local, community-focused and sustainable growth a reality for Surrey's economic future success. As with the previous University of Surrey report, the real value of it lies in how we choose to collectively use it, and translate it into actual delivery.

It has been a pleasure to once again work with the Department of Politics at the University of Surrey on this second major report into economic growth and opportunities. My thanks in particular go to Vice-Chancellor Professor Max Lu, and Head of Department of Politics and Dean International Professor Amelia Hadfield, as well as the entire research team behind this timely and impactful piece of research.

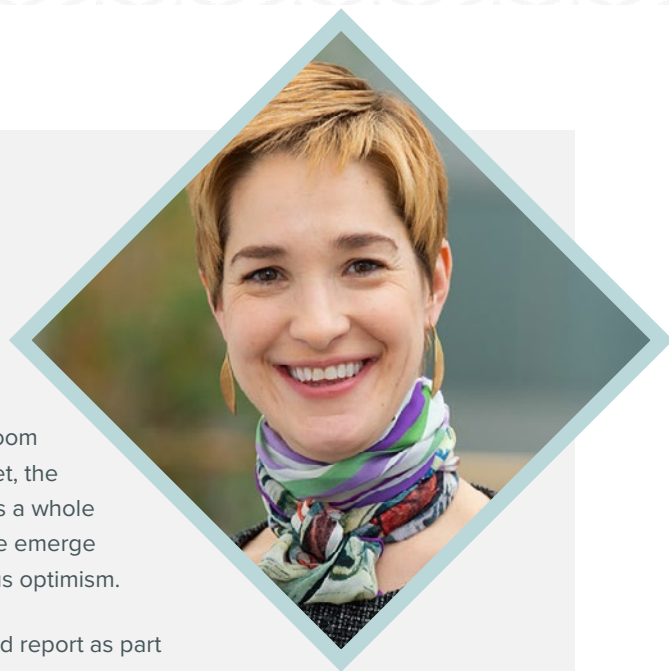
Tim Oliver, Leader, Surrey County Council



FOREWORD:

County and Community

The Covid-19 pandemic has changed or challenged virtually every facet of our way of life – from the way we work, to the way our economy functions, from teaching and learning in the classroom to understanding how we fit in our communities. Yet, the resilience, comradery and robustness witnessed as a whole across Surrey during this period ensures that as we emerge from a dark winter, we do so with a spirit of cautious optimism.



I take great, personal pride in delivering this second report as part of our growing relationship with Surrey County Council, highlighting the vital importance of academia and local government working together in lockstep to address the challenges of our time. As a large number of faithful readers will no doubt realise, this report follows on from our first report, Charting Surrey's Post-Covid Rescue, Recovery and Growth, delivered in autumn 2020 to the Future Economy Surrey Commission, chaired by Lord Hammond. The key themes and messages that emerged from the first report, highlighting the strengths and weaknesses in the local economy, bringing attention to existing and emerging clusters of excellence, have underwritten both decisions helping to direct Surrey's post-Covid recovery, and have spurred us to consider in detail a range of new themes, challenges and opportunities in this second report, entitled Charting Community-based Growth in Surrey: Local Responses and County Drivers.

In this second report, and in conjunction with the guidance of both Surrey County Council and Surrey Growth Board among others, we have focused on four key themes integral to building and sustaining community-based, and more widely, place-based growth in Surrey. These themes include localism (as a driving force of community-based growth) and rejuvenating the high street, employment and skills, inward investment, and sustainability and the green economy. Each thematic exploration is supported by robust econometrics as resourced from leading national and regional databases and analysed inhouse to provide original insights and forecasting, further supported by survey work carried out by Deyton Bell. Our quantitative methodology has been further complimented by a series of high-level interviews and focus group meetings that have taken place with 61 key stakeholders, who offered rich insights to assist with the overall delivery and publication of this report, in addition to the qualitative foundation of national and county-based primary reports.

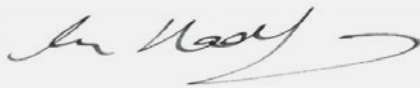
My personal thanks and gratitude are myriad and go to each and every individual, enterprise and institution with whom we interacted. In particular, I should like to thank Robert Pickles, Chair of the Surrey Employment and Skills Board, and Paula Neale. Working with the LEPs has remained an invaluable source of guidance and insight, and our thanks go to Enterprise M3 and Coast to Capital. Engagement with other 'anchor institutions' is vital and thanks are due to Royal Holloway (University of London) as well as key staff here at the University of Surrey,



as well as representatives from Heathrow Airport, Gatwick Airport, and the many Borough and District Councils who took the time to engage with us. I am also most grateful to Lord Philip Hammond for his input into our economic analysis, and ongoing support for our overall work on 'growing Surrey'. In working with Surrey County Council, it is my particular privilege – as it is for the whole team - to warmly thank the Director for Economy and Growth Dawn Redpath and Deputy Chief Executive Michael Coughlin for their insight, advice and robust support of this project, in addition to the various teams at the council who engaged with us, including Leader Tim Oliver.

Finally, it has been my honour to once again lead a dedicated, talented and above all, incredibly hard-working research team who have once again delivered a publication that I am proud to author in these challenging times. Each of them has a bright future ahead and the county of Surrey has been enriched by their hard work. My thanks to Christian as the overall project leader of this report, to Alia, Ellen, Marta, Adrian, James, Megan, Zoe, and Vicki for their time. This report would not have been possible without each and every one of them.

Now, it's time to get to work on regrowing Surrey. In doing so, let's bear in mind the words of William Shakespeare: **"Be great in act, as you have been in thought"** (*King John*).



Professor Amelia Hadfield

Head of the Department of Politics
Co-Director of the Centre for Britain and Europe
Dean of International
University of Surrey



Executive Summary

- Surrey remains a strong economic performer and has largely been isolated from the threats of Covid-19 in comparison to the rest of the county. However, threats of longer-term stagnation and changes to the economy pose a threat that need to be addressed.
- The Surrey economy has shown signs of resilience and recovery and is expected to enjoy faster economic growth in 2021 of 6% compared to national growth of 5.5%. Runnymede, Guildford and Mole Valley are expected to be the leaders of economic growth in the county due to being less impacted by Covid-19.
- The pandemic has identified a new focus on the importance of **community and localism**, notably based on the wellbeing of local people. This is linked to prosperity, productivity and growth, with the pandemic helping to facilitate closer **community** relationships and support networks. The High Street faces continued uncertainty as business reopen after the most recent national lockdown.
- Surrey enjoys a highly educated, highly skilled resident working population across specialist sectors. However, local economic trends, such as rising house prices and changes to work patterns, ensures that it faces a challenge of business and skills attraction and retention. The transition to hybrid working presents both economic opportunity in terms of increased local spending, but seismic challenges should workers opt to relocate or business close their offices altogether.
- Surrey is an innovative, diverse, and high-value economy that has been driven by both domestic and international investment. As a knowledge-intensive local economy with high levels of R&D and a highly skilled workforce, Surrey represents an 'innovation hotspot', capable of attracting diverse channels of investment.
- Sustainability must be at the heart of any strategic economic plan for any organisation, including a unified programme for place-based growth for Surrey. Surrey has the potential to be a national 'climate leader', if it capitalised on its county-based strengths of innovation, productivity and high levels of investment
- This report outlines an array of policy recommendations and strategic aims that promote recovery, resilience and community-based growth in Surrey, and Surrey's economy. They represent the four thematic areas of our research, but also include cross-cutting strategic recommendations that promote community-based growth in the county.
- The findings of this report highlight the need for further work to deliver robust, tangible community-based growth, and more widely, place-based growth across the county as a whole. Therefore, the research team will commit to delivering workshops with local stakeholders to broaden the impact of this report, explore new areas of collaboration with partners to deliver on the policy recommendations, explore cross-boundary opportunities for the local area via inward investment, and finally, work with the Centre for Environment and Sustainability on mapping climate policy actors at local and national levels.

“

This report outlines an array of policy recommendations and strategic aims that promote recovery, resilience and community-based growth in Surrey's local economy.

”





Introduction

Following on from our work with Surrey County Council that saw the launch in late 2020 of a substantial report entitled ‘Charting Surrey’s Post-Covid Rescue, Recovery and Growth’, we’ve been able to undertake further analysis during Spring 2021 with many of the same partners, as well as a host of new ones, in helping to explore place-based growth. Funded in part by Research England, this report is very much in lockstep with the range of plans and strategies being constructed by Surrey County Council, and takes into consideration the emerging plans at district and borough level, as well as ambitions by key regional business groups, including the LEPs.

Context: Covid-19 Pandemic

Covid-19 has had an unprecedented impact on global populations, leading to high mortality rates and wide-reaching health implications, as well as economic uncertainty and changes in lifestyles. Surrey saw its highest proportion of Covid-19 related deaths during the peak of the pandemic from April to May 2020, with a peak of 41% of total deaths related to Covid-19 across the county recorded in May (University of Surrey, 2020a, p.192). By mid-March 2021, Surrey recorded 36.1 cases of Covid-19 per 100,000 population, lower than then national average of 58.3 per 100,000 people nationally during the same period; by late May/early June, Surrey recorded a rate of 19.7 cases per 100,000 (Surrey County Council, 2021b) - lower than the national average during the same period, of 28.6 per 100,000 (Gov.uk, 2021b). The Government’s launch of the ‘Roadmap’ out of lockdown beginning in Spring 2021, outlines a four-step easing of strict lockdown restrictions based on risk assessments and

scientific analysis of rates of hospitalisations and deaths in those vaccinated and wider infection rates (Cabinet Office, 2021). While it is likely that the roadmap may yet see changes in implementation at national and even local level, the hope is that the UK and Surrey will gradually return to a more normal way of life, through chronological steps to allow pupils to return to school, care homes to accept visitors, increased social interactions, and the opening of recreational facilities, retail, and hospitality and international travel.

Defining Growth

SCC Leader Tim Oliver outlines in the Foreword the impetus for supporting community-based growth for Surrey. Pre-Covid, a road map to growth was laid out in ‘Surrey’s 2050 Place Ambition’ report (Surrey Future, 2019). The report defined growth as a socio-economic trajectory that is proportional and sustainable, supports the health and wellbeing of residents, is supported by infrastructure, delivers high quality buildings and public realm space, increases the resilience and flexibility of the local economy, builds resilience to the impacts of climate change, and is *planned and delivered at a local level*. From our perspective, growth is inherently connected to, and reflective of, local conditions and needs specific to a place, like Surrey or a particular community within Surrey. Place-based growth is the overarching frame of reference used in this report to look at Surrey-specific requirements; community-based growth attends to the needs arising from a particular locale within Surrey.

Emerging from the initial impacts of Covid, our research suggests that decision-makers, stakeholders, and citizens in Surrey largely view

place-based growth in these terms, but with some salient changes. There is for example a greater focus on the *mental and physical health of residents*, as the county recovers from the impacts of ill health and lockdown. The importance of *inclusive growth* is also highlighted, as is the need to support those facing temporary or sustained unemployment as a result of Covid-19, particularly young people. There is also greater recognition of the value of key workers, the need for affordable housing, and the need to fundamentally reimagine local high streets, with the provision of multi-use spaces that facilitate working closer or at home. Both the quantitative and qualitative data generated for this report indicates that in post-Covid Surrey, growth itself is now defined in four fundamentally important ways:

- **Place-based:** connected to the overarching and inclusive growth requirements of Surrey as a county;
- **Community-based:** inherently connected to actively supporting and rebuilding specific communities, economies and identities within Surrey;
- **Multi-factor:** incorporating GVA/output, skills/training, employment, inward investment, socio-cultural, community-based factors;
- **Sustainable:** necessarily connected to green growth and green economy criteria;

The Dynamism of Place-based Growth

Place-based growth however, is not a static concept. Even pre-Covid, various reports and data (including the 2019 Surrey Future) concluded that whilst Surrey's strategic priorities may remain the same over the next thirty years, the method of their delivery will evolve radically, "largely in response to external factors and influences". Covid-19, and to some extent Brexit, have provided the policy context for introducing changes in delivery plans as a result of local needs and priorities that have shifted dramatically in some instances. Place-based regrowth is key for Surrey; community-based regrowth is central to its cities, towns and villages; as is aligning economic growth and infrastructure development with increasingly clear goals of sustainability, wellbeing and localism.

The Grant Thornton report for instance asserts that Covid-19 has strengthened the argument for a place-based response within policymaking in relation

to both short-term recovery and the delivery of long-term sustainable growth (Place-Based Recovery 2020, p.8). Covid-19 has fundamentally changed behaviours and activities and whilst some of these changes are likely to 'bounce back' relatively quickly, others may take longer to recover or may have been changed permanently, highlighting the need for a new approach to economic development (Grant Thornton, 2020, p.8). The Grant Thornton analysis chimes largely with our own findings and we have identified four key areas in which behavioural change throughout the county may impact on place-based growth locally and regionally:

- the **shift in working patterns**, with a surge in home working, enabled through digital platforms. This has led to the dispersion of the workforce and a reduction in the demand for commercial office spaces and energy consumption.
- an increasingly '**local**' perspective has emerged, providing local authorities with an opportunity to develop new, local employment and infrastructure opportunities to attract businesses and investment.
- notable reductions in **carbon consumption** and shifts in consumer behaviour to online retail as a result of lockdowns and travel restrictions have refocused attention on the green agenda. While this represents a challenge for resuscitating the high street, there are opportunities to refocus economic growth within the context of a green recovery agenda.
- opportunities for **high streets to adapt and transform**, capitalising on consumers' growing preference for shopping more locally and in independent shops as well as the increasing use of local areas stimulated by working from home practices. For example, local authorities must work to reimagine and transform town centres and high streets through new models of housing delivery and developments that promote the high street as a social and cultural hub.

In addition to the rise in new forms of domestic tourism helping to attract visitors and stimulate place-based growth, the sum total of these changes emphasises the very real need for local authorities to be agile and develop prompt, targeted interventions to address place-based vulnerabilities and take advantage of emerging opportunities.

Health, Wellbeing and Growth

Whilst Surrey has a largely affluent and healthy population, there are evidently significant inequalities between the most deprived areas of the county and the least deprived which translate into health inequalities. The Covid-19 pandemic has both exposed and exacerbated these issues, having a disproportionate impact on lower income and marginalised communities. SCC's (2020b) Rapid Needs Assessments represent a significant development in identifying specific vulnerable groups in the community including children and young people, older people and Black, Asian and minority ethnic groups and key issues including poor mental health, obesity and domestic violence. These represent the key priority areas of focus, which undermine the health of the population, create huge service costs, and lead to a loss of productivity in the local workforce. A place-based growth strategy for Surrey must therefore promote more inclusive access to health and social care services and develop a more proactive and preventative approach to tackle the structural causes of poor health

outcomes rooted in socio-economic inequalities and ensure sustained momentum for targeted interventions to support these groups.

Health and growth need to work together in lockstep in Surrey, particularly as the NHS and social care sectors begin to manage their substantial backlog. This also comes at a time when health care professionals are experiencing 'burnout' due to the stress of the last year, with forty-two percent of nurses reporting 'emotional exhaustion', with the UK being the second highest out of 12 countries surveyed (Anstee et al, 2020, p.2). The combination has the potential to create an intrinsic drag on both local and national growth, with poor mental health estimated to cost the national economy between £75 and £100 billion every year, including a mean total of £44.5 billion in lost output (Stevenson and Farmer, 2017, p.27). Public Health England (2019) states that the annual combined costs from worklessness and sickness are approximately £100 billion, with 131 million working days lost to sickness every year.

WELLBEING AND MENTAL HEALTH

Wellbeing and mental health concerns will be further exacerbated as the Coronavirus Job Retention Scheme (CJRS) begins to be wind down in the coming months and unemployment begins to rise. Whilst forecasts have lowered previous concerns of unemployment trends from 2020, it is still expected to hit around 7% nationally. This will raise concerns over mental health, with the relationship between mental health and unemployment considered 'bi-directional' (The Health Foundation, 2021 p.3). Furthermore, with unemployment expected to have a disproportionate impact on the 16-24 age group, especially those with lower qualifications, there is a high risk that the future Surrey workforce may struggle to recover. Therefore, high employment will be critical to the economic recovery from the Covid-19 pandemic, whilst failure to address the looming mental health crisis will 'create a drag on future prosperity' (Ibid).

The intrinsic values of a healthy population have economic benefits or, as the Local Government Association (2019, p.4) argues, "many of the so-called health determinants are in fact economic determinants". These interdependencies are further highlighted by place-based growth, where the relationship between health and economic development tie into the development of a specific area or geographical area (Ibid). Equally, Surrey demonstrates comparative advantage with lower proportions of residents

experiencing a long-term limiting health problem or disability in all eleven of Surrey's local authority areas in comparison to both the regional and national averages (SCC, 2020b, pp.4-5). Surrey is widely considered a prosperous place to live, with a healthy and affluent population. The county boasts a green and leafy landscape that enhances the quality of life of residents, being the most wooded county in England and with seventy-three percent of its land in the green belt and twenty-six percent designated as Areas of Outstanding Natural Beauty (Surrey-I, 2021).

Inclusive Growth

Inclusive growth is growth that includes everyone with the aims of narrowing the gap between affluence and poverty, supporting groups who face high barriers to quality employment, helping those experiencing in-work poverty and assisting those who are locked out of jobs. Inclusive growth strengthens the long-term economic performance of an area and enables the widest possible range of people to participate in, and benefit from, growth in their locality¹. Three main groups are identified as most at risk of exclusion from opportunities to work and live in Surrey:

- **young people** who are facing higher levels of unemployment as a result of Covid-19 alongside a lack of affordable housing;
- **older adults** who have become unemployed as a result of Covid-19;
- **women as a group**, and representatives of BAME and other minority backgrounds, who struggle with low levels of representation in the majority of the county's key high-value sectors.

‘There are the obvious things to do: re-skilling, up-skilling, improving job brokerage, improving understanding across the working age population about careers, opportunities and so on. But if there are to be inclusive jobs in the future which do not leave people in a moribund state, then putting a lot of collective effort in thinking through these key changes is going to be vital.’

Charting Surrey's Community-Based Growth: Report Themes

Since early 2020, local government and other leading regional authorities have produced a variety of reports relating to the shifts in governance, the impact of Covid-19, and future planning. As part of its qualitative pre-analysis assessment, and to ensure that our own insights and policy suggestions remain complementary with those of Surrey County Council and the Surrey Growth Board, our team has assiduously compiled and read in-depth through this canon. What follows are the key social, economic, material, political and community priorities that will inevitably require serious and

sustained attention by local government, and which themselves are directly connected to the overarching goal of ensuring place-based growth in Surrey and community-based growth within the county, both urban and rural.

At the heart of much of our analysis is work by Surrey County Council on the principles of a robust and sustainable growth strategy designed to help Surrey adapt advantageously to the changing socio-economic patterns, particularly those encountered post-Covid (SCC, 2020c, p.8). Surrey County Council's strategy rests on 5 key growth propositions: (1) the development of a Surrey Innovation programme to support and expand businesses in key emerging sectors; (2) developing a more inclusive and sustainable housing supply and overcoming infrastructure constraints; (3) reinvigorating town centres; (4) supporting skills and employment; (5) achieving the ambitions of Surrey's Greener Future plan.

Our own data-collection, analysis and policy recommendations largely chime with these goals, and provide in-depth overviews on the need for innovation to drive employment and skills and inward investment, support for 'clusters of excellence' and emerging sectors, and thoroughly sustainable criteria to underwrite infrastructure and planning developments including the high street. As with our 2020 report, methodology remains all-important. Using a mixed-method approach, we were careful to consult both the series of current strategic reports published by local authorities, secondary literature, our own unique econometrics drawing from the Office for National Statistics, Oxford Economics and Beauhurst, alongside focus groups, surveys, and questionnaires, complimented by a series of targeted, in-depth interviews with leading decision makers. In addition to a cross-sectoral economic analysis drawing on original data found in the following section, these priorities are grouped into four main categories: (1) localism and rejuvenating the high street; (2) employment and skills; (3) inward investment; (4) sustainability and the green economy, each of which is briefly outlined below.

¹ <https://www.jrf.org.uk/cities-towns-and-neighbourhoods/inclusive-growth>

<https://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/documents/sustainable-growth-index-2019.pdf>

https://www.thersa.org/globalassets/pdfs/reports/rsa_inclusive-growth-commission-final-report-march-2017.pdf

• Localism and Rejuvenating the High Street

As part of the goal of **community-based growth**, engaging with local communities is key to ensure that their needs in terms of housing, services and employment opportunities are prioritised (Surrey Future, 2019, p.5). Key objectives here include developing new, affordable housing, securing greater economic prosperity, and improving infrastructure whilst maintaining and enhancing the natural and built environment. These are the building blocks of Surrey's economic growth; attention to these areas ensures both the "retention and expansion of existing local businesses" (Surrey Future, 2019, p.8) and the enhanced, health and wellbeing of residents (Surrey Future, 2019, p.9). The Place Ambition also outlines the need to enhance the overall "place offer of Surrey's towns", meaning that town centres must adapt to the different and changing needs of local populations in terms of "services, leisure, culture, jobs, housing and travel options" (Surrey Future, 2019, pp.13-14), including post-Covid realities.

Housing is, and remains, a key issue. New housing settlements are not merely a capacity issues, but an inherently place-based challenge, reflecting the demographic, economic and community-based needs of a given place. Surrey's inability to attract and retain young families and cater adequately for the needs of its growing ageing population in terms of overall affordability is a chronic problem, requiring urgent attention.

• Employment and Skills

Surrey has historically done well at leveraging its strategic economic assets, chiefly through investment in 'Strategic Opportunity Areas' (SOAs) that offer opportunities to boost productivity and growth such as universities, transport hubs and strategic employment hubs (Surrey Future, 2019, pp.15-16). This involves a number of requirements. First, a focus on education and skills through partnerships between employers and education institutes to ensure a productive and agile workforce and to build a high value and high growth economy (Surrey Future, 2019, pp.16-17). Second a commitment to hubs, clusters and zones representing uniquely high-GVA output, and which are recognisably

part of the 'Surrey brand'. Third, ensuring 'connectivity' between key hubs, like research parks, business hubs, high streets, and anchor institutions like local government, the universities and the LEPs.

The county's role within the wider sub-regional and national economy illustrates Surrey as one of the most productive county economies in England, generating an annual output of over £43 billion, with wealth of high-value and high-worth innovation assets including universities, research institutes, industrial research bases and corporate businesses stimulate growth and investment within the county and more widely for the UK economy (SCC, 2020b, p.4). Equally, our own analysis (2020) and other sources (LEP data) illustrates pre-Covid complacency, pre-Brexit downturns, and historical declines in output, innovation and GVA leading to entrenched regional disparities and under-performing areas.

• Inward Investment

Covid-19 has created significant challenges in terms of economic losses. The question at this point is the protracted nature, and overall impact of increased (and possibly sustained) unemployment in key sectors in Surrey, impacting key demographics (including 18-30s) and skill-sets (e.g. a swathe of middle-skill occupation redundancies). In recreating a viable inward investment climate, Surrey will need to pay particular attention to trade fluctuations in the country as a whole, in sectors as well as supply chains. Macro-level shifts to diversify supply chains for example may feature as a post-2021 trend, requiring Surrey to look closely at its core inward investment, its value-added outputs, and its comparative advantages, in order to remain competitive and attractive beyond the UK, while capitalising on opportunities for reshoring and investment by UK businesses internationally (EY, 2020a, p.44).

Equally, the opportunity to now construct and promote a culture of innovation is both promising and viable, allowing place-based growth to take shape through targeted investment in struggling sectors and focusing on creating a permanent Surrey skills-base that aligns with employment opportunities within established high innovation sectors (space, satellite, med-tech, gaming) and new opportunities in emerging industries (driven by digitisation and carbon-free economy goals).

More broadly, strategic planning now needs to leverage Surrey's inward investment. Pre-Covid reports remain helpful in this respect. Both the 2019 Surrey Future report and our 2020 report 'Charting Surrey's Post-Covid Rescue, Recovery and Growth' emphasised the county's existing strategic advantages such as its connectivity to the capital, international airports and the South Coast, its excellent but increasingly congested road and rail networks, high-skilled workforce, diverse and increasingly digital business base, world class education facilities, and the green environment. The good news is that Surrey has the potential to drive Britain's national post-Covid recovery through its resilient, diverse economy, above-average productivity, and innovative business, knowledge, and skills base.

• Sustainability and the Green Economy

A common theme arising from reports and interviews alike is the significant opportunity afforded by post-Covid rejuvenation to commit firmly to the carbon-free renewal of local areas. Put simply, the sheer magnitude of Covid-19 impacts and the impetus to 'build back' has provided a real opportunity to refocus growth priorities around sustainability goals on the one side, and support the permanent shift of work patterns to alleviate local pressures on the other, helping together to regrow –

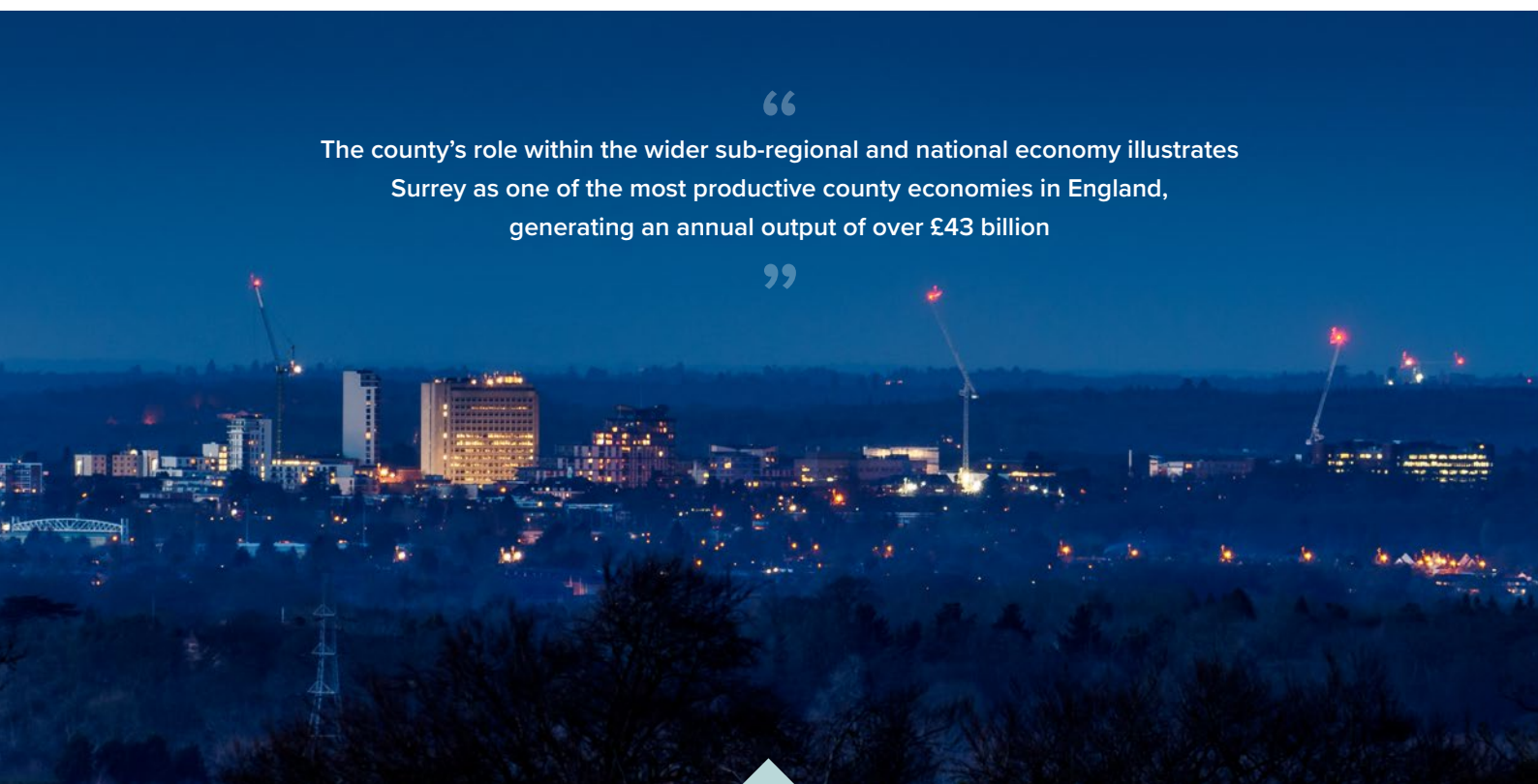
possibly redesign - town centres and local green spaces (EM3, 2020b, p.7, 10) Within the EM3 area, for example, "certain pre-pandemic EM3 challenges can be reframed as significant opportunities" towards a transformative renewal of local areas (EM3, 2020b, p.9). Additionally, the C2C area is planning to draw from its talented workforce and local business specialisms to lead a green recovery, prioritising decarbonising the energy supply across homes, transport and industry and securing and coordinating investment in natural capital to offset emissions (C2C, 2020b, p.2).


The key however, is sustainability. Surrey County Council's (SCC) (2020c, p.2) economic strategy statement, 'Surrey's Economic Future', draws on the framework of the 2050 Place Ambition, setting out key objectives to deliver the Corporate Priority to "grow a sustainable economy so everyone can benefit". Indeed, Surrey's skills landscape is complicated by its ageing population, creating a demographic imbalance with a rising dependency ratio. Surrey County Council's (2020d) 'Towards the One Surrey Growth Plan: A Plan to Deliver Economic Growth and Secure Our Greener Future' provides an additional framework for the delivery of the economic growth strategy, with sustainability as a core goal across the agenda.

“

The county's role within the wider sub-regional and national economy illustrates Surrey as one of the most productive county economies in England, generating an annual output of over £43 billion

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SURREY'S ECONOMIC GROWTH OUTLOOK: FROM COVID SLUMP TO LONG-TERM PROSPECTS

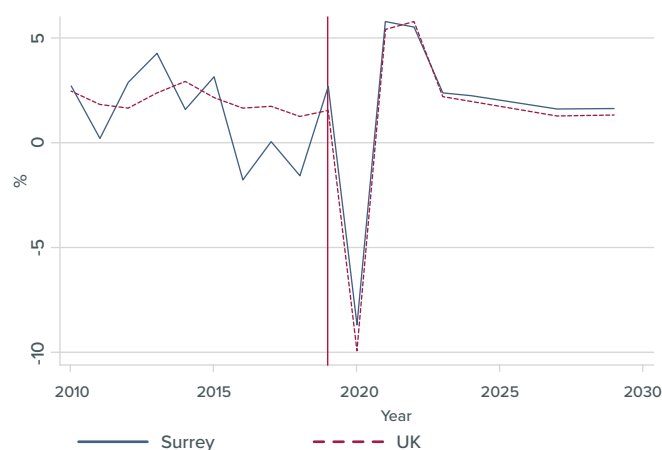
Surrey's Economic Growth Outlook: From Covid Slump to Long-term Prospects

In what follows, we present both short and long-term forecasts for Surrey. In doing so, we make use of the UK Local Authorities dataset from Oxford Economics, an economic consultancy firm, firstly to construct aggregate forecasts for Surrey, and secondly as a benchmark to determine Surrey's short and long-term outlook.

Surrey's Output Decrease

The impact of the pandemic on Surrey's gross value added (GVA) has been below that of the country as whole. Surrey's drop in GVA is expected to have been -8.8% in 2020, compared with -10% for the UK. Part of this fall in output is likely to be recovered in 2021, when the economy is expected to grow at around 6%, following a slightly faster recovery than the UK overall (+5.5%).

Real GVA growth: Surrey vs UK

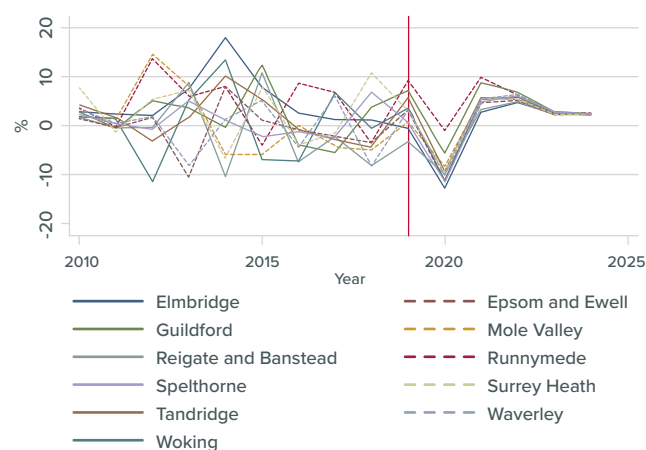


Sources: ONS Regional Accounts, Oxford Economics forecasts & Own Calculations

Overall, we estimate that it will take between two and three years for Surrey to return to pre-pandemic output levels, although there will be some unevenness between local authorities. For instance, Guildford and Runnymede will have recovered 2019 GVA levels by 2022, while Elmbridge, Epsom and Ewell, Reigate and Banstead, Spelthorne and Woking will only recoup pre-pandemic output level from 2024. Runnymede,

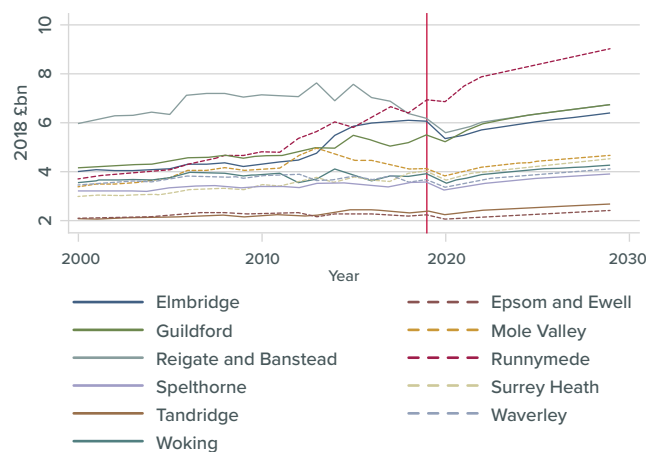
Guildford, and Mole Valley are expected to be less impacted overall by the effects of the Covid, enjoying higher growth rate forecasts for 2020 than the rest of Surrey's local authorities. Runnymede in particular is unlikely to deviate from its trend, which has been increasing steadily since 2010. Elmbridge however is likely to emerge as the most impacted area, requiring a longer recovery path, as illustrated in the tables below.

Real GVA Growth by LA



Sources: ONS Regional Accounts, Oxford Economics forecasts

Real GVA by LA



Sources: ONS Regional Accounts, Oxford Economics forecasts

Surrey's Long-term Growth Potential

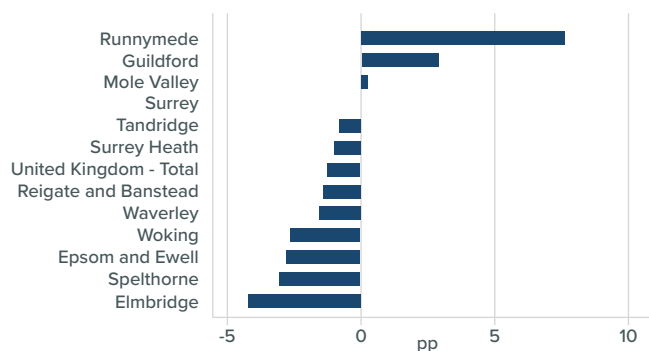
This section analyses the growth potential of the economy, analysing the degree to which Surrey's economy can grow in the long-term, set against both current and forecasted economic structure and productivity levels. This rate of growth also signals how the Surrey economy fares against other regions and the national average, and can be used as a helpful benchmark when designing growth strategies. In doing so, we opt for a ten-year forecast as most expedient in establishing Surrey's long-term potential, estimating this growth at around 1.6% (above the 1.3% level for the UK overall).

Before Surrey can effectively shift back into a growth-based trajectory however, its economy will likely remain in a period of transition triggered by the Covid-induced downturn. During this transition period however, Surrey's economy will – cross-sectorally – still grow robustly, with growth rates expected to peak at or around 6% in the latter part of 2021, slowly decreasing in the following five to six years until it reaches levels out at the forecasted 1.6% level.

Again, the path to post-2020 recovery will be uneven. These discrepancies in performance are illustrated in the tables below as deviations from Surrey's forecasted aggregate growth. High performers are identifiable, including Epsom and Ewell, Runnymede, Surrey Heath, Tandridge and Guildford. Local authorities with the lowest growth potential (based on the ten year growth forecast), include Woking, Spelthorne and Elmbridge (only Woking's potential output is below the UK's).

LA's Growth Forecast relative to Surrey's in 2020

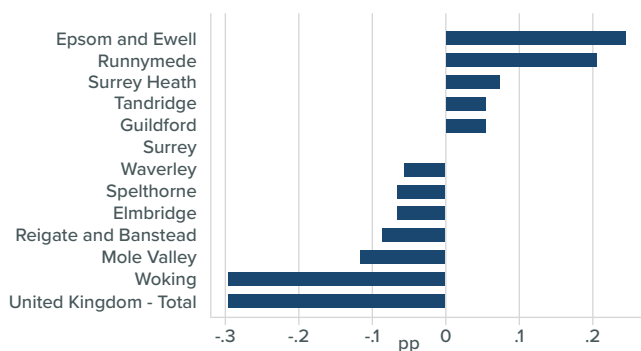
The Short-Term



Sources: ONS Regional Accounts, Oxford Economics forecast and Own Calculations

LA's Growth Forecast relative to Surrey's in 2025

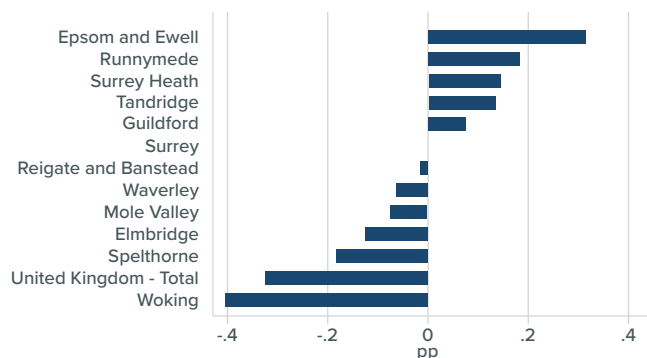
The Medium-Term



Sources: ONS Regional Accounts, Oxford Economics forecast and Own Calculations

LA's Growth Forecast relative to Surrey's in 2029

The Long-Term



Sources: ONS Regional Accounts, Oxford Economics forecast and Own Calculations

Surrey's Productivity Growth to Outpace Output Growth

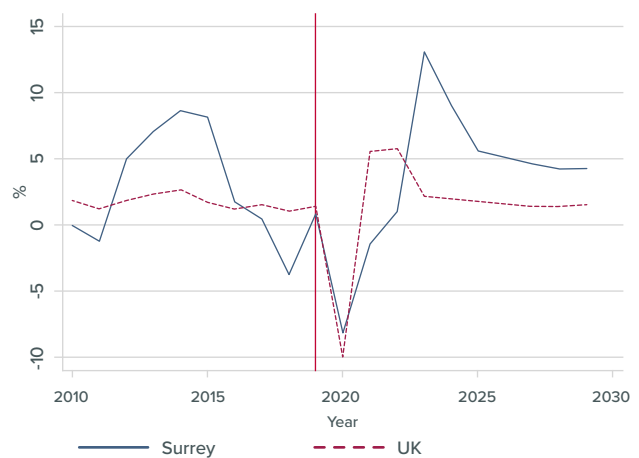
The positive outlook on Surrey's growth is outpaced by potential productivity gains. As seen in the tables below, the narrowing in the pre-pandemic gap between Surrey and the UK in terms of GVA per head is expected to reverse, thanks primarily to much faster rates of productivity in Surrey. This is despite the higher projections in population and migration rates for Surrey overall.

GVA per Working Age Population: Surrey vs UK



Sources: ONS Regional Accounts, Oxford Economics forecasts & Own Calculations

Growth GVA per Working Age Population: Surrey vs UK



Sources: ONS Regional Accounts, Oxford Economics forecasts & Own Calculations

Growth in Working Age Population: Surrey vs UK



Sources: ONS Regional Accounts, Oxford Economics forecasts & Own Calculations

Migration Rates: Surrey vs UK



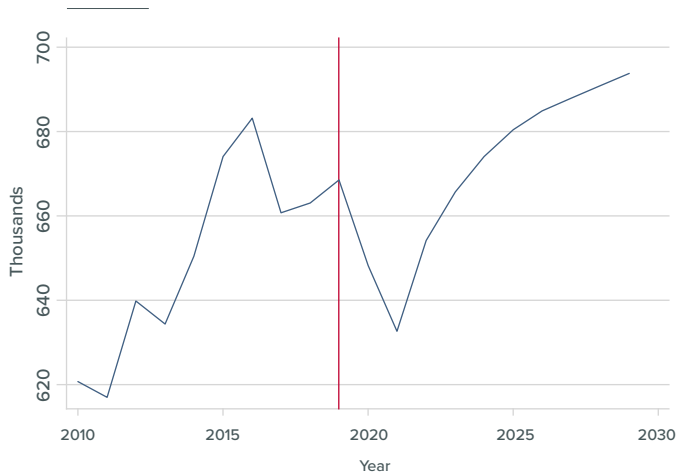
Sources: ONS, Oxford Economics forecasts & Own Calculations.
Note: (>0): Net receiver of migrants

Surrey's Employment Losses to be Recovered Quickly

Surrey's total employment, including self-employed, is estimated to have fallen by 2.1% in 2021, but the local economy will recover to pre-pandemic levels by 2023, and will continue to grow at around 1% in the medium-term. The long-term growth rate is, however, much lower at around 0.5%.

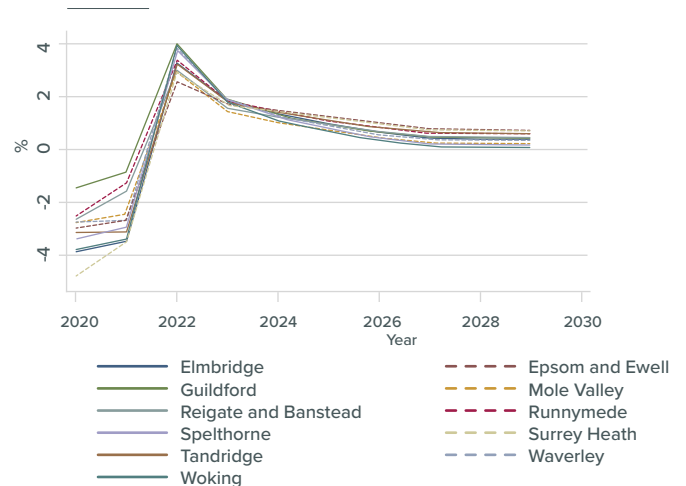
Guildford, which is the local authority with the largest employment pool, has suffered the least job losses during covid and will recover the fastest followed by Runnymede, and Reigate and Banstead. On the other hand, Surrey Heath, Elmbridge, and Woking are expected to have performed the worst with employment losses above 3% in 2021.

Total Employment in Surrey



Sources: ONS Regional Accounts, Oxford Economics forecasts & Own Calculations

Total Employment by LA

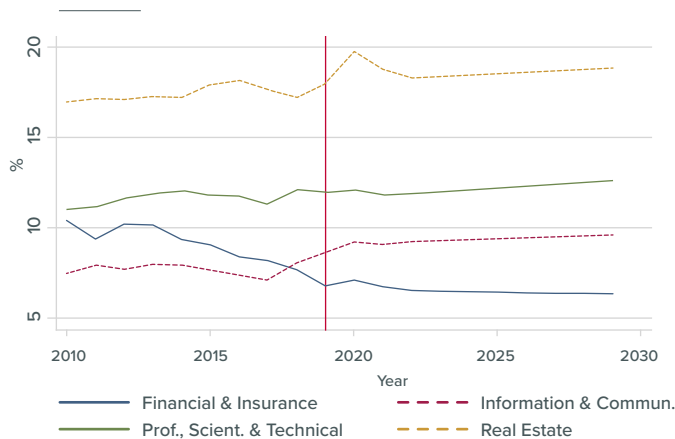


Sources: BRES, Oxford Economics forecasts

Key Strategic Sectors: Underpinning Surrey's Potential

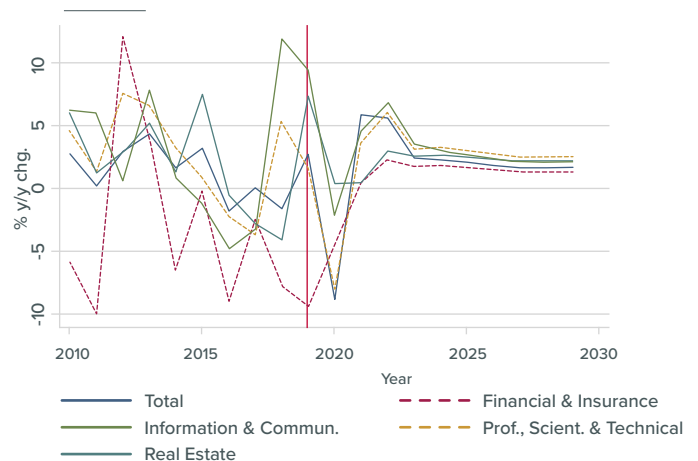
Based on past performance, the sectors in which Surrey has enjoyed a comparative advantage include financial and insurance, information and communications, professional, scientific and technical activities, and real estate. Apart from finance and insurance, all other sectors are expected to remain leading sources of output and employment growth in Surrey. Given the general dynamism and innovation found within these sectors, coupled with their capacity to outperform in productivity terms, we consider there is significant potential for Surrey's economic performance, relative to the benchmark growth rate established above. However, a targeted plan to attract and retain still more businesses in these sectors is key to achieving and ensuring the sustainability of this potential growth area.

Surrey's Key Sectors Share of GVA



Sources: ONS Regional Accounts, Oxford Economics forecasts & Own Calculations

Surrey's Total GVA Growth vs Key Sectors

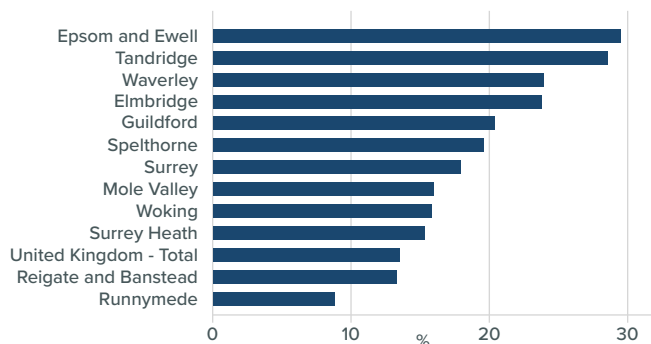


Sources: ONS Regional Accounts, Oxford Economics forecasts & Own Calculations

The tables below illustrate where sectoral activities remains prominent as percentage of local authorities' GVA, and also where area-based specialisms exist. Professional, scientific and technical activities for example are distinctive to Mole Valley; information and communications are key in Runnymede, while financial and insurance is responsible for 30% of the total output in Raigate and Banstead.

Sectoral GVA as % of Total by LA in 2019

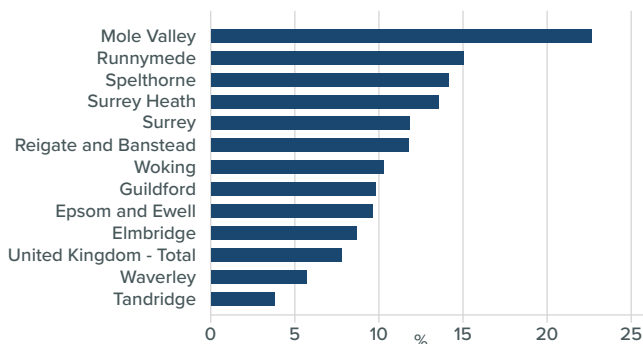
Real Estate



Sources: ONS Regional Accounts, Oxford Economics forecast and Own Calculations

Sectoral GVA as % of Total by LA in 2019

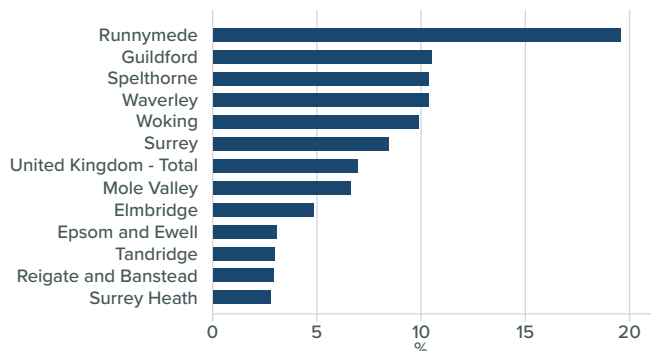
Prof., Scient. & Technical



Sources: ONS Regional Accounts, Oxford Economics forecast and Own Calculations

Sectoral GVA as % of Total by LA in 2019

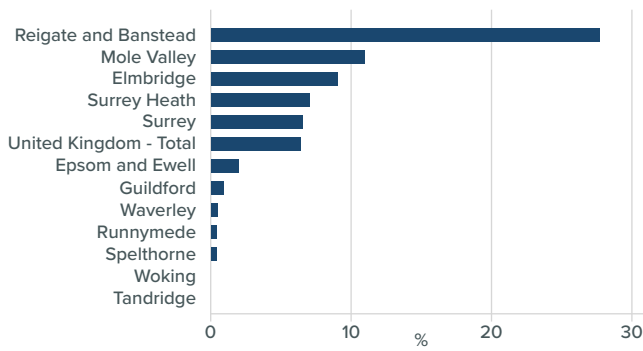
Information & Communication



Sources: ONS Regional Accounts, Oxford Economics forecast and Own Calculations

Sectoral GVA as % of Total by LA in 2019

Financial & Insurance



Sources: ONS Regional Accounts, Oxford Economics forecast and Own Calculations

Employment Creation in Key Sectors Behind the Quick Recovery

Except for financial and insurance activities, the key strategic sectors for Surrey have been resilient to the pandemic performing better than the average and will support the quick recovery showed in overall employment. In the long-term, real estate, information and communications, professional, scientific and technical activities are expected to continue to support job creation. However, the outlook for financial and insurance activities is of persistent job losses.

Employment Growth in Key Sectors

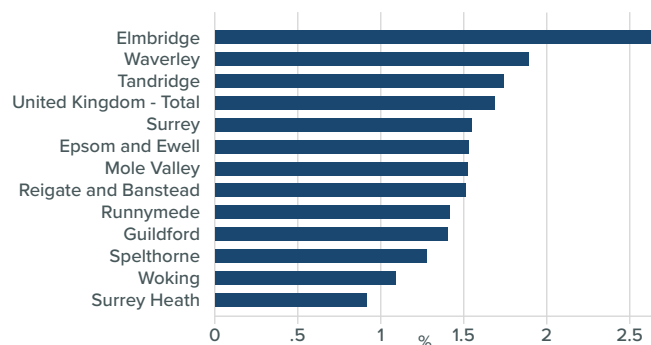


Sources: ONS Regional Accounts, Oxford Economics forecasts & Own Calculations

The sectoral breakdown of employment based on Local Authority districts presents an interesting and diverse picture of the county. Professional, Scientific and Technological Services has a significant base of employment in a number of local authorities. Mole Valley, Surrey Heath, and Epsom and Ewell have a profound strength in this sector. Runnymede and to a lesser extent, Woking, have also a high sectoral base in Information and Communication; whilst Reigate and Banstead are nearly 2.5 times the next largest employment base in Mole Valley in Financial and Insurance Services.

Sectoral Employment as % of Total by LA in 2019

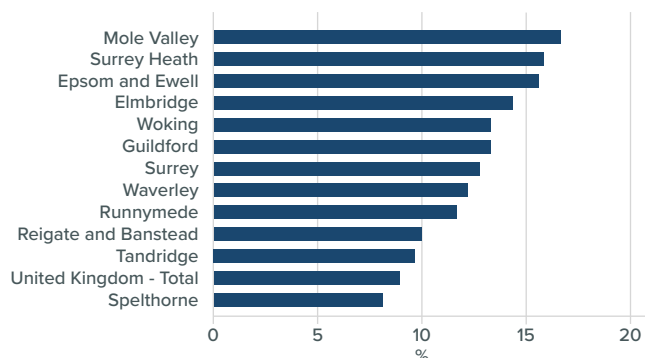
Real Estate



Sources: BRES, Oxford Economics forecasts and Own Calculations

Sectoral Employment as % of Total by LA in 2019

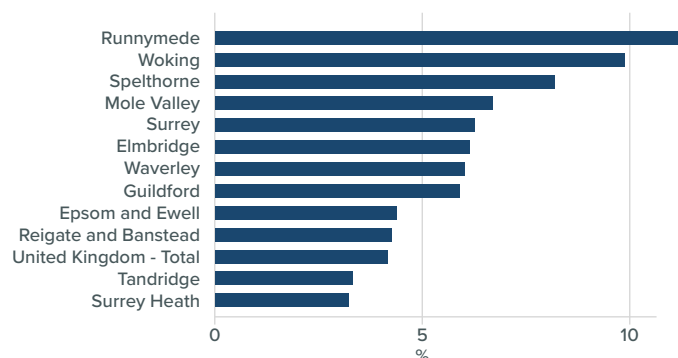
Prof.,Scient. & Technical



Sources: BRES, Oxford Economics forecasts and Own Calculations

Sectoral Employment as % of Total by LA in 2019

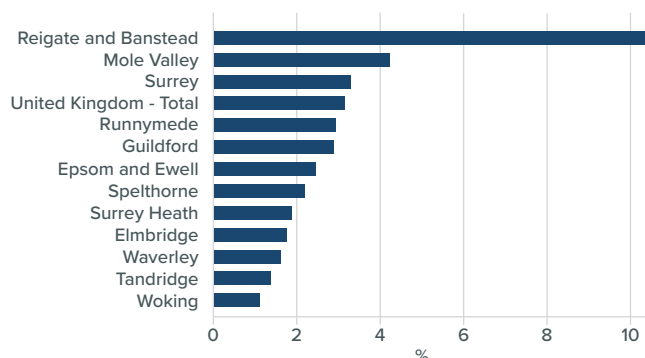
Information & Communication



Sources: BRES, Oxford Economics forecasts and Own Calculations

Sectoral Employment as % of Total by LA in 2019

Financial & Insurance



Sources: BRES, Oxford Economics forecasts and Own Calculations

Collectively, this data showcases the diverse strengths that many Surrey Local Authorities have and the prevalence of an equitable distribution of strengths in strategic sectors. Equally, the data does showcase that should one sector be hit particularly hard, it may have a disproportionate impact on economic growth due to an overdependency on a sector for employment. Consideration may need to be given to help areas of Surrey diversify its employment bases to lessen this dependency.

Surrey's Business Demography and Covid-19's Impact¹

In this section, we present an up-to-date appraisal of Surrey's business demography using original data from Beauhurst. The business demography provides a snapshot of the dynamism of the Surrey economy, i.e. Surrey as a place to do business, while the aim of this section is to present a picture of the most recent performance of Surrey's business base growth compared to the latest ONS Business demography data, which refers to 2019.

Beauhurst continuously collects data on companies from Companies House and identifies high-growth companies using its own methodology, which is based on well-established triggers such as equity/venture debt investment, academic spinouts, accelerator programmes, MBOs, etc. Because Beauhurst's definition of high-growth companies is wider than that used by the ONS in the Business Demography report, it goes beyond the ONS rankings of high-growth companies and has the added advantage of being more to date (e.g. the latest data available for the ONS as included below is 2019, while Beauhurst data has been harvested from February 2021). On the basis of our own inhouse analysis, and in tandem with a series of interviews with key stakeholders, our data provides a more accurate and recent picture of Surrey's active and high-growth companies.

The first observation is that accommodation remains among the most affected sectors in Surrey, with 57% of the companies still registered as severely affected. Companies in human health and social work activities have also been hit badly, with 67% of reported companies remaining in the highest risk brackets. Surrey also has the largest number of severely affected firms in the administrative and support services sector (12), and in wholesale and retail sector (10).

Current Covid-19 Impact

	Business count			% by Industry		
	Critical or Severe	Moderate or Low	Positive	Critical or Severe	Moderate or Low	Positive
Agriculture, forestry and fishing	0	3	0	0%	100%	0%
Mining and quarrying	4	60	11	5%	80%	15%
Manufacturing	0	0	0	-	-	-
Electricity, gas, steam and air conditioning supply	0	1	1	0%	50%	50%
Construction	0	20	4	0%	83%	17%
Wholesale and retail trade; repair of motor vehicles	10	44	9	16%	70%	14%
Transportation and storage	0	9	0	0%	100%	0%
Accommodation and food service activities	8	5	1	57%	36%	7%
Information and communication	5	118	50	3%	68%	29%
Financial and insurance activities	2	25	21	4%	52%	44%
Real estate activities	0	4	0	0%	100%	0%
Professional, scientific and technical activities	4	61	30	4%	64%	32%
Administrative and support service activities	12	25	14	24%	49%	27%
Public administration and defence; compulsory social	1	4	1	17%	67%	17%
Education	0	5	7	0%	42%	58%
Human health and social work activities	8	4	0	67%	33%	0%
Arts, entertainment and recreation	4	10	1	27%	67%	7%
Other service activities	0	0	0	-	-	-
Activities of extraterritorial organisations and bod	0	1	0	0%	100%	0%
Total	58	399	150	10%	66%	25%

Sources: Beauhurst

¹ As noted by Lord Philip Hammond, the business demography data in this section is an imperfect indicator of GVA-generating activity located within Surrey, as this data is not weighted by companies' output or size. Hence, it should be taken with caution and read as signalling growth directionality rather than the overall performance of a local authority.

² Companies House is the UK Government's registrar of UK companies and it is administered by the Department for Business, Energy and Industrial Strategy. All UK companies are incorporated and registered at Companies House and are legally required to file annual financial statements with Companies House.

³ See <https://www.beauhurst.com/data/> for more details.

⁴ All enterprises with average annualised growth greater than 20% per annum, over a three-year period. Growth can be measured by the number of employees or by turnover. The ONS uses employment.

In addition, from a geographical standpoint, Guildford has the largest number of severely affected high-growth companies. Equally, this finding is not entirely surprising, given that the town has the largest number of high-growth enterprises overall. As a share of the total number of entities in a local authority, Spelthorne continues to be most impacted, followed by Mole Valley, Elmbridge and Woking.

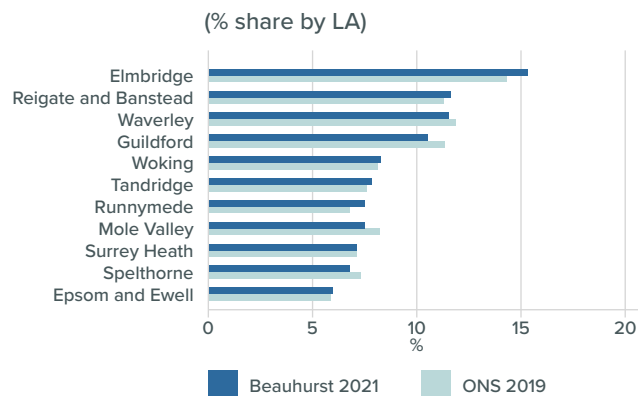
Current Covid-19 Impact

	Business count			% by Local Authority		
	Critical or Severe	Moderate or Low	Positive	Critical or Severe	Moderate or Low	Positive
Elmbridge	11	64	15	12%	71%	17%
Epsom and Ewell	0	16	1	0%	94%	6%
Guildford	14	88	43	10%	61%	30%
Mole Valley	7	30	13	14%	60%	26%
Reigate and Banstead	5	33	11	10%	67%	22%
Runnymede	0	23	10	0%	70%	30%
Spelthorne	4	11	7	18%	50%	32%
Surrey Heath	5	33	8	11%	72%	17%
Tandridge	2	21	10	6%	64%	30%
Waverley	3	48	12	5%	76%	19%
Woking	7	32	20	12%	54%	34%

Sources: Beauhurst

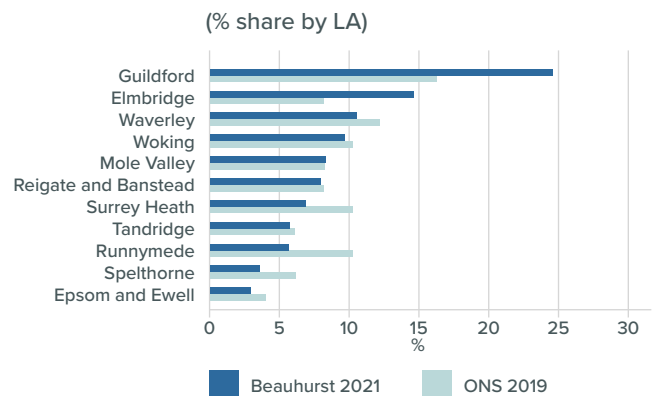
The second observation is that despite some above-mentioned sectoral impacts, Surrey has continued to expand its business base. Indeed, the number of high-growth companies based in Surrey is substantially larger than suggested by the ONS. The largest number of active companies are located in Elmbridge, followed by Reigate and Banstead, then Waverley and Guildford. Not surprisingly, Guildford, Elmbridge and Waverley are also at the top of the list in the number of high-growth companies, although Guildford remains the epicentre for high-growth companies. In contrast, despite the large number of active businesses located in Reigate and Banstead, its overall share of rapid growing companies is relatively low. Runnymede and Surrey Heath also present weaker picture when compared to 2019 data, when their share of high-growth companies was comparatively higher.

Active Companies in Surrey



Sources: Beauhurst (Feb-2021), ONS Business Demography 2019 (IDBR)

High-Growth Companies in Surrey



Sources: Beauhurst (Feb-2021), ONS Business Demography 2019 (IDBR)

Active High-growth Companies

Local authority	2021 - Beahurst		2019 - ONS Business Demography	
	Count	%	Count	%
Elmbridge	85	14.7%	20	8.2%
Epsom and Ewell	17	2.9%	10	4.1%
Guildford	142	24.6%	40	16.3%
Mole Valley	48	8.3%	20	8.2%
Reigate and Banstead	46	8.0%	20	8.2%
Runnymede	29	5.0%	25	10.2%
Spelthorne	21	3.6%	15	6.1%
Surrey Heath	40	6.9%	25	10.2%
Tandridge	33	5.7%	15	6.1%
Waverley	61	10.6%	30	12.2%
Woking	56	9.7%	25	10.2%
Surrey	578		245	

Sources: Beahurst (Feb-2021), and ONS Business Demography 2019 (IDBR)

Age Distribution

Age bracket	All active companies	High-growth companies
<5 years	43.38%	26.12%
5 to 10 years	22.36%	23.88%
10 to 15 years	11.99%	14.71%
5 to 10 years	8.80%	17.99%
20+ years	13.47%	17.30%

Sources: Beahurst

Our third observation is that in addition to active, high-growth companies in Surrey, the age distribution of businesses is key. In Surrey, the distribution of high-growth companies is rather uniform, with a substantial share of well-established, mature companies (i.e. 20+ years) continuing to experience high-growth. The combination of high-growth, well-established companies underpins Surrey's reputation as a good place to do business. At the sectoral level, and as highlighted in our 2020 report, Charting Surrey's Post-Covid Rescue, Recovery and Growth, this data re-confirms that Surrey enjoys a comparative advantage in high-growth, high-value sectors. Among all active companies, the sectors with the strongest presence are professional, scientific, and technical activities, as well as information and communication. At the same time, these sectors also demonstrate the largest number of individual, high-growth enterprises, suggesting not only that these are thriving Surrey industries, which ones which are central to sustaining economic and productivity growth for the county overall.

Enterprises by Industry (2021)

	All Active Companies		High-growth	
	Count	%	Count	%
Agriculture, forestry and fishing	1,124	0.5%	1	0.1%
Mining and quarrying	610	0.3%	5	0.7%
Manufacturing	7,778	3.2%	81	11.6%
Electricity, gas, steam and air conditioning supply	587	0.2%	-	0.0%
Water Supply, sewerage, and waste mang.	707	0.3%	2	0.3%
Construction	27,465	11.4%	27	3.9%
Wholesale and retail trade; repair of motor vehicles	21,796	9.1%	71	10.2%
Transportation and storage	4,957	2.1%	10	1.4%
Accommodation and food service activities	6,816	2.8%	15	2.2%
Information and communication	26,611	11.1%	199	28.6%
Financial and insurance activities	7,946	3.3%	53	7.6%
Real estate activities	21,222	8.8%	6	0.9%
Professional, scientific and technical activities	46,591	19.4%	117	16.8%
Administrative and support service activities	22,482	9.4%	56	8.0%
Public administration and defence; compulsory social	413	0.2%	-	0.0%
Education	4,657	1.9%	8	1.1%
Human health and social work activities	8,090	3.4%	15	2.2%
Arts, entertainment and recreation	7,148	3.0%	13	1.9%
Other service activities	10,049	4.2%	17	2.4%
Activities of extraterritorial organisations and bod	34	0.0%	-	0.0%

Sources: Beahurst

GREEN SHOOTS:

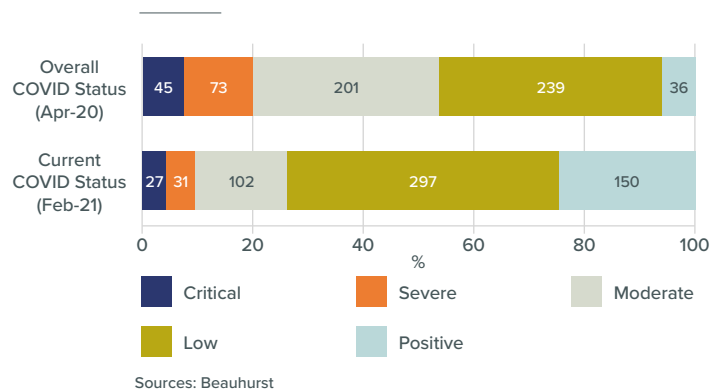
Surrey's Post-Covid Recovery

The following section analyses the impact of Covid on businesses in Surrey⁵.

The latest data indicates that there have been significant improvements from mid-2020, and that Surrey's economy is now definitively in recovery mode.

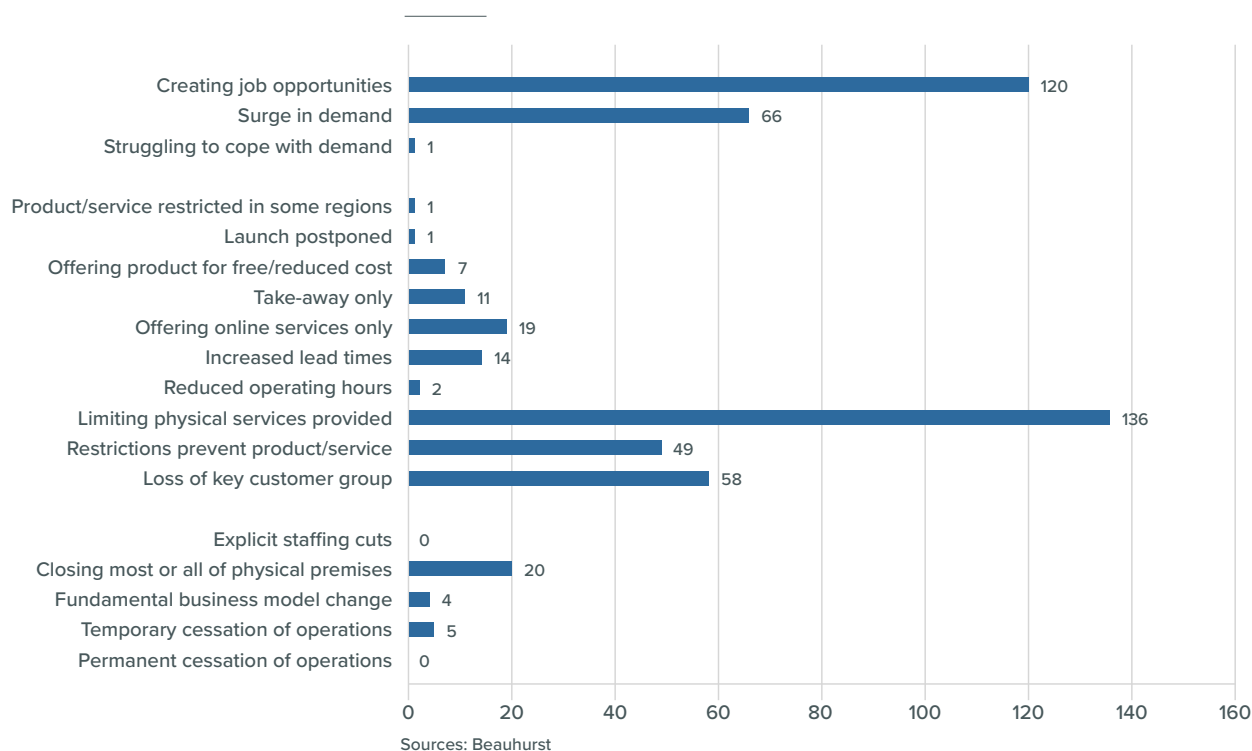
By way of comparison, in April 2020, more than 50% of high-growth companies in Surrey were at significant risk of closure, with 20% classified as 'critical' or 'severe' in terms of status. This number has now halved, and most companies are now considered to be facing only limited impacts, or have broadly recovered. Impressively, no company in Surrey has so far permanently closed because of Covid-19.

Covid-19 Impact on High-Growth Companies



Indeed, as illustrated in the accompanying tables, many Surrey-based enterprises are actively creating employment, with a growing number registering a surge in demand, despite not being able to perform business as usual with ongoing government restrictions.

High-growth Companies in Surrey



⁵ Beauhurst's methodology is to manually assess and review the impact of Covid on each of the high-growth companies tracked in their website (over 600 of which are in Surrey). To do so, Beauhurst draws on information published on a wide range of company websites and social media channels, as well as conducting bespoke analysis of the business model, target markets and sectors to determine the likely impact of the pandemic and government restrictions.

DEYTON BELL SURVEY



Deyton Bell Survey



In order to assess the range and implementation of post-Covid place-based growth options within the Surrey business community, independent polling company Deyton Bell surveyed over 320

key business across Surrey. This generated 104 respondents, all of whom provided key insights on 26 separate questions, 33% of whom had taken part in the Deyton Bell survey included in the data-gathering of our 2020 report, *Charting Surrey's Post-Covid Rescue, Recovery and Growth*. Providing additional qualitative data to the previous econometric section, and a helpful introduction to the in-depth analysis that follows, the Deyton Bell survey feedback below is organised into the report's four overarching themes.

Localism and Rejuvenating the High Street

Respondents argued that the key features in deciding to establish a business located in Surrey are primarily customer-driven, with 50% identifying Surrey as a distinctly customer-driven area. This reliance on customer bases is not however industry specific, with a wide range of industries confirming customer-driven location reasons. 34% of respondents attributed their decision to establish a business in Surrey to the availability of appropriately skilled labour, with the healthcare and education sectors particularly reliant on this aspect, while access to markets was prominent amongst the agricultural and manufacturing sectors.

Space and cyber security - two prominent Surrey specialisms – were also heavily influenced by access to suppliers. Only 9% of respondents reported a high level of **engagement with local government** in their ability to establish a business, or remain in Surrey, the feedback in this 9% dominated by third sector organisations, alongside healthcare and the automotive industry. Those organisations reporting mid-level or better engagement with local government, led by the creative media industry and education sector. Overall however, the majority of respondents (68%) reported

low levels of engagement with local government, in both established, and growing sectors.

Of the businesses that responded, **a reduction in business rates, an improvement in transport and an increase in local attractions** were deemed as potential ways in which town centres could be improved. 43% identified the reduction of business rates and a wider restructuring of the business rate system as a key improvement; respondents here included a range of firms, which in turn were broadly marked by their low engagement with local government. When considering the sectors of firms seeking business rate reductions, the majority correspond to two key areas in Surrey's economy: healthcare, and the innovative industries (including 5G and communications, and cyber security). Most of these same firms also expect their turnover to grow, post-Covid.

The 34% of firms seeking improvements to town centre attractions attribute the success or growth of their business to their location, providing direct access to customers, all of whom required improved footfall to ensure growth. Specifically, **an increased diversification within town centres** was identified by a variety of respondents as a key area for change, including enhanced offerings for families with children, a wider range of restaurant and entertainment options, and the repurposing of empty retail units for community-based purposes. Key improvements to transport include a simpler, greener journey into town centres.



Employability and Skills

Almost half of respondents reported no changes in their staffing in the last year, while 30% reported staff reductions. This was particularly prevalent in manufacturing, representing 45% of all reported staffing reductions, alongside retail and the third sector. For almost all the organisations reporting a decline in staffing numbers, no new staff are expected to be recruited in the next 12 months, partly due to cashflow constraints.

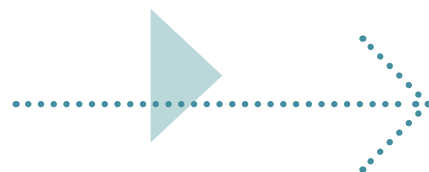
However, a quarter of surveyed organisations are expecting to take on staff in the next 12 months, with the largest increases in the healthcare sector. In total, 57% of these recruiting organisations are seeking highly skilled professionals with specific skillsets; 40% are seeking technician-level staffing increases, of which the creative media represents the largest share. In total, new 264 highly skilled jobs, 92 technician level jobs and 1 low-skilled job are reported for the next twelve months. Of the 32 organisations that suggested ways in which local government could boost skills and employment in Surrey, 84% identified **targeted funding**, particularly in skills improvement, while **placement opportunities** and **improved access to schools** were also identified as necessary.

The majority of businesses have some links to higher education institutions (HEI), with geographical proximity a key factor. The University of Surrey remains the most frequently reported HEI with which businesses have links, although there are a range of regional connections, particularly with Reading and London-based institutions, including Royal Holloway University of London, Brunel, Imperial and King's College London. In terms of key recommendations for schools and colleges, a majority of firms across a range of sectors **identified basic skills** as the most important factor in ensuring students are ready for the workplace. Beyond this, recommendations were largely sector-specific; scientific knowledge for example was considered a key asset amongst healthcare, life sciences and space, whereas customer care was considered important to retail, IT skills to creative media industries and engineering skills to manufacturing.

Inward Investment

Respondents reported decline in the retail, third sector and manufacturing sectors, with staffing reductions expected, exacerbated by future recruitment and current cashflow problems. 12% of businesses reported a considerable degree of instability within their own markets, particularly those in healthcare and life sciences. However, a quarter of organisations anticipated rapid, dynamic growth in the near future, particularly for those connected to **global markets, or transnational supply chains**, including the space and creative media sectors.

While the main market for organisations reporting inward investment upticks is national (43%), there remain a comparatively higher proportion reported turnover decreases for national-based companies than those relying exclusively on European or global markets. 31% of organisations surveyed rely heavily or exclusively on the global market, particularly in healthcare, space and manufacturing. Of the 10% that identified Europe as their largest market, healthcare again dominated, although only a third reported negative consequences from Brexit. Organisations relying on sub-national markets appeared particularly vulnerable, with manufacturing firms relying on regional markets reporting contraction, reporting decreases in staff, while organisations relying on the Surrey market reported similar decreases. By far the greatest determinant respondents identified as attracting FDI into Surrey is the county's proximity to London (42%), followed by the availability of a highly skilled workforce (34%), with comparatively few organisations registered the proximity of aviation links as an asset.



Sustainability and the Green Economy

Of the businesses surveyed, 54% identified the prioritisation of sustainability goals within their organisation. Only two businesses identified sustainability as low priority. Those placing the highest possible priority on sustainability are cross-sector, with the third sector, life sciences and creative media industries successively make up the highest proportion. Those prioritising ambitious sustainability goals are primarily local/regional (i.e. within and across Surrey), followed by national in terms of the market, and attribute their sustainability choices to their customer base access and overall heritage. Those businesses with less ambitious sustainability goals are more diverse, ranging

across Surrey's distinctive industries to include space, healthcare and 5G, as well as those with primarily national and global markets. Manufacturing as an industry has a comparably low proportion of sustainability prioritisation, with only 29% of manufacturing respondents answering positively. While many respondents remain uncertain regarding the scope or commitment of local government measures to promote a green recovery, of those who provided specific suggestions on increasing sustainability, 79% wanted to see the **provision of greater sustainability-oriented funding**, while manufacturing respondents in particular suggested local case studies as a workable route to a green recovery.





THEME 1: LOCALISM AND REJUVENATING THE HIGH STREET

Theme 1:

Localism and Rejuvenating the High Street

Scene-setting: Wellbeing and Localism

Negative Impacts

The pandemic has caused a shift in thinking on priorities for growth, with the emergence of a new understanding on the importance of physical and mental wellbeing, and an acknowledgment of the need for a wellbeing growth strategy. The expectation that people will simply bounce back from the pandemic is perceived as unrealistic; immediate measures are needed to support people in their recovery from inactivity, isolation and grief, and the workload and financial pressures they have experienced during lockdown. Pre-covid, considerable challenges around mental health in children were already acknowledged, with an estimated 10,600 children suffering mental health disorders in Surrey, and 23,000 children in the county living in poverty, which is in turn linked to poor mental health outcomes for them and their families⁶.

The impacts of poor mental and physical health are debilitating to both the individual and their relationships with others, leading to poor performance at school and/or work, frequently resulting in an increased use of health and other public services. Developing strategies to support mental and physical health are key in managing post-Covid trends and indeed preparing for future pandemics. The impact of Covid on children's physical and mental health is as yet unknown, while the rise in domestic violence since the beginning of the pandemic is an issue that requires urgent attention⁷.

'A major disrupter for how we get the economy back is the consequential impact from domestic violence. This will undermine our ability to recover and disproportionately impact on women'

Positive Impacts

Equally, some positive impacts of lockdown are discernible, including an increased sense of community. Spending an extended period of time at home has enabled many people to forge new relationships with close neighbours and others in their local community. This has been particularly important in Surrey, which has a large population of workers who, pre-pandemic, spent much of the working week in London and were less embedded locally. Our research suggests that Surrey businesses and organisations have also experienced higher levels of collaboration since the onset of the pandemic, creating stronger peer-to-peer networks which in turn have enabled people facing similar challenges to come together and offer support and understanding.

'It's about a different kind of growth that's about human kindness, human interaction. I live in a cul-de-sac, we now speak to everybody. We all know each other far better as a result of working from home. Is there a growth there that's stronger than just chasing money?'



⁶ https://www.surreycc.gov.uk/__data/assets/pdf_file/0004/201874/Surrey-Place-Ambition-Version-1-July-2019.pdf

⁷ <https://www.cfsurrey.org.uk/coronavirus-response-fund-domestic-abuse/>

Rebuilding our Communities Post-Covid

Surrey comprises eleven boroughs and districts; situated within these are a range of towns, businesses and services - and most importantly, communities. The potential opportunities for place-based growth grounded explicitly in the redevelopment of communities has emerged as a key post-Covid theme to be explored, helping individuals and groups to move forward amidst the changing economic and social climate.

The Local Government Association (LGA) for example outlines 'localism' as a key theme emerging at both central government and county councils, districts and boroughs, as a way of boosting community involvement and generating a host of new partners (2021). In this context, it is important to consider the connections that *bind* communities together, as well as the differences *between* communities – the most notable of these arguably being the preferred forms of cooperation between borough and district councils, and the challenges associated with planning for town centres and high streets.

As outlined in Surrey's 2050 Place Ambition (Surrey Future, 2019, p. 3) it is important to consider what place-based growth entails materially, socially and economically. Place-based growth incorporates a number of elements, including a proportionate and sustainable focus on place, health and wellbeing, investment in infrastructure, and resilience and flexibility within the local economy. In focusing on how place-based growth operates as a category to determine the whole of Surrey, the changes witnessed in the past year have highlighted both entrenched pre-Covid trends (both positive and negative) as well as unforeseen opportunities requiring swift and innovative responses. Many of these responses are best approached from the perspective of community-based growth, which is more specific to the various locales (urban and rural) across Surrey, best encapsulated in emerging forms of active 'localism', demonstrated for example in anticipated changes to town planning. As outlined by key reports that focus explicitly on the merits of a unified place-based growth (e.g. Grant Thornton, 2020; the University of Surrey 2020a), Surrey is a highly individual county, enjoying recognisably place-based assets. In the context of Surrey's growth, it is therefore important to devise strategies around Surrey's unique characteristics in a sustainable and innovative fashion.

In exploring the various components of place-based growth, it is of paramount importance to obtain

a range of inputs from boroughs, high streets, business improvement districts (BIDs), and individual businesses across Surrey, providing key insights on the future of local communities, partnerships and opportunities for Surrey, both post-Covid and post-Brexit. To do so, we spoke to a range of officials from local authorities across Surrey, including Guildford, Woking, Elmbridge, Spelthorne, Mole Valley and Reigate and Banstead. In addition, we also spoke to a wide range of representatives from BIDs and high street businesses from Guildford (Experience Guildford), Epsom (Go Epsom), Reigate and Banstead, and Camberley (Collective Camberley). BIDs comprise business led partnerships that deliver additional services to local businesses, support their engagement in local activities and promote collaboration between the business community and local authorities to improve the local trading environment (Ministry of Housing, Communities and Local Government, 2014). In order to gain comparative insights into a dominant sector which operates at both county and national level, we also spoke to the Association of Convenience Stores (ACS). The ACS' participation provides important perspectives around the different experiences across the grocery market – between larger stores/supermarkets, and smaller local convenience stores - during the last year. Organised into 'constraints' and 'opportunities', the following section outlines the common themes arising from discussions on these issues, flagging up both existing barriers, potential prospects and specific strategies for growth in Surrey, helping to further refine the overall concept of place-based growth.

CONSTRAINTS

Effects of Covid-19 and the Initial Stages of Brexit

From a local perspective, the impacts of the Covid-19 pandemic since March 2020 at the borough, district and town centre level, have been described as 'unprecedented', and 'catastrophic'. These impacts have been observed across a range of areas within local communities in Surrey, including the temporary closures of town centres and high streets, pressure upon and reduction of the provision of local services, uncertainty surrounding future planning developments and the exacerbation and acceleration of existing issues and trends.

For the most part, stakeholders stated that – as of May 2021 – it was still relatively early to identify the range

of definitive material impacts arising from the UK's departure from the European Union (EU). This was further qualified by comments suggesting that this uncertainty could be connected to the broader impacts of the pandemic itself, creating both a distraction from the Brexit issue, and overshadowing effects and impacts that under normal circumstances may have been more visible. Local authorities consulted agreed that contingency plans owing to possible Brexit disruptions have had to be devised. (e.g. increased traffic and congestion).

In terms of Covid, one of the most noticeable and hard-hitting impacts of the pandemic has been the dislocation of high streets and town centres, and the quiet, near-deserted towns witnessed across Surrey. This has occurred with varying severity depending on the period: national lockdowns for instance saw non-essential retail temporarily closed due to the public health concerns around Covid-19, whereas the tiered system which was implemented nearer the end of 2020 led to variation in access to retail, depending on location and numbers of cases. With many non-essential retailers, businesses and hospitality venues having been forced to close temporarily – with varied periods of re-opening throughout the last year - there has been

shared concern across borough councils, BIDs and other stakeholders that many businesses which were forced to close would never re-open. For the most part however, this has not occurred. More positively, interviewees noted that when town centres were gradually re-opened, such as in the summer of 2020, shoppers did indeed return confidently to town centres, albeit not to pre-lockdown levels (Kirk and Gutiérrez, 2020). The longer-term impacts that the UK's national economy and Surrey's local economies will see from repeated periods of lockdown/closure and re-opening, alongside the permanent closure of certain outlets, remains uncertain.

Vacancies and Urban Composition

Concerns were voiced about the increase in vacant units seen in high streets, the rise of online retail, the change in commuting habits and the increase of working from home – all of which are likely to have longer term impacts upon local economies and town life in Surrey's boroughs and districts. As highlighted above, these shifts in habits and shopping patterns across Surrey have impacted the footfall and spending on high streets, which in turn will impact upon local economies and revenue derived from local services.



As highlighted by our 2020 report, while the pandemic may have brought about many new and unprecedented challenges, in some areas in Surrey and the UK more generally, its impacts have highlighted or exacerbated existing trends, or areas of vulnerability. This is particularly apparent in areas such as the composition of the high street, with pressure placed on individual mental health and well-being, straining support and public services available, and generating barriers to regular collaboration across different levels. With the Covid-19 pandemic and the series of lockdowns experienced over the last year, the shift of the retail industry to digital and online consumption has become even more noticeable (Frei and Jack, 2021). This has led to concern from small businesses and ‘bricks and mortar’ retailers, who rely on footfall and in-person shoppers for their business. On a more positive note, at the national level it was reported by some local markets that a boost in consumption was seen as a result of increased working from home (Kirk and Gutiérrez, 2020).

Business rates remain a key area, routinely identified by interviewees and the Deyon Bell survey as generating disparities between online and store-based retailers, widening the current Covid gap even further. According to Frei and Jack (2021), in 2018/19, high street retailers paid £7.2 billion in business rates, whereas online traders paid only £457 million on their warehouses located outside town centres. It was announced by the government in March 2021 that 750,000 eligible retail, hospitality and leisure businesses will benefit from business rates relief (Gov.uk, 2021), but impacts will differ depending on individual areas.

Challenges to Local Growth

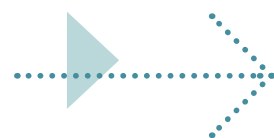
As has been both expected and identified, the challenges to growth for local authorities and services, town centres, businesses and services – specifically retailers - have been prominent and substantial. Once again, as a result of the interconnected nature of local communities in Surrey, barriers and difficulties for one area of local life and growth are closely linked to challenges in another.

A common theme identified from discussions with borough councils and local stakeholders is the barrier to collaboration created by the **shift to online meetings**.

The lack of face-to-face networking and the difficulties this has engendered, not only to forming new relationships and partnerships, but also to employees working from home, was frequently mentioned. While, for borough and district councils in particular, new legislation enabled all local authority meetings to be held remotely, (Ministry of Housing, Communities and Local Government, 2021) and permitted meetings to continue, this was also mentioned as a complicating factor, causing difficulty with cooperation, connectedness and the ability to progress ongoing projects.

Additionally, communication between national government and local authorities, in addition to **delays in communication and ambiguity in messaging** from a national to local level were routinely identified as challenges. Some borough councils in Surrey highlighted this as an area prompting distinct confusion, not only in relaying messages publicly to local residents, but also in being able to promptly respond to individual enquiries regarding coronavirus guidance and restrictions. Often, local changes were announced at a national level before local authorities found themselves informed of what was to be implemented. Equally, this occurred more as a result of frequent changes in legislation and guidance around the pandemic rather than as a direct consequence of the pandemic itself.

Several stakeholders voiced concern over the **current lack of funding** for provision of routine services, with pressures being placed on local authorities to provide services and anxieties over future trends and needs. Interviewees also mentioned that despite funding being allocated to the local level from national government to support the Covid-19 response, this has led to a diminished focus being placed on previously existing local services, which may have been temporarily reduced or discontinued entirely. Uncertainty remains around whether changes and improvements will begin during spring 2021 with the easing of restrictions, or whether this will be a consequence with long-term implications.





The Future of the Surrey High Street

Deep uncertainty remains in key quarters around the re-opening of high streets across the county, and the nature of 'in-person experiences' going forward. Re-opening retail outlets brings its own set of complex challenges for town centres and their high streets, which will likely require substantial government support after each lockdown period (Centre for Towns, 2020a, p.7). Given a number of pre-Covid trends regarding high street decline, interviewees registered very real unease around the question of whether and how high streets in Surrey will adapt in the short and long-term as cases start to decrease and restrictions ease. Future lockdowns remain both possible and likely, which will in turn exacerbate both pre and post-Covid trends we have already seen. In the UK, as part of the roadmap out of lockdown (Cabinet Office, 2021), high streets and non-essential retailers re-opened on 12th April 2021. From this date, high streets in the UK and Wales saw shoppers 'rush back,' registering a substantial increase in footfall, with surges in beauty salon and outdoor hospitality bookings in particular (BBC, 2021).

In terms of place-based growth, a key point to consider is the extent to which each individual town may have been affected differently by the pandemic, and how their ability to recover may be directly and indirectly affected by their size, make-up and existing status

(Centre for Towns, 2020b, p. 4). The percentage of retail employment, and therefore loss of retail jobs due to shift towards online retail on high streets in each Surrey town will differ. In Guildford, as of January 2021, a total of 2,031 retail jobs had been lost, and in Woking, 1,183 had been lost (KPMG, 2021, p.7). This may demand a more individualised and needs-based approach to planning and recovery across Surrey's town centres and high streets in the longer term.

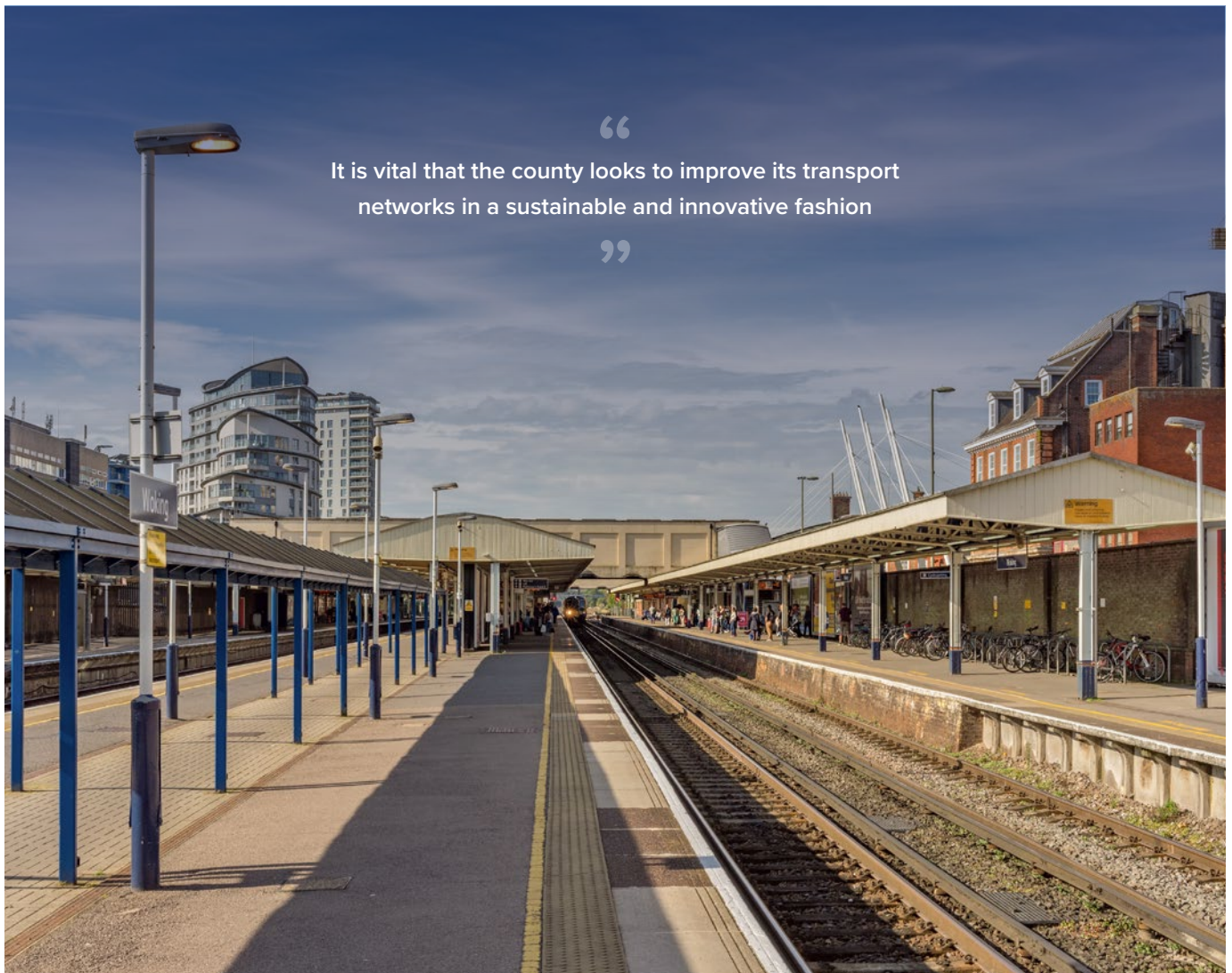
Surrey-specific Challenges

There are obstacles and challenges specific to the county of Surrey which have existed prior to the Covid-19 pandemic and the UK's departure from the EU; however, these have either been emphasised or exacerbated as a result of the events we have seen in the last year. Of the stakeholders spoken to, an issue which featured prominently was that of the affordability of the overall area – both in terms of average house prices, and the cost of operating businesses within the county. This has been identified as an area which may impact the attraction of young professionals to the area, and therefore as having a longer-term impact upon the future development of Surrey's local economy. In addition, the county's proximity to London may also be seen as both a challenge, and an opportunity, when considering changing commuting patterns and an increased prevalence of working from home.

A further issue is that of Surrey's infrastructure. With the increase in working from home (WFH), a robust and reliable provision of high-speed fibre optic has been highlighted as a key focus going forward in order to maintain connectivity and productivity. While this remains a current issue, even after the deployment of infrastructure to provide faster broadband speeds to more than 84,000 homes and businesses across Surrey between September 2012 and December 2020 (SCC, 2021), interviewees made clear that failure to address it would compromise Surrey's ability to generate place-based growth in the long-term.

Added to the issues of connectivity and infrastructure across Surrey is the further challenge of road and rail networks. As we move to consider more modal shifts in transport across Surrey in the future, it is vital that

the county looks to improve its transport networks in a sustainable and innovative fashion. Although located on the doorstep of London, some areas of Surrey could clearly benefit from better and simpler travel connections both across the county, and into London for the purposes of trade and business. In order to achieve place-based growth, it is important that Surrey leverages both the unique quality of its geographical location as well as the high-quality aspects of Surrey as a place to live and work. The speed, quality, and indeed foresight of decision-making at county, district and borough level to tackle these issues was strongly highlighted by interviewees, a key element being the need for an increase in individualised and appropriate approaches to town-planning, buoyed by a streamlining of communication between high streets, borough and county councils.



▶ OPPORTUNITIES

Where Surrey has seen challenges, changes in habits and been made to reconsider previous practices, the county could also see an opportunity to be innovative, creative and move into the future with a more sustainable, modern and place-based approach to growth. Opportunities of this nature can be observed in elements of Surrey life in areas such as increased collaboration at the stakeholder level, the rejuvenation of town centres and the high street experience, and a focus on the unique attractiveness of the county.

Online Collaboration

The lack of face-to-face meeting and networking, and the shift to online connectivity as a consequence of the last year has been mentioned as being a barrier to increased collaboration and growth. However, the move to online meeting platforms such as highlighted as one of the most substantial opportunities for collaboration and cooperation at the local level as a result of the pandemic. The use of online platforms could be seen as an opportunity to essentially streamline collaboration and communication across Surrey, not only through bringing together key sectors, communities and individuals, but also by allowing for quick and easy communication across boroughs and districts. Indeed, the very need for urgent and emergency responses to the pandemic – such as the implementation of social distancing measures and multi-level cooperation to accommodate government restrictions in town centres and across boroughs – has highlighted that online meetings could potentially be seen as a means through which to gather stakeholders from across several different levels at one time and in one place, without the barriers of travel or physical location. Previous mechanisms in place for making decisions on key plans and projects, which may have previously taken weeks and the use of several different formats of communication, could now be transformed through a much faster and more effective medium which we may not have considered prior to the Covid-19 pandemic. This is perhaps an approach that Surrey could embrace in both the medium and long-term.

Rejuvenating High Streets and Commercial Centres

Surrey's high streets are inclusive, vibrant and accessible spaces. They are the focus of much of the county's

regional social and economic activity, and a source of jobs, businesses, and prosperity. However, high streets, as well as the broader commercial centres and zones of Surrey's cities, towns and villages now face a host of challenges, ranging from major shifts in the economy and consumer behaviour to reduced public sector budgets. A shared sentiment across stakeholders consulted on this area was that the Covid-19 pandemic has accelerated and exacerbated existing trends in the decline of the high street as we know it – not only in Surrey, but across the UK. According to Frei and Jack (2021), in more than 75% of local authorities in the UK, retail jobs on the high street had decreased between 2015 and 2018.

High streets and town centres across Surrey are where some of the most damaging economic impacts of the pandemic are being felt. The retail, cultural, hospitality and leisure sectors have been – and continue to be – deeply affected. Many jobs have been lost or remain at risk, and there are early signs that some high streets may lose permanently the rich mix of businesses and local services so integral to Surrey's commercial and cultural fabric, and which help to promote both social identity and prosperity within our communities. The restrictions placed on town centres and high streets represent a fundamental change across Surrey and its communities.

Equally, interviewed stakeholders discussed the future of the high street, including the opportunity as to put in motion plans which have been previously formulated around future town centre regeneration. Fundamental changes in the habits and values of consumers, including shifts in commuting patterns, mean that Surrey's local economies will have to adapt both to certain losses (e.g. parking revenues) and potential gains (e.g. localised, increased spending due to increased levels of working from home).

The two local enterprise partnerships (LEPs) covering Surrey's eleven boroughs and districts - EM3, and C2C – have each published their own reports on the current situation, and offer insight into how their respective areas should proceed with the challenges faced. C2C (2021) for example, has estimated that while UK GDP fell by 9.9% in 2020, regional economic output in their area has declined by up to 22% in the same period (2021) within EM3's analysis of their area, businesses in the services sector – including hospitality, arts, leisure, tourism, wholesale and retail – illustrate the profoundly differential nature of Covid-19's impact across key sectors in Surrey (EM3, 2020b).

Some businesses have coped better than others with the dislocation of high streets, whether by increasing their online and social media presence, or by developing their marketing and networking skills. For Surrey's smaller and independent businesses, this may represent an opportunity to reinvent and reshape their business models in a more modern and innovative way which would be better suited to the future of high streets in the UK. It was noted that some businesses are better placed to adapt to the new landscape, depending on their size, resources, and access to guidance from other avenues. For example, some businesses have been able to continue with 'click and collect services', with larger or reworked human resources departments, and greater head office guidance at their disposal.

Discussions around the future of Surrey's high streets have revolved mainly around changing the high street experience to be more **experience-based**. This involves the inclusion of different leisure, culture, and arts experiences, which taken together

can affect a high street pull-factor encouraging sustainable footfall and helping to increase cross-sectoral spending in other local businesses and services concentrated within the local economy. The idea of **business-to-business collaboration** within high street providers, and across the county was also raised as a mode of encouraging Surrey's high streets to grow in a sustainable and experience-based manner. People-focused, experience-based, multi-use spaces for both high streets and communities were routinely raised as post-Covid objectives by boroughs, BIDs and high street stakeholders. A concept map of what such changes might mean for the generic Surrey high streets has been helpfully produced by the Surrey Growth Board, as illustrated below (Figure 1). Detailing a variety of **multi-spatial, multi-use modes**, these and other ideas could combine both post-Covid retail growth alongside a resurgence in local tourism, attract future residents and young professionals looking to enter Surrey's employment market, and boosting the local economy.

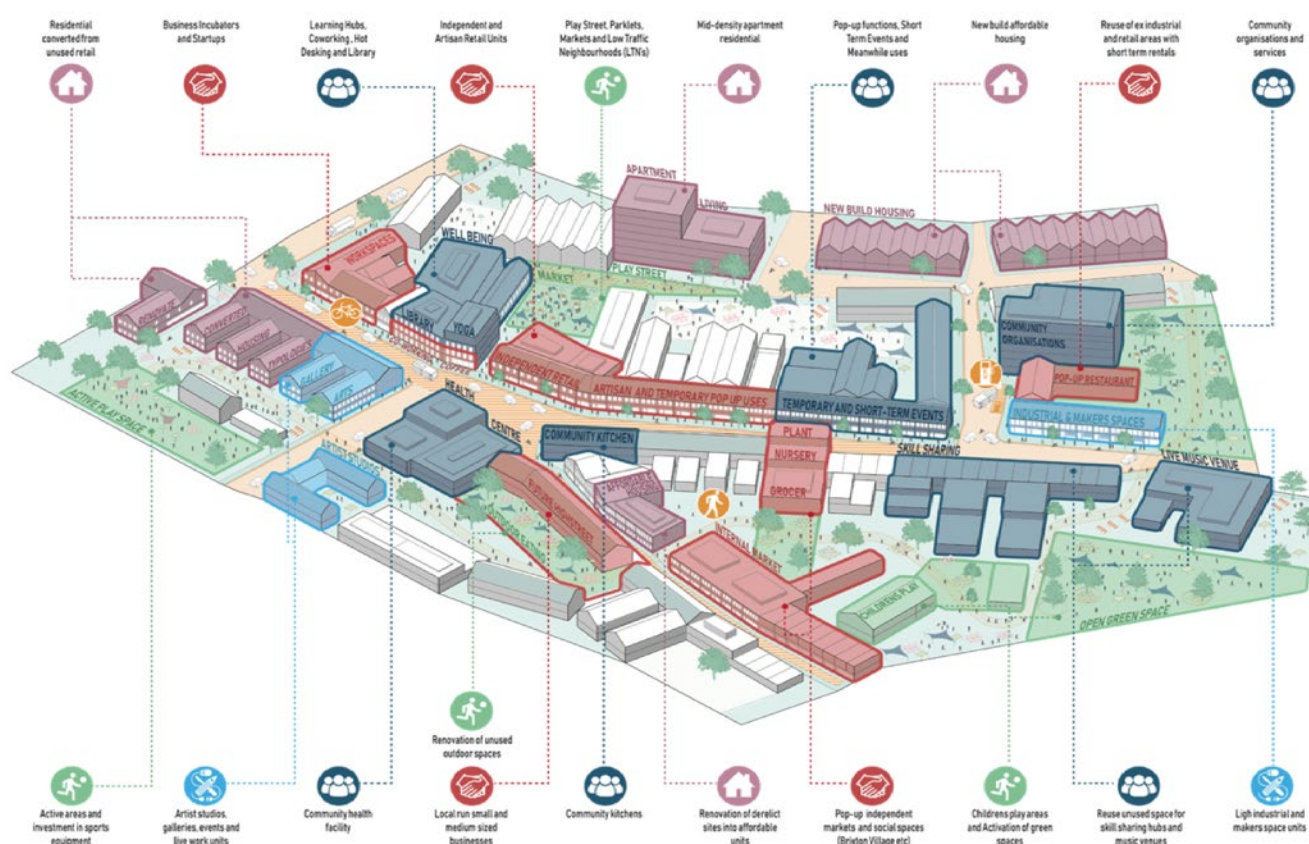


Figure 1: High Street Concept Map (One Surrey Growth Board, 2021)




It is however clear that the impacts of this pandemic will be felt unevenly across Surrey and its economy. Many of the county's high streets and town centres are benefiting from new patterns of living and working which could, over time, encourage new types of enterprise, and a more place-based, localised economy and community services. For example, a shift in consumer habits involving people now buying closer to home has represented an opportunity for local convenience and some retailers. Almost two-thirds of UK consumers have chosen to shop closer to home since March 2020, with a 63% rise in spending at specialist businesses such as bakeries, butchers and greengrocers in the month of March 2021 (Butler, 2021).

The challenge for Surrey therefore is to develop **high street strategies** and asset-based proposals that can effectively boost **economic prosperity**, as well as delivering the kind of **cultural and civic renewal** which yields wider public value. In order to do this, Surrey's high streets need to be about more than retail. Indeed, in tandem with the overall philosophy of place-based growth, recognising that high streets in general possess significant social, community and cultural value rooted in a highly localised 'sense of place', requires both **high street diversification** through innovation alongside examples of classical aspects of the history and heritage of a given location.

Regenerating Local Tourism

Surrey is a diverse and naturally beautiful county, boasting a range of cultural activities, charming villages and scenic landscapes (Visit Surrey, 2021). A potential area for growth identified by local stakeholders is how to refine, define, and market the 'Surrey brand', playing on its uniqueness and strengths, helping in turn to enhance the touristic appeal and attractions of the county. It was noted that by increasing the advertising of these attractions and characteristics, or by bringing collaborative projects of this nature into high streets or town centres, that visitor numbers to Surrey could be increased as a result of more experience-based attractions. A prime example of these collaborative projects would be the 'Surrey Hills Cow Parade' from summer 2016 (Surrey Hills, 2019), where people could visit several different areas across Surrey as part of their search for the artistically decorated cow statues, spending time and money at local destinations and venues along the way. Not only could experiences such as these increase footfall to Surrey's high streets, have an impact on its local economies and create an opportunity for cross-borough/district collaboration, but they could also further advance the Surrey brand and place it on the map as more of a tourist and cultural destination.

A photograph of a man and a woman working together on a mechanical device in a workshop. The man, on the left, is wearing a white lab coat over a dark shirt and glasses. The woman, on the right, is wearing a dark polo shirt and safety glasses. They are both looking down at the device, which appears to be a motor or a pump. The background is a blurred workshop setting with shelves and equipment. The entire image has a blue tint.

THEME 2: EMPLOYMENT AND SKILLS

Theme 2:

Employment and Skills

Scene-setting:

The Covid-19 pandemic has had a lasting impact on the socio-economic make-up of both Britain and the world more broadly. Its legacy will be fiercely debated for decades to come but it has touched all ways of life and every aspect of our economy. On the 23rd March 2020, Prime Minister Boris Johnson enforced the first national lockdown and with it, a mandatory work from home message where possible. For those with desk-based jobs, a return to the office has either been greatly restricted or is yet to occur. Yet, whilst Covid-19 has changed the nature and manner in which many of us work, longer-term issues have influenced the local economy.

Surrey boasts one of the most highly educated, highly skilled resident working populations in the UK, predominantly working within highly productive sectors including professional, financial, and scientific services. Nevertheless, Surrey faced entrenched skills and employment challenges pre-Covid, with almost every local authority in Surrey, apart from Surrey Heath, having experienced a decline in jobs relative to national trends. The need to improve business attractiveness, talent and skills attraction, and retention in the county post-Covid is all the more imperative (Brown, 2020, p.3). As the data above illustrates, whilst Surrey possess a genuinely resilient economy, the county itself faces key challenges not merely in terms of **available employment**, but the specific **supply of skills for prospective employees, and established and new employers**.

Those most in need of support in accessing training and employment are young people (aged 16-24), and skilled adults now facing unemployment as a result of Covid-19. It is worth bearing in mind that in terms of demographics, *nearly a quarter of the population of Surrey is aged under 25* (Surrey-I, 2011). Failing to address the issue of youth unemployment risks young people either leaving the county to live and work elsewhere, or staying and becoming classified as NEET

(not in education, employment or training). Protracted NEET status impact on the physical and mental health of individuals, and can lead to substance misuse and involvement in criminal and anti-social behaviour. More broadly, NEET individuals struggle with future employment prospects, facing increased likelihood of unemployment, low wages, or low quality of work at key in their life (Newton and Buzzeo, 2015). Failing to support older people or even recently unemployed skilled adults back into employment also risks their leaving the county or becoming unemployed long-term.

‘Access for everyone is important. We need a centralised point that shows what career pathways there are and what job opportunities are available... hopefully this leads to a more inclusive healthier economy with better productivity and raised GVA for short medium and long term impact.’

Supporting the growth of business and jobs is therefore essential for the long-term prosperity of the county. Surrey is home to a significant range of multinational corporations (MNCs) and a large SME community for whom close proximity not only to London, but also national and international transport networks, continue to be important. However, to maintain the vibrancy of the Surrey economy, digital connectivity needs to be improved, and workers and businesses need new, secure workspaces in attractive locations close to home, that enable new sustainable ways for people to live and work.

‘Without investment in digital tech and new working spaces, the vibrancy in West Surrey in particular will start to go. People will want to find those opportunities because they are future proofing. That innovation, that skill, that mind set could end up migrating away from Surrey and into Berkshire and further down the M3/4 corridors.’

Pre-Covid, Surrey experienced the ex-county migration of a number of large businesses, and with them many highly skilled workers. Post-covid, the threat of highly skilled workers continuing to leave the county has only increased, as remote working encourages employees to live at a greater distance from London. The loss of highly skilled, high-paid employees will further diminish the talent pool for county's hi-tech and frontier sectors, reducing the attractiveness of the county overall to large firms. This in turn will diminish Surrey's efforts to leverage its inward investment (as explored below), but also potentially lead to the further drift of MNCs and small and medium-sized enterprises (SMEs) away from Surrey, along with a decrease in the local spending of their employees.

'We need to find out how best to attract large companies in because they have a weight, a nucleus, a gravitas around employability. And then there is all the knock-on effects. If we don't, we will become hollowed.'

SMEs

SMEs are the largest core employer in Surrey, outside the public sector. A number of Covid-specific threats to Surrey's SME community have been identified. The trend to remote working for instance may cause some SMEs to relocate to cheaper locations that have better digital connectivity or offer more attractive workspaces. Many SMEs are also struggling with the impacts of Covid-19, and still risk contraction or even closure. A range of different business support initiatives have been made available by disparate organisations. While delivered with enthusiasm, many are short-lived and offered by organisations that are materially and sectorally disconnected from one another, decreasing their overall effectiveness. A lack of training in digital skills has placed a number of firms at a disadvantage, with SMEs struggling to gainfully employ young people with appropriate employability skills.

'We need to put in place digital and physical infrastructure to support the SME community.'

'If you haven't got good digital infrastructure this will impact the ability of Surrey people to comfortably work from home without having

to go into London primarily to work. So the impact of not having world-class digital infrastructure will mean that Surrey will miss out on the permanent changes in the way people work in the future.'

► CONSTRAINTS

The Decline of the Workplace

A recent Deloitte survey revealed 44% of workers favoured a hybrid working model in which they worked from home at least two days a week, with 25% favouring either a full-time return to the office, or complete remote working (Ipsos Mori on behalf of Deloitte, 2021). The primary reason for favouring working from home included not having to commute, saving both time and cost to employees. Whether this suggests that the traditional workday of a '9-5' five days a week job (generally reliant on some form of commute), is largely gone remains to be seen; post-Covid trends in Surrey and the UK overall however suggest that the majority of workers have largely embraced flexible working patterns, including job sharing, pro-rata contracts, enhanced parental leave options, and working from home. Being able to incorporate these changes puts pressure on businesses themselves to adapt. Some for example have announced their intentions to reduce or even eliminate the presence of their office space to fully embrace home working or flexible working spaces. This shift in particular could have a significant trickle-down economic impact in Surrey, from the direct impacts of vacant office space and reduced business rates, to the indirect economic spending that workers make in local shops, restaurants and transport. Surrey itself serves as both a **home to businesses** and a home to a well-defined **commuter population** who - pre-Covid - would routinely travel into London. Shifting working pattern in the county pose the risk of Surrey-based workers moving to parts of the country with more affordable housing, and businesses relocating their offices to smaller, cheaper locations to allow for ad-hoc meetings.



Skills Gaps

Surrey has a long-standing skills gap in specialist and technical roles within the emerging sectors of digital technology, space and aerospace, and low carbon and sustainable development (University of Surrey, 2020a). Whilst Surrey has a highly skilled workforce, this group of workers are largely commuters who are attracted to London where wages are higher. Ultimately, the shortage of employees with technical level qualifications and skills represents a key obstacle to economic growth in the county.

A national survey conducted by BMG (2020, p.4) found that two-thirds or more of businesses within the space sector that are seeking to increase their staff base are facing difficulties. A large proportion of businesses with skill gaps (86%), identified these within scientific, engineering, or technical areas, while 43% located skill gaps in managerial or entrepreneurial functions (BMG, 2020, p.4). The skills gap is further exacerbated by staff retention problems, as the limited supply of required skills enables staff to take advantage of opportunities to increase their pay or otherwise improve their situation by moving between employers (BMG, 2020, p.4). Key for Surrey are the employment and skills issues beginning to affect the digital technologies sector (specifically the gaming industry) which relies heavily upon being able to entice new and retain new recruits with specialist tech skills away from other sectors such as 5G and telecoms innovation and into high-paid digital technologies jobs, underwritten by an internationally renowned reputation. Given the preponderant role of the gaming industry within Surrey's overall high-tech sector, employment options and relevant and fast-moving skills and training options specific to the industry are key to prevent an exodus from the county's gaming sector.

Youth Unemployment

The Covid-19 pandemic has had a disproportionate impact on particular groups, with young people identified as one of the most vulnerable groups to unemployment and limited employment opportunities resulting from the Covid-19 pandemic. The Prince's Trust, and the Learning and Work Institute (2021) estimate the economic cost of high youth unemployment in terms of lost national output at £5.9 billion in 2021, rising to £6.9 billion in 2022.

Covid-19 has also exacerbated pre-existing generational and BAME inequalities, including the national decline in hours worked for young black employees (49%), which is three times higher than for young white employees (16%) (Prince's Trust and LWI, 2021).



Educational Attainment Gap

Despite Surrey being among the most affluent counties in the UK, the attainment gap in its education system is one of the largest in the country. For example, in 2015, Surrey was ranked 21st for the performance of its non-disadvantaged children but 71st for that of its disadvantaged young people in relation to the achievement of five GCSEs at grades A*-C at Key Stage 4, demonstrating a clear disparity. Whilst GCSE grades have since been replaced by a system described as 'Progress 8', a similar trend can be seen in relation to the progress of disadvantaged students who scored -0.43 compared to a national average of -0.40 (Surrey-I, 2021). Moreover, children in receipt of free school meals (FSM) in Surrey are only half as likely to achieve the expected standard at Key Stage 2 in Reading, Writing and Maths than their non-FSM peers (Surrey-I, 2021).

Deprivation is recognised to lead directly to both poverty of aspiration and availability of opportunity, resulting in a continuing cycle of overall poverty. Covid-19 has significantly exacerbated this, not just nationally but in Surrey, leading to notable reductions in the aspirations of young people due to increased disengagement from the education system due in part to online teaching, and the lack of systematised opportunity for pupils “to prove themselves” in exams (SCC, 2020e, p.3). Whilst it is important to recognise the innovative use of digital platforms for both teaching and access to careers support among young people during the pandemic, the existence (and persistence) of **digital poverty** has meant that young people who lack access to computers and online devices are and remain significantly disadvantaged (SCC, 2020f, p.3). Enhancing digital connectivity and IT skills is therefore a key priority to tackle digital poverty in Surrey. The East Surrey Poverty Truth Commission is a good example of undertaking digital inclusion, with its campaign to enable children and young people from disadvantaged backgrounds to gain access to digital devices and equipment for online teaching.

THE OPPORTUNITY GAP PROJECT

Claire Coutinho and David Johnston have launched ‘The Opportunity Gap’ project with the Social Market Foundation to examine the various drivers of discrepancies in opportunity across UK regions in the post-Covid climate. This project aims to respond to the growing concerns surrounding inequality which have become exacerbated as a result of the Covid-19 pandemic for example, the Social Mobility Barometer 2021 showed that only 35% of adults across the UK believe everyone has a fair chance to go as far as their hard work will take them.

The project will engage with businesses, schools and colleges across the country to research the factors that shape opportunities including parents’ access to resources (financial and non-financial), the quality of education, advice and guidance received and how employers recruit (SMF, 2021). These findings will be used to create evidence-based, practical recommendations to tackle the main drivers of the opportunity gap whilst also highlighting which organisations are going above and beyond to promote opportunities for young people and calling out those who should be doing more.

Infrastructure and Housing Costs

The lack of sufficient business space in Surrey has prompted the gradual displacement of economic activity to other areas including London, as evident in the consistent trends of outward commuting, before the Covid-19 pandemic. As evidenced in a key C2C report, the growth of emerging businesses in Surrey is often threatened by the lack of good quality, flexible and affordable office, industrial and specialist space for businesses to occupy for the Coast to Capital area, as illustrated in the table below. Commercial space in Surrey is also far more expensive than in the rest of England for example, places in Crawley, Epsom and Ewell and Reigate can cost up to 2.5 times more (C2C, 2018, p.69).



Table 5: Coast to Capital estimated vacancy rates

Town	Office Vacancy Rate %	Industrial Vacancy Rate%
Horsham and Mid Sussex	Yes	Yes
Crawley and Gatwick	Yes	Yes
Brighton & Hove	100	100
Epsom and Leatherhead	Profitability	Profitability
Redhill and Reigate	Customers	Customers
Croydon and surrounds	Negative	Neither

Source: Stiles Harold Williams Partnership LLP, 2018

The lack of affordable housing for young people and uneven infrastructure represents another obstacle to establishing post-Covid place-based growth for Surrey. While Surrey benefits from strong international links that may leverage its inward investment aims, its wider transport infrastructure requires further investment to improve links to London, international gateways, along the coast and between main centres of economic growth within the county. There is for example, a pressing need for the upgrade of major transport corridors including the A27 and M23/A23 roads. C2C (2018, p.45) have identified issues in East Surrey regarding inadequate links between economic hubs within the area, and between East and West Sussex, highlighting the need for better and more resilient road and rail links between the east and west of the area and to Heathrow airport. Likewise, there is an overreliance on single-occupancy car journeys for the daily commute, exacerbating congestion and air pollution levels.

Automation of Jobs

Emerging digital technologies and business models are likely to encourage shifts to automation of jobs which will heavily impact the type and number of employment opportunities. PwC (2018) predict that automation will impact up to 30% of jobs in the UK by the early 2030s. Nevertheless, AI and other related emerging technologies are expected to boost productivity and income, enabling this additional profit to be invested into the economy and also increasing demand for human labour in less automatable sectors (PwC, 2018). This highlights the need to ensure that residents have the necessary skills to work both in the digital economy and in less automatable sectors.

HEALTHCARE WORKFORCE:

Covid-19 and Brexit Shocks

The healthcare workforce has been placed under immense strain during the pandemic, directly responding to surging demands for emergency patient care and demonstrating its resilience. Workforce burnout, demoralisation and compassion fatigue have become increasingly prevalent, exacerbated by workforce shortages. The King's Fund (2020) highlights how limited funding, poor workforce planning, weak policy and fragmented responsibilities have led to a vicious cycle of shortages and increased pressures on staff in the NHS. NHS hospitals, mental health services and community providers are now reporting a shortage of nearly 84,000 full-time equivalent staff, 38,000 of which are nursing vacancies. Whilst the NHS Long Term Plan recognises the need to address this urgent need, it has not been supported by a sustainable workforce plan (The King's Fund, 2020). In addition, while recruiting new staff is imperative, there is also a pressing need to improve the job retention of staff already working in the health service by improving career progression opportunities, enabling work life balance and increasing salaries. However, the UK's post-Brexit points-based immigration system and the Health and Care Worker Visa fail to provide provisions for some social care workers who are not qualified or who lack an NHS job offer such as care workers.

This will have long-term implications on the UK's reputation as an attractive place to work for non-British nationals, and could exacerbate the NHS's workforce shortfall.

▶ OPPORTUNITIES

To address these contemporary challenges, Surrey will need to swiftly adapt and offer a range of inclusive, post-Covid approaches. **A more inclusive place-based approach** is paramount, underlining the high quality of life and rejuvenated high streets that can continue to make Surrey an attractive place to live and do business in. This could be achieved through the development of flexible urban planning through re-equipping and re-purposing office spaces in order to provide more collaborative, flexible working spaces for those who want to work in a professional space. Likewise, employees are seeking employers who prioritise mental health and wellbeing, alongside ambitious sustainability targets (as explored below).

Employment and Skills Governance: Identifying and Investing in Emerging Growth Sectors

Surrey has a range of high-value, knowledge-based and innovation led sectors which provide the county with a competitive advantage. The key sectors in the EM3 Area of Surrey include space and satellite, advanced manufacturing, digital, game, and immersive tech, low carbon sectors and health innovation. In the C2C area, the key emerging sectors include advanced manufacturing, digital communications and data processing, electric power generation and transmission, financial services, health innovation and air transport. These sectors represent distinct Surrey specialisms and strengths across the area, and create a comparative advantage nationally and internationally to drive the local economy, highlighting the need to identify them, understand their composition and facilitate growth within them.

Aligning the Skills Provision with Skills Needs

To address the skills gap across Surrey, the skills supply must align with skills needs. Skills providers, including schools, further education (FE) and higher education (HE) institutions therefore need to adopt a more forward-looking approach and be able to quickly adapt to the changing requirements of both the economy

and the local business model. A key obstacle is exam boards' lack of engagement with industry in the formulation of qualification measures that shape curriculums. These qualifications thus need to be redesigned and more employer-led through co-design strategies. Whilst the launch of T Levels in 2020 have enabled employers and skills providers to work together to develop the qualifications, these should be continuously updated to reflect the changing needs of industry.

The development of a credit transfer scheme between FE and HE providers could also offer more flexibility and widen opportunities for students to build their qualifications. Additionally, employers have highlighted the need for lifelong learning and continuing professional development (CPD) to be embedded within the curriculum, with continuous monitoring to ensure that students are better equipped for the workplace. This includes employability skills including agility, reliability, self-motivation, organisation, and digital skills. Notably, the current Curriculum Design Review at the University of Surrey is planning to embed five core graduate attributes into all university programmes, including employability, digital capabilities, a global and cultural outlook, resourcefulness and resilience, and sustainability.

Boosting Engagement Between Skills Providers and Industry

It is vital that universities and businesses work collaboratively to identify and align their shared visions of the future. The University of Surrey for example, has a large placement programme having developed close ties with local employers. Whilst there has been a consistent offer of placements and graduate jobs from large employers, smaller, local businesses are unable to make the same level of offers. The pipelines between different education providers including schools, sixth form colleges, FE colleges, HEI and industry is critical, particularly at transition points, in facilitating the student journey and empowering personal development. Touchpoints offer crucial links for between these institutions to enhance student opportunities.



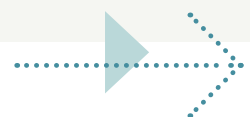


Surrey Apprenticeships

Surrey has fewer apprenticeship vacancies available than in other regions of the UK, which represents a barrier to skills development and employment opportunities for local residents. Local SMEs frequently struggle to engage with the apprenticeship scheme as it can be overly bureaucratic and lacks flexibility. In tackling this issue, the Transfer to Transform campaign, supported by Surrey County Council, helpfully offers a more flexible opportunity for large employers to pledge their unspent levy funds to cover the costs of apprenticeship training for smaller businesses. This local initiative therefore is a good example of a framework that targets local business needs, promoting a collaborative approach to boost apprenticeship provision and fostering entrepreneurship, competitiveness, and productivity. This is precisely the sort of joined-up collaboration that will not only underwrite post-Covid challenges to employment and skills but by helping to retain workers, go some way to ensuring place-based growth in Surrey more widely.

► KICKSTART SCHEME ◀

The Kickstart scheme is a national programme providing funding to create new job placements, offering young people aged 16 to 24 on Universal Credit who are at risk of long-term unemployment an opportunity to access invaluable work experience. The scheme supports these opportunities by providing financial incentives to get involved. In Surrey, approximately 100 local businesses have so far been approved through the Kickstart scheme, offering approximately **450 placement opportunities** for Surrey-based students. Notably, the majority of these businesses had not formerly engaged with placements prior to Kickstart, demonstrating the effectiveness of the scheme in attracting new businesses and developing new work experience opportunities. However, because the Kickstart scheme will be finishing at the end of 2021, there is a need to encourage Surrey-based these employers into other schemes including work placements, internship, and training opportunities to sustain their engagement.



▶ NATIONAL SKILLS FUND ◀

The National Skills Fund represents a key Government scheme to tackle skills gaps by up-skilling and re-skilling adults to improve their job prospects (DfE, 2020). The Fund includes a scheme to allow any adult aged 19 and over an opportunity to achieve their first full level 3 qualification (equivalent to an advanced technical certificate, diploma, or A levels) via hundreds of fully funded courses. A skills 'boot camp' programme has also been announced to offer free, flexible courses of just 12-16 weeks for adults who are either in work or recently unemployed, providing an opportunity to develop sector-specific skills and fast track to an interview with a local employer (DfE, 2020). This includes a range of digital and technical skills courses in high demand sectors such as software development, digital marketing, data analytics, welding, engineering, and construction.



▶ SKILLS ACCELERATOR ◀

The Skills Accelerator represents one of the Government's key initiatives to deliver the vision of the Skills for Jobs white paper, incorporating the Local Skills Improvement Plans (LSIPs) trailblazers and the Strategic Development Fund (SDF) pilots (DfE, 2021). This initiative is based around three pillars including investment in skills, innovation, and infrastructure to promote levelling-up, supporting the transition to net-zero and enabling the most opportunities for the UK. A key part of the initiative is to identify the priority skills needs through evidence-based assessments to enable skills training to become more responsive to the changing needs of employers and the challenges and opportunities facing the local skills landscape. Notably, the initiative will be led by employers and skills providers, strengthening collaboration between these partners, and empowering them to develop the necessary infrastructure to respond to local skills and innovation priorities.

Place-based Growth: the Role of Employment and Skills

The future of the workplace is often presented as a false dichotomy; a scenario where workers must choose the workplace or working from home. The post-Covid reality likely lies in a hybrid model which allows workers the flexibility to decide, with inevitable productivity benefits. As outlined above, a healthy workforce is a key driver for growth and the link to work satisfaction must not be ignored. Initiatives at a county-level, such as improving digital connectivity, rejuvenating the High Street and offering flexible workspaces can help increase the attractiveness of Surrey; a place already renowned for its high quality of life and connectivity to both London and the world.

Longer-term, Surrey has to address more consequential issues. Persistent concerns have been raised that it is losing its competitive edge as well as its long-held status as a key catalyst for growth in both the regional and national economy. This is despite innovative new sectors being based in Surrey, such as satellite and space, and electronic gaming. Part of this hindrance has come from a failure to adapt to the needs of local businesses and develop a distinct Surrey skills strategy to ensure that the emerging workforce of the future is adapted to new and developing jobs. Stakeholders, comprising education providers, local business, local government and trade body representatives, will need

to work together to address the skills shortages that may eventually see key sectors leave the county.

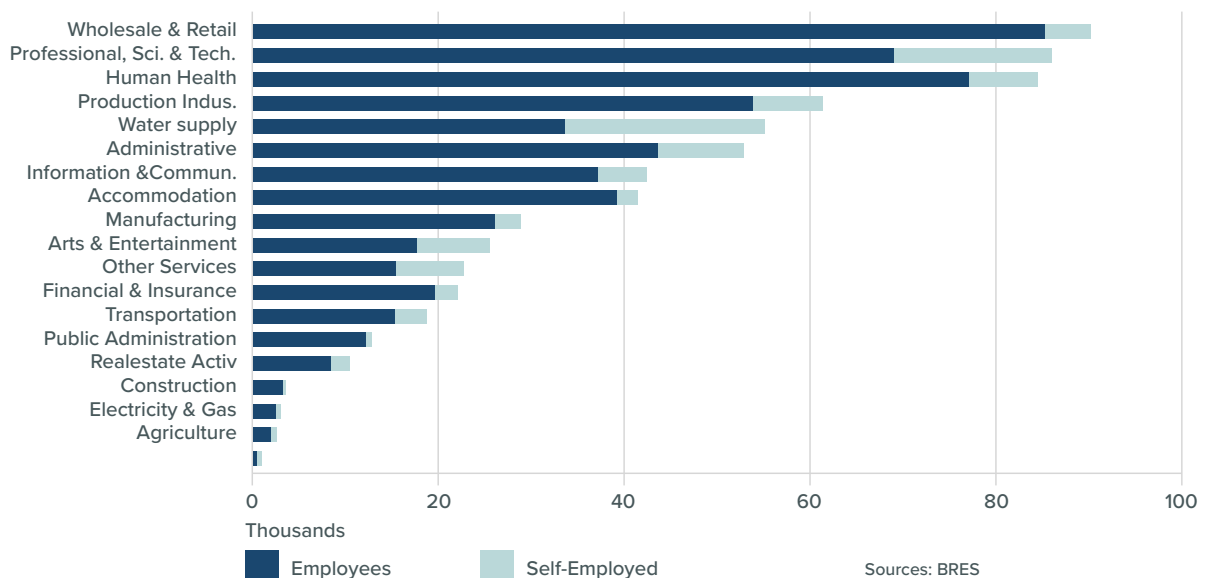
In other areas, local decision makers at county, district and borough level are profoundly aware of Surrey's various demographic and infrastructure disadvantages. The high cost of housing has been detrimental in attracting graduates and early career workers to the county, with the aging demographic presenting serious medium-term challenges to local health and social care services, and longer-term to the economic output of the county. Businesses throughout the interview process have told of staff commuting from other counties pre-Covid, sometimes for up to an hour, due to the high cost of living in Surrey. This, when coupled with the broadest definition of work from home, presents damaging prospects for the future of the local economy, as young workers can opt to live further away from the county. The appeal of Surrey is no longer enough to attract people, particularly when it is simply not financially viable for significant portions of the workforce to live in the area.

Employment by Sector

As illustrated in the table below, Surrey's workforce is predominately concentrated in three sectors: wholesale and retail, professional sciences and technology, and human health. The water supply sector represents the largest source of self-employed income, making up nearly one third of the sector.

Total Employment by Sector

Employees & Self-employed Breakdown, 2019





► SKILLS AND POST-16 EDUCATION BILL ◀

The UK Government has introduced a draft Skills and Post-16 Education Bill for consideration to Parliament. It represents legislation for planned reforms for FE, including local skills improvement plans, more powers to the Department for Education and flexibility on lifelong education loans.

The Bill has a particular emphasis on skills corresponding to local needs. This includes:

- Powers from the Secretary of State to designate employer representative bodies to lead development plans
 - Duty for FE providers to review their local impact, needs and wants in the community.
- New powers for the national government to intervene where local needs have not been met.

These new powers could force mergers between colleges and educational institutions.

The Bill highlights the lack of engagement with employers and the business base, in particular SMEs.

This is primarily blamed on the lack of 'local levers' to tailor skills provision to local market needs and context. If passed, FE providers and relevant stakeholders will be expected to prioritise the needs of the local labour market and meetings its demands, especially via the provision of relevant skills.





THEME 3: INWARD INVESTMENT

Theme 3:

Inward Investment

Scene-setting

Inward investment is a vital component for economic growth as it contributes significantly to the national and regional economies of the UK, increasing employment opportunities and wages whilst also boosting productivity and innovation through research and development capabilities (Deloitte, 2019, p.2). Inward investment can be defined as the processes by which a firm, investor, or authority from outside an area, like Surrey, directly or indirectly invest capital within that area. Potential investment opportunities can emerge in a multitude of forms in both public and private sector, generated by global MNCs, or SMEs in close proximity to the target area. Central governments, local authorities, businesses of all sizes as well cross-regional enterprise partnerships are all sources of inward investment, as are major consortium research and innovation or research and development sources, arising from regional initiatives (e.g. EU), universities, institutes, to rather more unconventional sources including crowdfunding. Covid-19 and Brexit have created huge challenges for the global, national and local business climate, highlighting the need to develop a resilient and adaptable economy through safeguarding and building on its strengths.

Surrey is an innovative, diverse, and high-value economy that has been driven by both domestic and international investment. The county has a long history of investment success and is home to a multiplicity of international operations and investment portfolios that have invested both in people and the community. For the future of Surrey's economy, the county must continue to maintain and strengthen investment flows and increase engagement with available investment opportunities. This is important to guarantee future GVA and business growth in the county, whilst also recognising the need for long-term sustainability for the county. Notably, it is recognised that "FDI boosts innovation to a greater extent in regions with strong levels of research and development (R&D)" as these regions are better equipped with the high skilled workforce and technological capabilities to maximise the gains from FDI (Arnold, 2018).

Surrey: An Innovation Hotspot

As a knowledge-intensive local economy with high levels of R&D and a highly skilled workforce, Surrey thus represents an 'innovation hotspot', capable of attracting diverse channels of investment. Inward investment can help to expose Surrey to superior technologies and knowledge-exchange, supporting diversification, entrepreneurship, and business-led innovation (EM3, 2020b, p.32). Surrey has an opportunity to revolutionise the way it perceives and engages with investments. To sustain the growth of the local economy, we must take a broader view of opportunities to attract new investors for example, by identifying and capitalising on the strengths of the county through innovative and collaborative approaches (EM3, 2020b; C2C, 2020b). There must be a concerted effort to improve the visibility and understanding of the county's attributes and a resource-rich programme to promote the county across domestic, regional and international forums. Such a programme must champion the county as a whole and draw on its key strengths, working with stakeholders to effectively engage resources. This place-based approach will pioneer a re-investment in growth at the local level, strengthening the local business ecosystem, infrastructure, and skills base.

The following sections demonstrate how Surrey must recognise and promote its key investment assets in a unified vision for the county. The identification of Surrey's determinants of growth is key, to ensure that the county can subsequently harness its strengths and build upon them. For example, Surrey must capitalise on its highly skilled workforce and knowledge-intensive economy as a gateway to access new investment opportunities within the emerging sectors of high-tech research and development to accelerate innovation and global competitiveness. Surrey must also be able to adapt to the changing landscape of foreign direct investment (FDI) into the UK post-Covid and post-Brexit by diversifying its markets and investing in the emerging growth sectors and clusters of excellence.



Anchor Institutions and Zones of Excellence

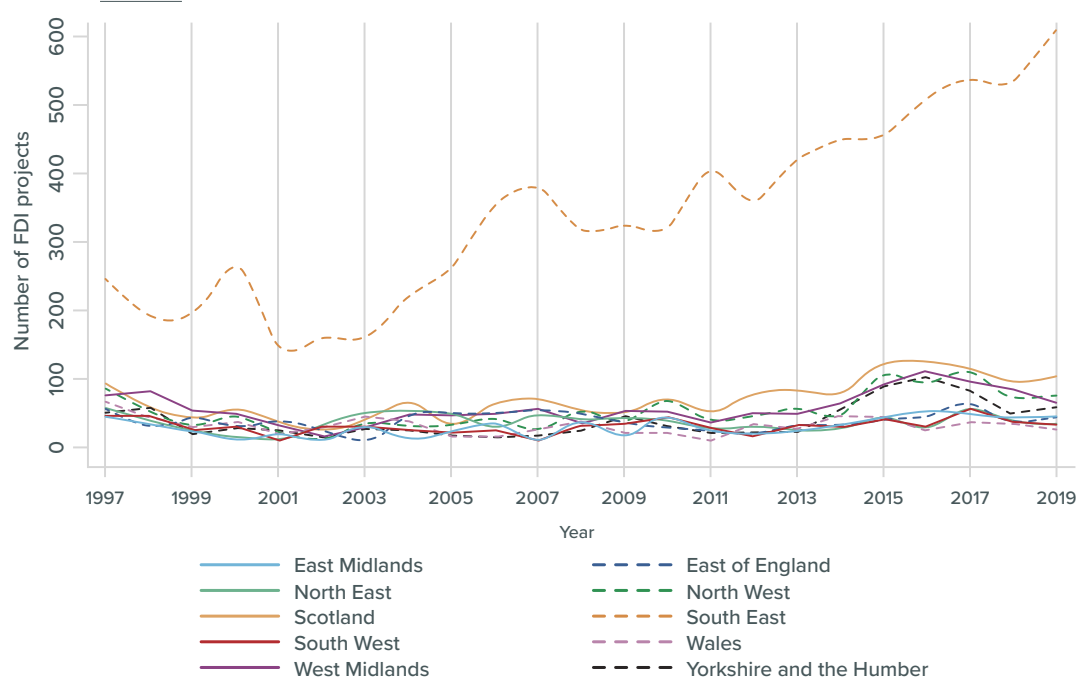
Two core features lie at the heart of Surrey's inward investment: anchor institutions, and its 'zones', or 'clusters' of excellence. Both highlight, augment and boost high-value, high-growth areas of natural interest to the spectrum of available inward investment for Surrey. 'Anchor Institutions' comprise "civic, cultural and intellectual institutions which contribute to the cultural, social and economic vitality" of areas (Work Foundation, 2010, p.1). Explored in detail in our 2020 report (University of Surrey, 2020a, p.10), Surrey's clusters of excellence represent a "particular grouping or concentration of a particular specialism which helps to distinguish it from other outputs in the area, thereby giving it a regional comparative advantage (by producing something unique) and – depending on the overall quality of the output, a competitive advantage in market terms".

Likewise, anchor institutions are required to found, develop, grow, and represent key areas, connecting directly and indirectly with Surrey's clusters of excellence to highlight and make available inward investment options within the county, pooling and rendering permanent local collective assets, expertise, skills, and outputs by highlighting the innovative and attractive investment climate of the county as a whole. After reviewing national and Surrey-level characteristics of inward investment below, we then briefly explore the role of anchor institutions as inherently 'facilitative' in simultaneously embedding and projecting the core clusters of excellence for which Surrey is known. The question going forward is how to more impactfully use both anchor institutions and clusters of excellence to build and grow channels of investment in the county, creating partnerships across sectors and communities, ultimately promoting community wealth building as a key part of place-based growth.

Benefits of Investment

Investment is a vital part of a local economy, and in order to guarantee the sustainability of that economy, it is paramount to invest in places, communities and people. Projecting Surrey's competitive offering is a central part of attracting investment into the county, drawing attention to the plethora of internationally-owned businesses that have operations within the county borders. International investment comprises a significant proportion of investment into the county and international presence in a local economy has many benefits that will, in turn, create a more competitive and productive business ecosystem. In regional terms, the South East dominates FDI into the UK with almost half (49%) of all FDI projects since 1997 and more than half (58%) of all FDI projects 2019-2020 being based in the South East (EY, 2020b, p.17). In 2019 alone, there were 82 FDI projects in the South East (excluding London), with 1,593 FDI projects in the South East since 1997 (EY, 2020b, p.26). These are mainly concentrated in medium and larger towns, which together account for over three-quarters of all investment (79%) (EY, 2020b, p.26). In 2019, the majority of FDI projects in the South East were based in Sales and Marketing activities followed by R&D, Logistics and Headquarter operations.

FDI projects by region or nation, 1997-2019



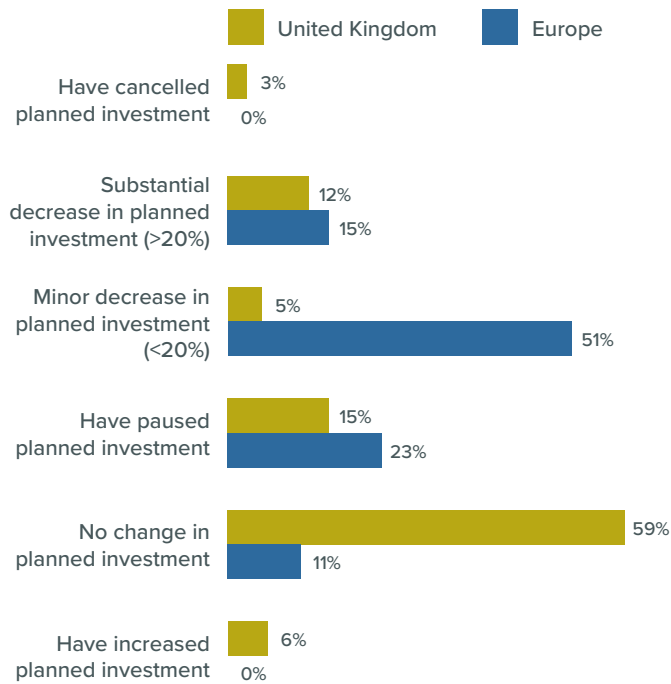
Sources: EY European Investment Monitor (EIMA), 2020

► CONSTRAINTS

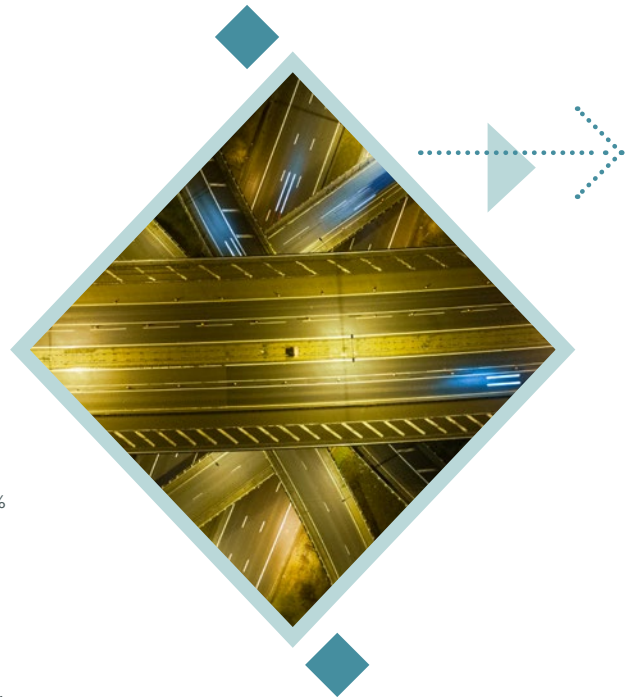
Changing International Investment Flows Post-Covid and Post-Brexit: the National Picture

In 2019, 782 new projects in the UK were recorded, the highest number since 2016 and representing a 7.7% increase from 2018, outpacing the growth recorded by Europe as a whole at 2.9%. Respondents interviewed by EY (2020a, p.30) suggested that 65% of projects planned for the UK were still going ahead, including 6% who increased their investment in light of Covid-19 and 3% who cancelled their plans. By contrast, investors revealed a more cautious approach to Europe, with 66% planning to reduce investment and 23% pausing it, in comparison to 17% and 15% respectively for the UK (EY, 2020a, p.30). This suggests that the UK's FDI market is less exposed to the impact of Covid-19, demonstrating a continued strong level of attractiveness.

UK/Europe Covid Investment Trends

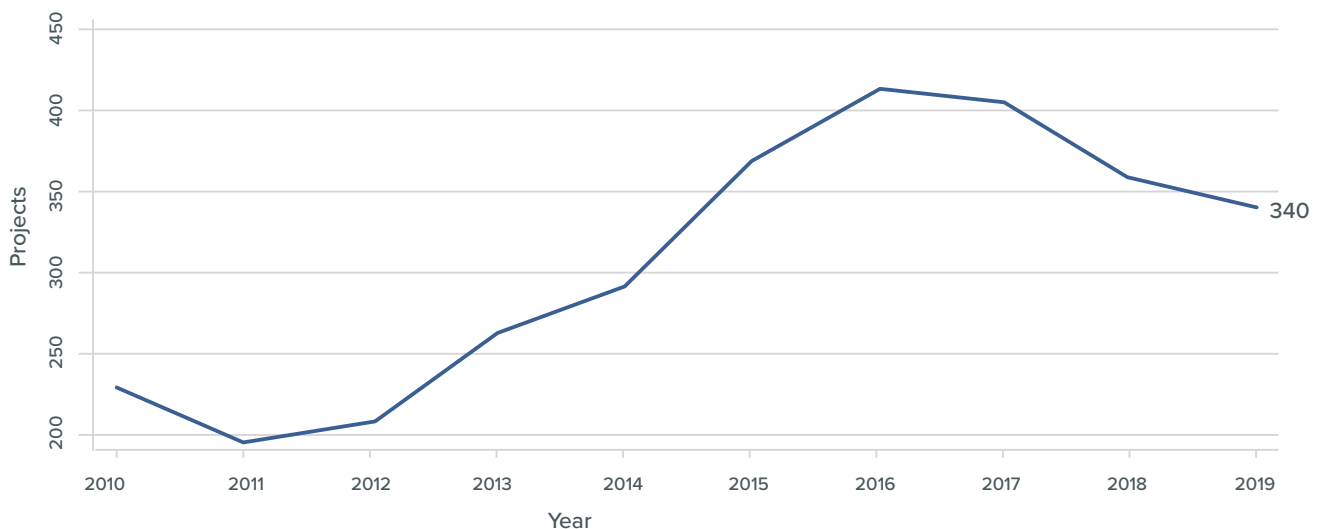


Sources: EY's UK Attractiveness Survey, May 2020; EY-Euromoney Flash Survey (20-30 April, 2020, 113 C-suite interviews)



In addition to Covid-19, Brexit has had a significant impact on investment flows into the UK, changing the dimensions of the business climate. While not every EU country reduced investment projects into the UK from 2016–19, the UK recorded a 17% decline from a peak in 2016 to 2019, when 340 projects were recorded as being from EU origins (EY, 2020a, p.19).

Annual number of UK projects originating from the EU, 2010-19



Sources: EY European Investment Monitor (EIMA), 2020

Brexit has inevitably had a considerable impact on inward investment, evident in the decline of EU investment projects that began in 2016, the year of the Brexit referendum. In 2019 for example, the UK recorded a 17% decline of investment projects from the high point reached in 2016 (EY, 2020a, p.19). FDI projects originating from Germany and France, the second and third largest FDI contributors to the UK, have fluctuated and declined since 2016 however, from 2018-2019 these levels flattened, suggesting a stabilisation of investment levels. Various data sets also indicate that the UK has broadly been able to rebalance its investments to compensate for a decline in EU-originated projects with continued investment from countries such as the United States (US), and the emergence of new non-EU investor countries (EY, 2020a, p.20). The US remains the largest single source of UK FDI, with 375 projects in 2019, representing a 9% increase since 2018 (EY, 2020a, p.20). Likewise, FDI projects from countries outside of the EU such as Russia are growing at a significant rate, with a 367% increase from 2018-2019, followed by Turkey, Poland and Israel at 350%, 160% and 143% respectively (EY, 2020a, p.20). Notably, a large proportion of these investment projects have been based in digital technology, with 58.8% of Israeli and 63% of Turkish projects in digital technology (EY, 2020a, p.20). This highlights the importance of the emerging growth sector of digital technology, which represents a key cluster of excellence in Surrey, in attracting international investment into the UK. Furthermore, despite concerns that the UK's investment landscape would decline post-Brexit, the UK's attractiveness to FDI clearly remains comparatively strong.

The UK continues to attract investment arising from its thriving digital technology sector, strong performance in R&D, its stable base in manufacturing, continuing strong links with the US, and increasing number of FDI projects for new emerging markets (EY, 2020a, p.20). While 2019 figures need to accommodate both emerging post-Brexit trends and post-Covid impacts, the UK's strong FDI performance demonstrate at least the capacity for resilience, and the ability to diversify and reshape its economy.

Fastest-growing origins of UK FDI projects, 2019

Country	2019 projects	Change on 2018
Russia	14	367% ↑
Turkey	27	350% ↑
Poland	13	160% ↑
Israel	34	143% ↑
South Africa	14	133% ↑
Singapore	13	44% ↑
Belgium	14	27% ↑
UAE	14	27% ↑
China	32	23% ↑
United States	375	9% ↑

Source: EY European Investment Monitor (EIM), 2020

Opportunities and Untapped Potential

Catalysts for Place-based Growth

Identifying the changing nature of investment locally, nationally and internationally is valuable in establishing an effective strategy to project and sell the county as a key investment opportunity. Both Local Enterprise Partnerships have recognised the importance of strategising the opportunities for growth in their respective regions of Surrey (C2C, 2020a; EM3, 2020b). Surrey has significant untapped potential that includes its strong business base, regional comparative advantage and skilled labour market. Tapping into this potential will allow Surrey to access new opportunities that include renewed investment pathways for both internal and external investors. To understand Surrey's attractiveness for international investors, it is first important to establish the determinants and benefits of FDI. FDI refers to the "cross-border investments from one country into another, with the aim of establishing a lasting interest in an enterprise" (DIT, 2018). Surrey has a large and diverse portfolio of international presence that has given the county a reputation for high value and innovative outputs.

Surrey is home to a large array of international corporations' headquarters and subsidiaries, for example, Pfizer, EA Sports and ExxonMobil all have a significant presence in the county. Mergers and Acquisitions (M&As) are common and have predominantly occurred in the services sector, specifically financial and professional services.

South East

Surrey is positioned within the **'economic powerhouse'** that is the South East of England and is surrounded by counties that are drivers of economic growth, with established economic infrastructures. For investors, the South East has been viewed as a cost-effective alternative to London that still offers a highly skilled workforce and wide connectivity. Surrey boasts strong intra-regional specialisms, such as 5G, Bioscience, and Photonics (Innovation South, 2017). This intra-regional nature of the county attracts investment as there is a wider understanding that county borders are fluid, with areas of growth often crossing borders. The South East region also offers businesses close proximity to Europe and better connectivity than other parts of the country. Post-Brexit, Surrey-based businesses must continue to look to Europe as a significant market and engage in investment opportunities that Europe offers the county, playing to its geographical strengths.

However, regional strengths have also been to the detriment of the county. Surrey has missed out on the opportunity for international investment in favour of more innovative and efficient regions such as the Thames Valley. The Thames Valley benefits from good digital infrastructure, a skilled workforce and is more cost-effective for businesses. Reading's growth in recent years has positioned it as an attractive alternative to towns like Guildford and Woking in Surrey.

Highly Skilled Labour Market

Our research has highlighted the significant extent of Surrey's highly skilled workforce and a labour market that is primarily composed of individuals with experience and skills in professional services. Surrey's labour market remains a noteworthy factor in attracting both domestic and international investment into the county. Surrey is home to a significant proportion of larger businesses and multinationals that have chosen Surrey because of the access to skilled individuals in close proximity. Importantly, businesses identify access to skills and labour as one of the key benefits of operating in Surrey. Guaranteed access to high skilled labour

gives businesses far more confidence to not only invest in their operations but also to invest in people. International investment also presents a valuable opportunity for the county to invest in skills and training for the labour market. This could include emerging sectors such as green technologies, where, with the efficient engagement of resources and management, Surrey could be a national leader. These emerging sectors are grounded in the aforementioned clusters of excellence that Surrey has to offer, alongside a reliance on anchor institutions to shape and expand opportunities for growth.

Digital Infrastructure

Improving digital infrastructure in the county is vital for Surrey to attract national and international inward investment. Our interviews, survey, and econometric data together suggest that businesses and individuals prioritise digital capabilities as key components of their inward investment criteria. However, Surrey still has some way to go in this respect, currently lagging behind in terms of its gigabit capable infrastructure when compared to the rest of England and the South East, with coverage currently of only around 17% in Surrey in comparison to 39% across the rest of the UK.

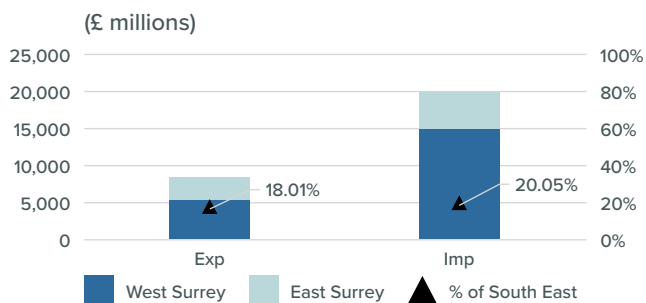
Investing in Surrey's emerging and highly innovative digital capabilities (including those which are increasingly gigabit capable) offers a future-proof investment which will support inclusion through tackling digital poverty and enhance remote working capabilities. This initiative could for example be supported by the Government's 'Project Gigabit' initiative, launched in March 2021, aiming to provide over one million hard to reach homes and businesses with access to next generation gigabit broadband in the first phase of the £5 million infrastructure project (Department for Digital, Culture, Media and Sport, 2021). There is also significant potential in attracting new investment opportunities with digital infrastructure and connectivity, especially with an increased reliance on Surrey's key digital strengths such as 5G telecommunications. Investment in this sector drives the next generation of innovation and research that benefits Surrey residents and the business ecosystem. This can be achieved through "ambitious and professional business-led collaboration between the private, public and education sectors" (C2C, 2020a, p.3) to leverage investment opportunities from both local authorities, central government and the private sector and deliver a strategic plan for maximisation and utilisation of digital infrastructure and investment.



Investment Data: International Trade

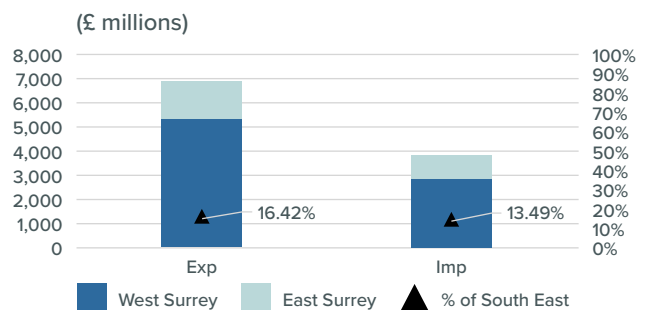
Reflective of the UK overall, Surrey is a net importer of goods and a net exporter of services (HMRC Regional Trade Statistics data). As the tables below illustrate, the county's exports in goods stood at £8.4 billion in 2019, representing 18% of South East exports with over 6,300 businesses located in the export market. Surrey exported nearly £7 billion in services in 2018, representing 16.4% of all export business in the South East.

Trade in Goods in 2019: Exports vs Imports



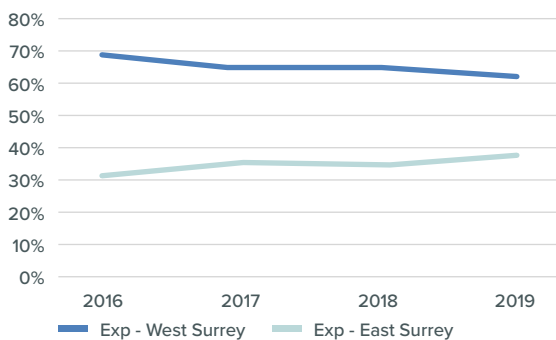
Sources: HMRC Regional Trade Statistics data

Trade in Services in 2018: Export vs Imports



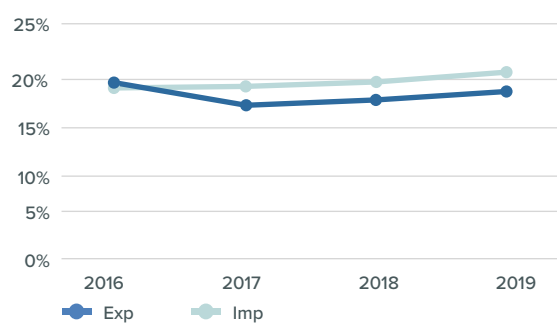
Sources: UK Trade; International Trade in Services; UK Trade in services by industry, country and service type: 2016 to 2018

Exports in Goods: West Surrey vs East Surrey (% of Surrey's Total Imports or Exports)



Sources: HMRC Regional Trade Statistics data

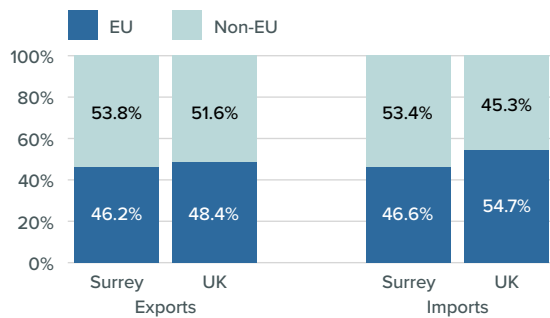
Surrey's Goods Trade Flows as % of South East



Sources: HMRC Regional Trade Statistics data

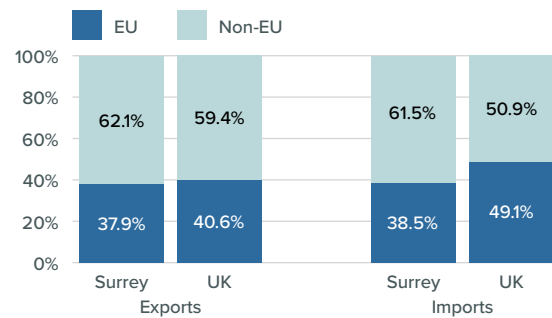
In terms of goods imports, Surrey imported £20 billion worth of goods in 2019 which represented about 20% of the South East imports. Surrey's import of services is however much lower at £3.8 billion. Within Surrey, West Surrey is both the largest importer and exporter. However, East Surrey's share of exports has steadily been increasing over time. Regarding the geography of trade, approximately 46% of both good imports and exports, and approximately 38% of service trade flows are from the EU, figures presently below UK levels, meaning that Surrey is slightly less exposed to the effects of Brexit.

Geography of Trade in Goods



Sources: HMRC Regional Trade Statistics data

Geography of Trade in Services

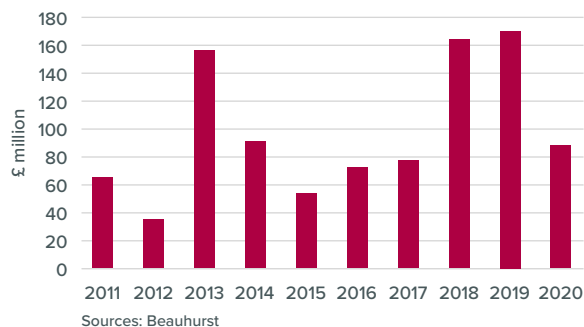


Sources: UK Trade; International Trade in Services; UK Trade in services by industry, country and service type: 2016 to 2018

Equity Investments

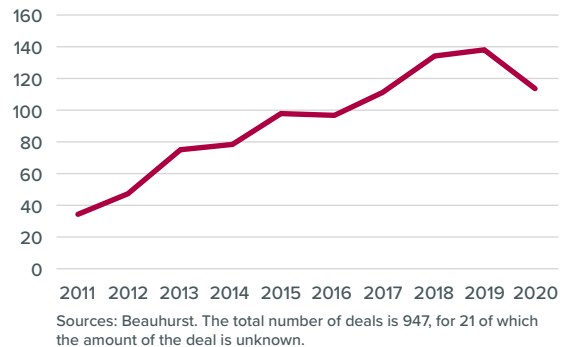
While the amount of equity investments in Surrey have fluctuated over the last ten years, the number of agreements has steadily increased, indicating that Surrey possesses a solid investor base, and a generally resilient economy. There are however areas of asymmetry: the increasing number of overall transactions were initially not met with equally increasing invested amounts. However, the county as a whole experienced a turnaround in 2015 with continuous inward investment increasing until 2019, when it peaked at £171 million. As expected, Covid-19 affected both growth and inward investment, reflected in the steep decline in transaction amounts raised in 2020. Investment inflows themselves fell by nearly half the amount compared to the year before, i.e. £90 million in 2020 vs £171 million in 2019. This is important, and should raise alarm bells in terms of future investment, as a prolonged economic downturn could have significant consequences for the outlook of Surrey.

Equity Investment in Surrey: Amount Raised



Sources: Beauhurst

Equity Investment in Surrey: Deal Numbers

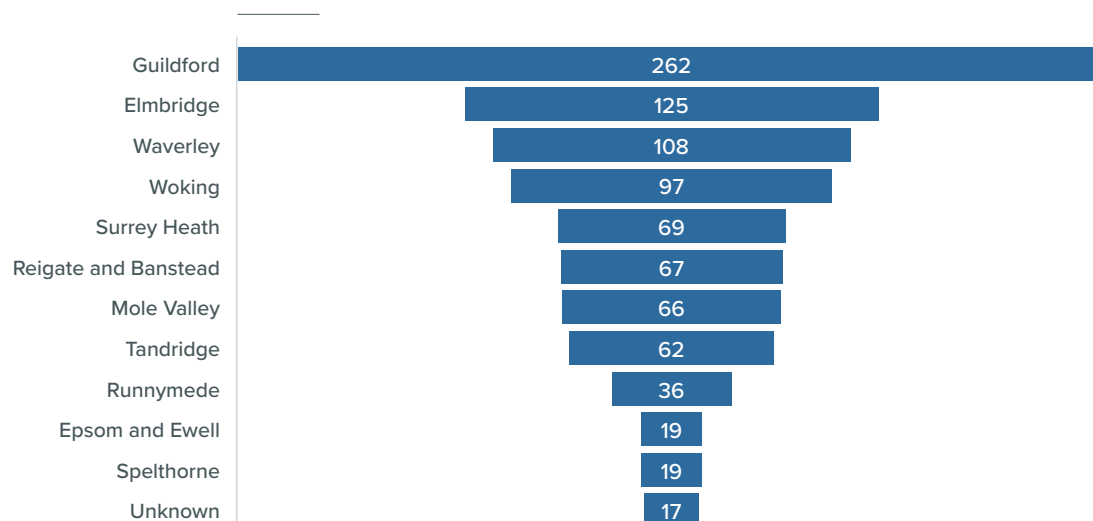


Sources: Beauhurst. The total number of deals is 947, for 21 of which the amount of the deal is unknown.

In examining the destination of investments, we find evidence again of the East-West performance divide, in which West Surrey continues to perform significantly stronger than East Surrey. Most transactions originate from Guildford, which as a town has the largest share of high-growth companies in Surrey, as our business demography data shows. Guildford in this respect is followed by Elmbridge and Waverley, both also at the top of the high-growth distribution list.

Investments by Head Office Local Authority

(Deal Numbers)



Sources: Beauhurst

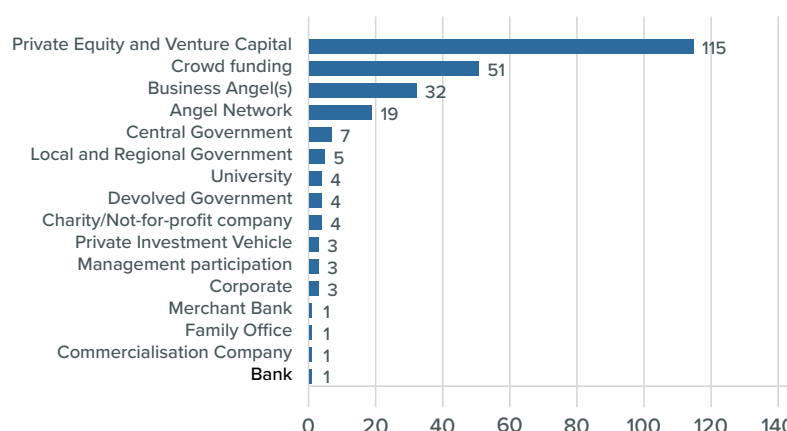
Not surprisingly, the single largest share of investors in Surrey are from within the UK, specifically from the South East. Out of the disclosed locations across the last ten years, 232 investors were UK-based, followed by investors from the US, and the EU, with 15 and 11 investors respectively. Other national investment portfolios include Singapore, Norway and Taiwan. The most common type of investor includes Private Equity and Venture Capital entities. In addition, fundraising through crowdfunding and creating business angels have become increasingly important ways of raising equity funds for firms in Surrey, as can be seen in the charts below.

Investors by Country

	2020	Total*
United Kingdom	31	232
United States		15
EU	1	11
Singapore	1	3
Belarus		1
Canada		1
Norway		1
South Africa		1
Switzerland		1
Taiwan		1
Total	33	267

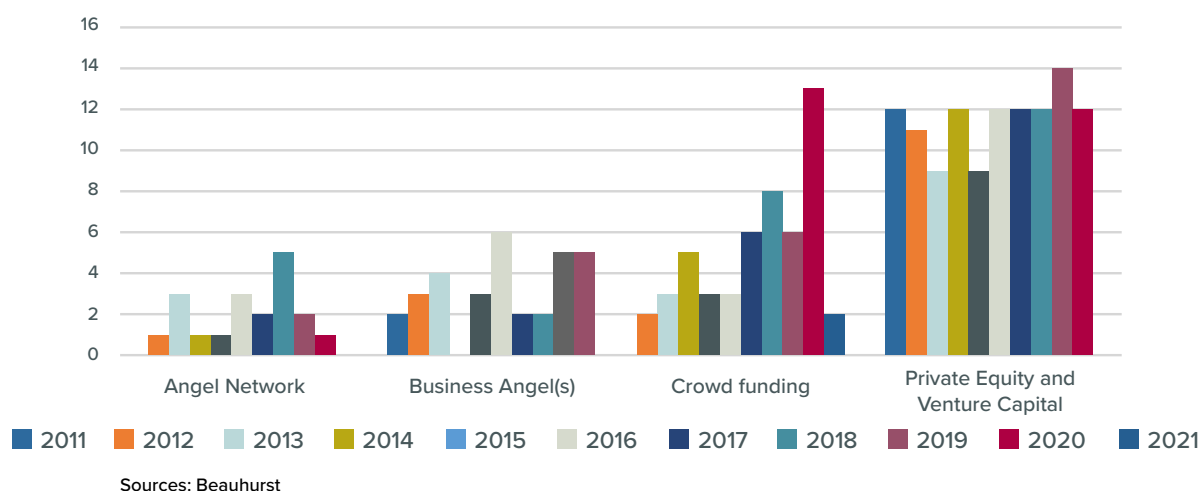
Sources: Beauhurst. *Total includes all disclosed investors since 2011 to Feb-21

Equity Investors by Fund Type: 2011-2021



Sources: Beauhurst. Note: There is a total of 1,034 investors, out of which 780 are undisclosed and not included in the chart.

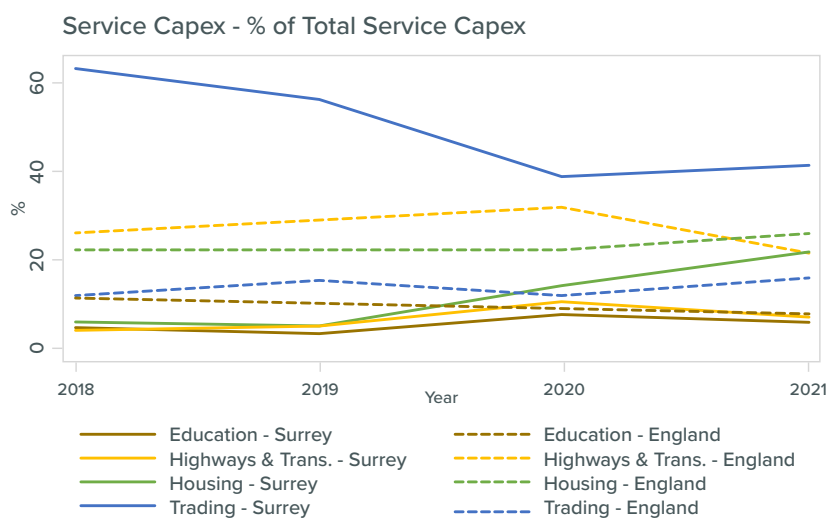
Four Most Prominent Fund Type Investors by Year



Local Authorities Service Capex

Below we present the aggregate of Surrey's local authorities capital investments. Assessing whether the data illustrated aligns well with Surrey's long-term growth strategy is a helpful method by which to enhance economic performance and coherence in the county. In the aggregate, trading services have benefitted most from investments by local authorities, receiving a substantially larger share, (albeit declining over the Covid period) of capex compared with the national average across England. These services include the maintenance of direct labour and service organizations, such as civic halls, retail markets and industrial estates, as well as commercial activity.

Equally, as the data illustrates, investment by local authorities in core areas like housing has been increasing (a particularly welcome trend given the lack of affordable housing across the county). However, the amounts here are still proportionally lower than the national average suggesting that the county is still overall not investing enough in creating new homes. Funds to support the building and maintenance of highways and transport, while not insignificant, are also limited when compared to England as a whole. Judging whether investment in transport and infrastructure is adequate or not is important, as falling investment levels by local authorities is something of a bellwether in terms of the overall investment climate of the county, with persistently declining levels producing a drag in the long-term when compared to the rest of the country.





Anchor Institutions: Facilitating Growth and Inward Investment

The concept of anchor institutions originates from scholarly studies of American communities in the 1990s (Taylor, 2013). An 'Anchor Institution' can be defined as one that plays an important role in a locality or community by making a significant, permanent contribution to the local economy, labour market and/or local government. The Work Foundation (2010) for instance, also defines local government as 'anchor coordinators', i.e. organisations that synchronise or facilitate by bringing other partner institutions together to maximise utility, raise visibility and improve the overall investment climate of the region.

Anchor institutions are therefore of profound importance in defining both the composition of Surrey investment potential, and the way in which inward investment operates as the wellspring of place-based growth. The UK context differs slightly from the predominantly US-oriented literature on anchor institutions, due to different levels of governance and the role of public services in communities. However, the concept of foundational institutions remains a pertinent one, and arguably reflective of local strengths and high-value opportunities for inward investment. Within the UK context, we suggest that anchor institutions are characterised by:

- **Spatial immobility:** anchor institutions are deeply rooted in a community or geographic location and are not easily relocated, making them extremely rare in a business environment built on capital mobility. This is sometimes referred to as 'sticky capital', where the institution is particularly cemented to a location due to history, missions, physical assets and local relationships.
- **Size:** anchor institutions tend to be large employers and have significant leverage in the local economic area, including significant purchasing power and community engagement.

Within Surrey, anchor institutions are those which proportionally contribute significant amounts of labour, capital, localised investment, connectivity and socio-cultural aspects to both the local economy and community, enjoying a prominent presence in a particular location. As explored below, local authorities, LEPs, airports, universities, research parks, hospitals, and possibly the high street itself collectively contribute to community self-definition and to wealth building by attracting inward investment.





► Benefits of Anchor Institutions ◀

- Economic benefits: vital contribution to the local economy, including to employment levels and spill-over of economic benefits for surrounding local businesses.
- Environmental benefits: sizeable amounts of land and facilities are being preserved by institutions for the benefit of the community.
- People benefits investing in people is an important part of the role that such institutions play in the county, including contributing to education, skills and community-oriented projects.
- Reputational benefits: the ability of anchors to attract interest and investment in the local economy, acting as recognisable ambassadors for the county.

Anchor Institutions play a key role in contributing to their place and community, are responsible for generating and redirecting wealth back into the local economy, and where possible, can help to ensure that a high degree of active localism prevails in building a genuinely unique and individuated area. Anchor institutions are also key in forming partnerships across sectors (including cluster of excellence) and communities (county, district and borough levels as well as east-west Surrey links). Their permanence, resources and position in the communities help them to coordinate effectively across public, private and third sector actors, in turn boosting local productivity and economic growth. The roles and responsibility of anchor institutions have only grown in importance in representing the foundations of further innovation and growth. Aligned to a unified place-based growth strategy post-Covid, they can enhance their role as primary drivers for Surrey's local economic and social development, as well as fostering external investment opportunities.

Heathrow and Gatwick Airports

Surrey is internationally connected by Britain's two largest airports. Heathrow and Gatwick border the county and represent two significant anchor institutions that contribute to the wider Surrey economy. In 2019, the two airports accounted for 127 million passengers, around 42% of total airport passenger haul in the UK (Transport Select Committee, 2020, p.1). Both airports serve a critical role in both the local and national economy; acting as implicit growth catalysts; by attracting investment and driving local innovation, they are proponents of growth in the local economy. Attracting international investment opportunities gives the local economy a comparative advantage in comparison to other regions. Both airports have the ability to become hubs of innovation through research and procuring in new forms in order to promote innovation and growth in local business ecosystems.

YOUR LONDON AIRPORT

Gatwick

Gatwick Airport

although not located in the county, is truly embedded within the Surrey economy as a significant employer in the region and provider of connectivity and investment opportunities for the local ecosystem. It is the 9th largest airport in Europe and employs around 25,000 staff directly, with a further 20,000 employed indirectly in the local economy (Gatwick Airport, 2018, p.2). Supply chains and business presence near Gatwick have benefited Surrey's economic position significantly by attracting investment into the region. This embeddedness in the local economy has meant that when aviation experienced a significant downturn due to Covid-19 and the commensurate sudden decline of demand for aviation travel, the local economy suffered. Gatwick has proved its credentials as an 'anchor institution' by both encouraging investment into the locality and by directly investing in the community. It has a proven record both in attracting international investments in close proximity to the airport and producing an indirect catalytic effect on productivity and growth in the region.

Heathrow

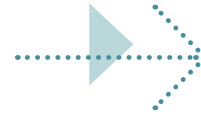
Heathrow Airport

is a valuable asset to Surrey, with deep roots in the county and a primary driver of inward investment into the county. It represents Britain's largest airport and the seventh largest in the world, with circa 84,000 directly employed at the airport and hundreds of thousands more indirectly through supply chains and spill-over sectors (University of Surrey, 2020a, p.142). Heathrow remains the UK's largest port by value, with £140 billion worth of UK exports passing through the airport in 2019 (Heathrow, 2020). It also has a recognised role in the local economy, connecting local businesses with international markets. With a large route network that serves 206 destinations in 85 countries, Heathrow represents 75% of all long-haul flights from the UK (Heathrow, 2020), demonstrating a key channel for international investment into Surrey's economy and a key asset to growth in the county. Heathrow's Local Recovery Plan seeks to address the opportunity to localise supply chains and increase their accessibility for SMEs, redressing the barriers to local economic growth.



Local Enterprise Partnerships

Local Enterprise Partnerships (LEPs) act as ‘anchor-coordinators’ in Surrey, bringing together partners and promoting innovation and growth through joined-up strategic thinking. LEPs are both foundation and impactful in helping to align public and private stakeholders, businesses of all sizes, local authorities and educational institutions, offering mediation and support.



enterprisem3

Delivering prosperity through innovation

Enterprise M3

(EM3) covers a globally competitive region of high-value sectors that make up an innovative and diverse business ecosystem. The EM3 (2020c) regional economy generated £62 billion GDP in 2019-20 with comparatively high productivity levels, representing 4.5 percent of UK exports.

Coast to Capital

Coast to Capital

(C2C) covers the East of Surrey, which includes an established business ecosystem, driven by the presence of Gatwick airport as well as the proximity of London to its north. The region is worth £50.7 billion GVA, making it the seventh-largest local economy in England (Coast to Capital, 2018).



Our research has demonstrated that to achieve growth goals, and attract sustainable amounts of inward investment, both EM3 and C2C can contribute positively and actively in fashioning a clear “open for business” message, allowing county-wide opportunities to be more easily identified and accessed (University of Surrey, 2020a). Post-Covid, there is a recognition that new partnerships, and indeed the deepening of current partnerships are valuable in highlighting Surrey’s unique specialisms. Centrally this requires anchor institutions like the LEPs (alongside universities, research parks, etc.) to build stronger ties underwriting each of Surrey’s clusters of excellence, increasing the chances of innovative industry-led research that can target regional investment and generate growth.

“

The 5G Innovation Centre (5GIC) is the UK's largest academic research centre dedicated to 5G wireless communications infrastructure

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Universities

Universities in Surrey represent the engines of growth and investment in the county and act as a natural coordinator between key stakeholders. The ‘soft value’ of universities’ within their proximity communities may include investing, employing and innovating locally. Within the business ecosystem universities are largely perceived as trustworthy partners, strongly connected to the social, economic, cultural and business landscape in which they are founded. University of Surrey and Royal Holloway University of London (RHUL) represent progressive examples of anchor institutions imbedded in their local communities that directly facilitates both local partnerships, and stimulates inward investment. Both HEIs are key to Surrey’s knowledge cluster as well as central drivers of innovation, research and development and academic-industrial partnerships. Both universities include a wide range of subject and research specialisms that cover a wide field of study and are also home to specific high-value innovative collaborations that are unique to the county.

The University of Surrey is home to a diverse range of high-value and internationally recognised specialisms,

including 5G, space and aerospace and immersive technologies. The 5G Innovation Centre (5GIC) is the UK’s largest academic research centre dedicated to 5G wireless communications infrastructure, attracting a plethora of international co-investors such as Telefonica, Vodafone and Samsung, whilst receiving national and international attention from both the public and private sphere. Collaboration is at the heart of how the University of Surrey operates, emboldened with a willingness to work across sectors and boundaries, whilst providing a suitable environment for both start-ups and multinationals to set up operations and partnerships. The connectivity of the University of Surrey gives it the comparative advantage of being a leading ‘anchor institution’ capable of attracting high-value, sustainable external investment into Surrey. It has a leading employment and careers programme that includes an award-winning placement programme, for the third year running the National University Employability Award (NUE) awarded the University for the Best University Placement Service (Blevin, 2021).




Welcome to
**The Surrey
Research Park**



The **Surrey Research Park** represents the importance of bringing knowledge together with business to unleash enterprise growth and success. The park is a major centre of excellence in technology, science and engineering, and is located close to the University's main campus as well as the centre of Guildford.

Home to cutting-edge research innovation and the identification of key sectors and businesses that are of high value and contribute to the local ecosystem. The park contributes an estimated £450 million and £625 million (UKSPA, 2020) to the economy. The University of Surrey and the Research Park combined contribute an estimated £1.75 billion GVA for the UK and supports 13,900 jobs in the county and 11,200 in the Borough of Guildford (University of Surrey, 2020b, p. 20).



Royal Holloway University of London (RHUL) is a key driver across many areas particularly digitalisation, cyber security and information security. Knowledge exchange and enterprise are embraced at RHUL, and their connections with a variety of business and key stakeholders provide a valuable framework for growth and innovation. It is a major economic contributor to the local economy and a national asset through its engagement with the commercialisation of sectors such as cyber security. The proximity of London has benefited the University as it can capitalise on partnerships and collaborations from key stakeholders in London, which continues to be the largest economic centre in the country.



StoryFutures /ACADEMY/

‘StoryFutures’ and ‘StoryFutures Academy: The National Centre for storytelling’ work to bring together new ideas, ground breaking innovation, storytelling, creative ideology, all while attempting to stimulate growth in the sector. Their main focus of both initiatives, which are funded by the UK government,

is to ‘place innovative storytelling at the heart of the next generation immersive technologies and experiences’ (StoryFutures, 2021). With certain elements of this creative and innovative project being based at the Royal Holloway University of London, Surrey is lucky enough to benefit from some of the work that StoryFutures do, in more ways than one. There are two programmes within the wider StoryFutures remit – StoryFutures, which works with a gateway cluster around London and surrounding areas, such as Surrey - , and StoryFutures Academy, which is the national segment of the project, working to upskill UK creatives across film, TV and theatre. When looking specifically at the work of StoryFutures and the gateway cluster surrounding London, this element of the project looks to collaborate with small and medium enterprises within the cluster, helping to drive growth and innovation through technology, investment and the sharing of expertise across different areas. StoryFutures Academy, and its work at a national level, looks more to upskilling, storytelling and collaboration across the UK as a whole. When considering place-based growth in Surrey, StoryFutures is something which is a very important element in both collaboration, and innovative projects taking place across the country, and something which very soon, could really put Surrey on the map as a hub for creative and cooperative ventures.

Healthcare Networks

The healthcare infrastructure in Surrey acts as an anchor network by promoting positive social, economic, and environmental conditions in the local community and supporting healthy and prosperous populations. NHS trusts and organisations are anchor institutions as they are deeply rooted in their local communities, investing and working with local people and organisations to advance the health and welfare of the local population (Reed et al., 2019). While the NHS is primarily engaged in its core role of delivering health care services, it also takes on a broader role of stimulating growth in the local economy. For example, the NHS is the largest employer in the UK, employing 1.6 million staff and offering over 350 career options, acting as a “critical source of economic opportunity for local people” (Reed et al., 2019, p.11). The NHS also engages in anchor practices as a purchaser and commissioner for social value, spending approximately £27 billion every year on goods and services in England alone (Reed et al., 2019, p.24). Likewise, the NHS also

has significant physical assets that can be leveraged for the benefit of the community and has the potential to become a leader on sustainability as it is responsible for 40% of the public sector’s carbon footprint (Reed et al., 2019, p.36, 43). This demonstrates the NHS’ key position in the UK as an anchor institution that informs and has the potential to influence local policies related to social, economic and environmental welfare.



Clusters of Excellence: Driving Growth and Inward Investment

The identification and development of clusters of excellence is a key mechanism by which to draw on local collective assets, skills, and resources, establish local networks and partnerships and drive innovation. Clusters can transcend local boundaries, stimulating national and international collaboration and investment and they “help distinguish it from other outputs in the area, thereby giving it a regional comparative advantage” (University of Surrey, 2020a, p.10). Identifying and strengthening key economic clusters in Surrey represents a key aim of Surrey County Council (2020c, p.10) in their Surrey’s Economic Future Economic Strategy. This can be achieved by embedding the clusters firmly within the local economy, strengthening supply chain links, improving access to physical space, enabling the adoption of technology, and ensuring access to support through Innovate UK and other sources to accelerate growth (SCC, 2020b, p.10).

Agglomeration of High Value, High Worth Activities

An agglomeration of high-value, high-worth activities in industries and sectors with high future potential

and quality innovation attract both domestic and international inward investment. Surrey contains a diverse range of clusters of businesses in specific sectors and industries, such as space, 5G, advanced automotive and gaming. This agglomeration has the ability to benefit from economies of scale and networking possibilities of having similar businesses in close proximity. For example, Guildford has become the centre of the UK’s gaming and immersive technology industry, which has provided the region with an acclaimed and distinctive reputation that has attracted international investment. Surrey has the potential to capitalise on agglomeration by having sector-specific focused investment opportunities alongside working collaboratively with partners to make this happen. Unleashing the potential of the business base in the county around a common goal of growth, innovation and collaboration, allows Surrey to achieve its overarching economic goals. To achieve this, Surrey’s inward investment model must centre a reactive and proactive approach, to harness the strengths and specialism of its business base and overcome complacency. This can be supported by capitalising on businesses’ appetite to drive growth and advocate Surrey as a high potential business base.

The Surrey Animal Health Innovation Cluster (SAHIC)

The SAHIC brings together the unique, local excellence emanating from a network of animal health allied industries and institutions including the University of Surrey, the Pirbright Institute, Animal and Plant Health Agency (APHA), the Veterinary Medicine Directorate (VMD) and local business and academic stakeholders. Drawing on the combined expertise, facilities, and data of these key partners, the SAHIC aims to generate new solutions for the optimisation of animal health and welfare through advancing digital innovation and data utilisation. The SAHIC stimulates economic growth regionally through investment in research and commercial activities alongside the facilitation of skills, expertise, and knowledge exchange. In July 2020, the EM3 LEP, supported by the University of Surrey, led a successful bid for the SAHIC to be recognised by the Government’s High Potential Opportunities (HPO) programme. The HPO marketing campaign is coordinated by the Department for International Trade (DIT) and will be used to generate national and foreign interest and stimulate inward investment. This is beneficial to the university, industry partners and the LEPs, promoting opportunities for knowledge-transfer, innovation, and economic growth. While Covid and post-Covid shifts have the potential to slow down activity, create resource constraints and reduce recruitment opportunities, these threats can be mitigated by embedding regional growth as the core objective of the cluster (Hargreaves and Cook, 2021, p.12). However, this relies directly on securing long-term funding to sustain the cluster’s activity. Therefore, there is a need to identify funding opportunities and develop stronger links both with the Government levelling-up agenda post-Covid and with prospective investors (Hargreaves and Cook, 2021, p.12).



Space and Aerospace Cluster

The UK space cluster is a thriving sector worth approximately £11.8 billion and growing by an average of 8.6% a year since 2010 (Invest in Surrey, 2019). Notably, 75% of UK space industry turnover is generated in the South East of England, and Surrey specifically boasts a highly developed space ecosystem (Invest in Surrey, 2019). Surrey's excellent connectivity is a clear attractor for businesses, particularly in terms of its close proximity to the high-technology hub along the M4 corridor. Likewise, Surrey hosts a world-leading academic cluster in research, technology, and innovation for example, in cyber security and 5G. The county also has significant local assets in skills and expertise including the world-leading Centre of Excellence in Space Engineering, a dedicated space incubator, Surrey Satellite Technology Ltd, the world's premier provider of operational and commercial satellite programmes, the Surrey Space Centre and the University of Surrey's strategic partnership with the National Physical Laboratory (in partnership with the Department for Business, Energy and Government and the University of Strathclyde). The EM3 LEP has become the first and only LEP to have been recognised by the UK Space Agency for its rich potential, receiving a grant of £70,000 with which to stimulate further growth in the cluster. This demonstrates Surrey's pioneering network

of space and aerospace specialists, highlighting the need to ensure sustained investment into the cluster to promote sustainable growth.

Digital Technologies Cluster

Surrey is also home to a high-value and world-renowned digital technologies cluster, stimulating economic growth and international investment into the county. For example, Surrey hosts a number of high-tech and creative companies specialising in areas such as artificial intelligence, 5G, cyber security, creative media, and data. Basingstoke, Guildford and Aldershot are among 16 towns in the UK that have been identified in the 2018 TechNation report as 'Digital Suburbs' which showcase a higher proportion of digital tech business density and employment than the UK average (EM3, 2020a). The digital technologies cluster benefits from local assets including the 5G Innovation Centre at the University of Surrey which represents the UK's largest academic research centre dedicated to the development of technology for the next generation of wireless and mobile communications, and offers access to an on-site 5G test bed. Investing in these technologies represents a vital strategy to drive innovation to achieve Surrey's digital connectivity goals and connectivity more broadly, nationally and internationally.



Guildford Gaming

Additionally, Guildford has become a centre of excellence for video game production, known as "the Hollywood of video games", with over 60 successful gaming firms based in the town. Likewise, the immersive technology sector comprising Augmented Reality and Virtual Reality is developing in Surrey, representing an important high-value industry in the UK that has the potential to boost UK GDP and add £62.5 billion to the economy by 2030 (PwC, 2019). DIT has also recognised the EM3 LEP region under the Government's High Potential Opportunity programme, focusing on Guildford and Aldershot as specific areas of specialism in the

development of immersive technology and its application across the aerospace, automotive, space, healthcare and professional service industries (EM3, 2019). The HPO programme will provide opportunity for the promotion of creative technologies in the EM3 area through a set of interventions addressing local issues, such as providing more affordable housing, infrastructural developments and improving skills supplies to enhance its attractiveness as a destination for inward investment (EM3, 2019).



THEME 4: SUSTAINABILITY AND THE GREEN ECONOMY





Theme 4:

Sustainability and the Green Economy

Scene-setting:

There is no agreed definition for the term 'green growth'. The OECD (2021) defines it as 'fostering economic growth and ensuring that natural assets continue to provide the resources and environmental services on which our well-being relies'. The Grant Thornton (2019) Sustainable Growth Index classifies a sustainable economy as one that has a neutral impact on the natural environment, and a built environment which creates resilient places that people want to live in. The 'Surrey's 2050 Place Ambition' report makes reference to the need to build resilience to the impacts of climate change (Surrey Future, 2019).

'Surrey hasn't got its head around environmental issues. How do we embed green growth without the need for travel? We have an immense property infrastructure and need to develop the skills to retrofit for efficiency. This would provide long term jobs.'

While a lack of clarity remains on the various terms and definitions of sustainable, or 'green growth' in Surrey, two sources for fostering sustainable growth have been identified:

- growth in the development of innovative products and services that decrease carbon emissions;

- growth in environmentally-friendly activities that councils, businesses and households can directly engage in to decrease environmental destruction and increase the protection and care of natural ecosystems.

Sustainability must be at the heart of any strategic economic plan for any organisation, including a unified programme for place-based growth for Surrey. The drive for sustainable growth has the potential to be implemented and integrated within every sector of the Surrey economy, and the possibilities for this are covered in this section. Now more than ever, the importance of sustainable growth has become central to strategies for growth, grounded in immediate changes, rather than long-term aspirations. Not dissimilar to its clusters of excellence, and with the support and leadership of key anchor institutions, Surrey has the potential to be a UK 'climate leader' if it capitalises on its county-based strengths of innovative, world-leading technologies and infrastructure, green-oriented inward investment, and carbon-neutral goals. Greater emphasis must be placed on meaningful actions that are practical yet progressive. Bringing together stakeholders from across the public, private and community-oriented sector must be a priority for local government to achieve its goals effectively.



Grounding Sustainability: Policy and Practice

Over the last two decades, globally national governments have become increasingly responsive to the stark climate change warnings from the international scientific community with resultant significant interventions in their economies to offset the impact of climate change. The Intergovernmental Panel on Climate Change (IPCC) “Special Report on Global Warming of 1.5 °C” (IPCC, 2018), determined that human activity is the dominant cause of observed climate change that is contributing towards increasing global warming, with adverse impacts on our local environment. The IPCC recommends drastic reductions in global carbon emissions to limit the average level of global warming below 1.5°C between 2030 and 2050, in an attempt to keep climate change under control.

In 2019, the UK government became the first G7 nation to legislate for a long-term net-zero carbon target; the 2050 net-zero target was recommended by the Committee on Climate Change, the UK’s

independent climate advisory body. It envisages that carbon emissions would be balanced by schemes to offset greenhouse gas equivalents, such as planting trees and utilising carbon capture and storage. The UK government has placed clean growth and net-zero ambitions at the centre of its industrial strategy, informing economic policy-making. The UK government is seeking to maximise the advantages for UK industry from this shift towards clean growth by embracing low carbon technologies, systems and services. The creation of entirely new industries and the transformation of existing industries to become more resource-efficient and environmentally sound should be a strategic priority for the county. This includes pursuing investment in alternative renewable energy sources as well as the creation of ‘green jobs. In 2021 the UK also has the opportunity to lead global cooperation on climate goals when it hosts both the G7 in Cornwall and COP26 in Glasgow. Surrey must continue to monitor and work in tandem with national policy, with the ability to progress further and lead locally.

Dasgupta Review

The Dasgupta Review (2021) is an independent, global review on the Economics of Biodiversity led by Professor Sir Partha Dasgupta and produced in 2021. The review calls for changes in how we perceive, measure and act on economic success whilst simultaneously protecting and enhancing our natural environment. It offers a detailed account of how nature should be accounted for in both economics and decision-making, affirming our economy’s embeddedness within nature. The key tenet of the report is that nature is a national economic asset; one that must be protected and preserved, arguing that “if we care about our common future and the common future of our descendants, we should all in part be naturalists” (pg.6). The review points to the Scandinavian model of a balanced relationship between urban and nature, with a particular importance placed on the protection of nature. The degradation of nature due to human activity has led to an asset management problem of the local biosphere and balance between the natural capital and human capital. There is reference in the review to the balance of human capital and natural capital, and the influence they have on one another. This relationship must be better understood if a nature-friendly economy is to be attained. The report also demonstrates how traditional macroeconomic models of growth and development have been built on the view that human society is external nature.

In July 2019, Surrey County Council took the first steps towards a collective commitment by declaring a climate emergency, which in turn committed the county to become net-zero carbon by 2050. This is a key opportunity for the county to improve its connectivity, productivity and resilience, all while creating a future-proof greener Surrey. As with many other areas requiring major planning changes, post-Covid recovery represents a key opportunity to frame Surrey’s future planning as explicitly based on ‘building back greener’, aligning both a renewal in Surrey’s economy alongside enhanced use/ preservation of its richly biodiverse ecology and environment.

Surrey's Climate Change Strategy 2020

Surrey emits greenhouse gas emissions at a faster rate than average global levels; the county currently emits 6.19 million tonnes of carbon dioxide emissions per year. If no action is taken, the county will use up its entire carbon budget in just over eight years. Although Surrey has experienced a decline in net carbon emissions of 28% between 2005 and 2017, this fall can be largely attributed to the decarbonisation of the overall national grid supplying Surrey's electricity. In Surrey, the transport sector accounts for 46% of the county's emissions, followed by housing at 28%, public and commercial buildings at 15% and industry at 11%.

Surrey County Council's (2020a) climate change strategy sets out an ambitious proposal that would provide Surrey residents with "clean, safe and green communities" and demonstrates how the county is already working towards the UK's commitment to achieving net-zero carbon emissions by 2050. The report sets out a joint framework by which local authorities can work strategically with a range of partners and stakeholders to achieve these ambitious proposals and targets.

The report sets out eight themed chapters that represent the key ambitions for Surrey County Council:

- **Organisation Emissions:** Achieve net-zero carbon local authorities by promoting sustainable practices within authorities; across their operations, estate and vehicles. The target of net-zero carbon for Surrey's organisational emissions is by 2030 or sooner.
- **Transport:** Delivering and promoting an integrated, accessible, affordable and reliable public transport system across the county, including reducing journeys and improving air quality in the county. target of 60% emissions reduction in the transport sector is by 2035.
- **Energy Generation:** Alongside national decarbonisation, the aim is leading renewable energy generation expansion and introducing low carbon heating through smart, decentralised systems in Surrey homes. The target of 15% of energy from solar PV is by 2032.
- **Housing and Planning:** Creating low carbon, healthy homes for Surrey residents that reduce emissions and improve the wellbeing of the community. The target

of 66% emissions reduction in the domestic housing sector is by 2035.

- **Buildings and Infrastructure:** Driving forward the net-zero transition within the built environment through renewable options and lower operational energy use. The target of 61% emissions reduction across commercial and public buildings is by 2035.
- **Waste, Resources and Circular Economy:** Reimagining the current approach to waste and creating a system centred on circular economic principles that encourages innovative approaches to utilisation and recycling. The target of 70% of all local authority collected waste reused, composted or recycled is by 2030.
- **Land Use and Food Systems:** Developing a land-use framework for Surrey focused on accessible green space and sustainable farming practices. The target of planting 1.2 million trees is by 2030.
- **Industry and Green Economy:** Approach clean growth through the decarbonisation of all sectors and provide investment in the development of clean technologies and industries with associated job creation. The target of 56% emissions reduction across industry is by 2035.



The report further seeks to emphasise the importance of evaluating and monitoring targets and actions, to maximise the progress and impact of these actions. This includes ensuring that resources and skills are in place to provide effective and robust monitoring across the organisation and associated partners in reference to data and key indicators. This allows for the targets and goals to be met more effectively and efficiently.



Aligning Climate Ambition and Inward Investment

As illustrated above, sources of inward investment in Surrey are apt to be successful when they are deeply connected to the goals, and specialisms of the county as a whole. Inward investment will increasingly require stringent climate change goals at local level and/or be demonstrative of Surrey's ability to punch above its weight at national or global level. The 2018 Natural Capital Investment Plan for Surrey is instructive here, by recognising and mobilising investment flows that can be generated from, and targeted at, Surrey's own natural assets. The report for example emphasises the need for the county's natural assets to remain firmly at the heart

of economic and social planning, with real commitment by partners (e.g. including anchor institutions) to redress the balance between public and private investments. In terms of the philosophy of place-based growth, the report is particularly prescient on the theme of liveability for the county, making clear that Surrey is a thriving economy in large part because of its natural environment and rich biodiversity. The 'vision' set out in the report is that of achieving "a thriving, resilient and attractive county providing natural benefits to all who live and work in Surrey" (Surrey Nature Partnership, 2018, p.7). Decision-makers may for instance find practical recommendation like the creation of a Natural Capital Investment Fund to fund and deliver the strategic aims.

Ecological Macroeconomics

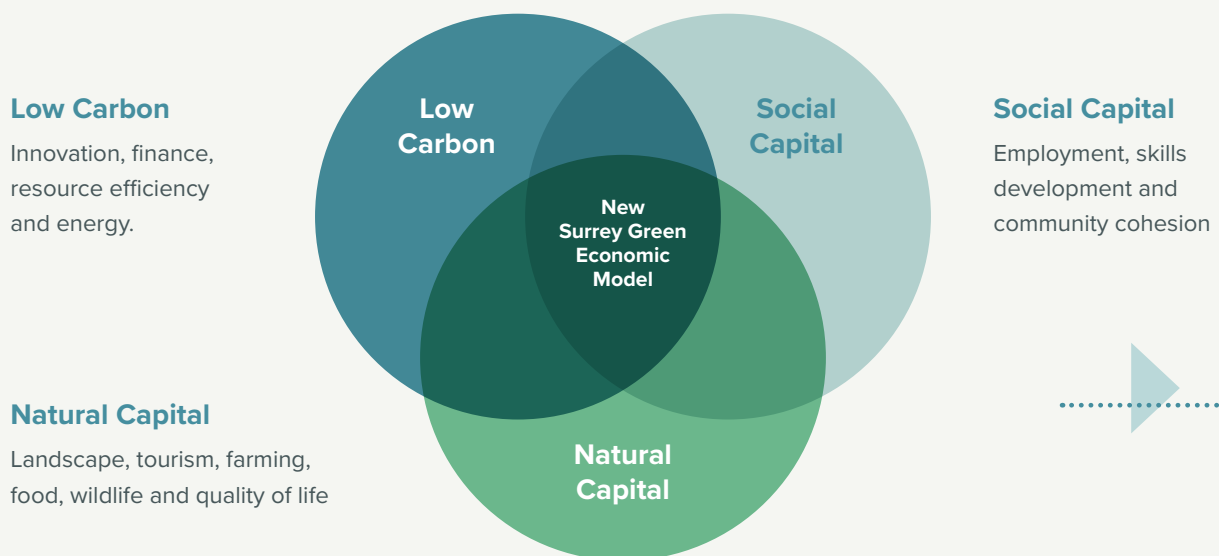
Among academics and scientists, there is an emerging call for a new 'ecological macroeconomic' model that is based around modern economic realities but additionally incorporates ecological and resource constraints. The ecological economist Tim Jackson expands on this area by highlighting the importance of investment because of its ability to draw together present needs and the future requirements (Jackson, 2021). Jackson's work further suggests that in order to achieve genuinely sustainable prosperity, investment – both home-grown and externally-sourced - must focus on protecting assets that our future depends upon, acknowledging our environment's finite resources alongside incorporating environmentally and socially responsible growth.

Strategising Surrey's Green Growth

Steps to tackling climate change cannot be stand-alone, or unambitious. Thus, while suggestions about local authorities committing to electric charging points and more effective recycling, are of themselves useful, they need to be embedded within a broader programme that overlaps low carbon goals with the natural capital of the area, and its social capital as illustrated in the table below. Clean growth is about reinventing how we understand the entire Surrey economy and the relationships that exist within it. For local authorities and stakeholders, this requires using the full scope of policy competences to prioritise and energise place-based growth as inherently sustainable. Surrey's 'green' agenda will allow it to play to its strengths, aligning its abundant natural environment and biodiversity with its innovative business community.

'Green growth means fostering economic growth and development while ensuring that natural assets continue to provide the resources and environmental services on which our well-being relies. To do this it must catalyse investment and innovation which will underpin sustained growth and give rise to new economic opportunities (OECD, 2021).

Principles of Green Economic Growth



There is a potential for investing in green growth by tailoring investments and resources towards existing industries and sectors in Surrey and promote low-carbon practices. It is not simply the creation of new 'green' industries in the county, there is a need to provide existing sectors with sustainable investment as well as wider strategies that work towards the goal of decarbonisation. Strategising growth should also consider the important social roles of the community and third sector that have such a significant presence in Surrey. Including all stakeholders in Surrey's economy is important to deliver climate action effectively while recognising the importance of a place-based approach to sustainable development and growth.

Energy and Infrastructure

Surrey has a diverse transport network and is well connected as a county to both London and the wider South East region. However, Surrey does lack efficient cross-county connectivity, and transport options remain unaffordable and inaccessible to some of the population. Surrey is adversely impacted by road congestion, which is exacerbated by Surrey's significant proportion of out-commuters in the county. Road congestion is not only unproductive for the local economy, but it also is severely negatively affecting carbon emissions in the county. The solution to this is not simply increasing the capacity of the road network or incentivising more electric cars; instead there needs to be a concerted effort to provide affordable, efficient and accessible transport alternatives. Surrey needs to introduce more low carbon transport alternatives that would both reduce emissions and attract investment into the county. This transport infrastructure must increase connections between research and business hubs as well as with local population centres. As previously researched by the University of Surrey (University of Surrey, 2020a) businesses based on research or business parks were concerned with the lack of transport connectivity in the county. This demonstrates the multi-faceted nature of sustainability and economic growth and development in the county.

Surrey has a well-established and thriving automotive sector, but it needs to be better aligned in terms of innovation and investment around the emerging 'green' agenda. In doing so, private sector partnerships could further promote green technologies, helping the county to become a leader in the development of carbon-neutral transport technologies, further facilitating investment into the local economy. The potential associated with this is considerable, and local government could lead a centralised strategy for sectors including the automotive sector to work around and within, in order to achieve both climate action and economic growth.

For Surrey to achieve its emissions goals and decarbonise its local economy the county must take ambitious action towards achieving a local energy transition to more sustainable means. Surrey must continue to decrease its dependence on non-renewable energy sources and invest in renewable alternatives. The county has considerable advantages in supporting this transition, including a significant amount of space as well as natural assets to be responsibly exploited. Actions could include new local investment structures in zero/negative carbon energy conversion and usage technologies. There are a variety of tools local governments can adopt and use to promote the use of renewable energy sources and attract new investment in such schemes.



Green Investment and Jobs

Investments are recognised as the primary determinant of growth and the key driver of both climate action and a ‘greener’ recovery from Covid-19 (Aldersgate Group, 2020, p.6). There is increasing evidence that green investments provide better prospects for generating productivity and growth in the economy by investing in human, social and natural capital in areas that need it most. Working in partnership with public and private stakeholders, Surrey can not only deliver effective and targeted investments but also deliver sustainable development and infrastructure that give back to both the economy and the environment.

There is a growing perception that ‘natural capital’ has significant potential, including wellbeing, prosperity and wider contributions to future growth. The economic benefits include the liveability of the place, which includes the county being a greener, healthier and more attractive place to live. This in turn makes Surrey a far more attractive investment potential for business, with an increased likelihood that they will base their operations in the county. There are additional health,

social and cultural benefits, communities have the potential to flourish by recognising the importance of protecting and investing in this ‘natural capital’.

As a high-skilled professionally based labour market, Surrey has a largely untapped opportunity to be a significant driver in the transition towards greener jobs. Covid-19 has adversely impacted the labour market in the UK, with over half a million 16-24-year-olds currently out of work and numbers expected to increase (Friends of the Earth, 2021, p.4). A green jobs initiative would be a means to address both unemployment and the climate crisis. Such an initiative offers apprenticeships and “off-the-job” college or workshop-based learning that in turn support the wider decarbonisation agenda as well as areas of green technologies or environmentally-friendly infrastructure. According to research, Surrey’s eleven boroughs collectively have the potential for 2810 Green Apprenticeships, with start targets over the next 3 years (Friends of the Earth, 2021, p.86). For a ‘Green Jobs’ scheme to work it must have appropriate investment and support from key stakeholders such as Surrey County Council, LEPs and the Employment and Skills Board.

SUSTAINABLE TOURISM

Written by: Professor Graham Miller,
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Professor of Sustainability in Business

The combination of the Covid-19 pandemic and the increasing recognition of the need for greater sustainability in all aspects of public policy, social systems and consumer behaviour is likely to produce a significant challenge for the tourism industry. The industry has grown almost continually since the mid-1950s, fed by an ever-increasing range of exotic destinations. For many economies, tourism has been an economic engine, bringing in much needed foreign exchange earnings, jobs and global prominence.

However, while there will inevitably be a return to foreign travel again, there is considerable focus on the importance of creating tourism that is more sympathetic to the places where it happens, with greater local control and which meets the needs of the local population. Amongst many policy challenges, sustainability needs to be embedded in the assessment of proposed developments, ensuring Surrey can develop a tourism offering that brings direct economic benefit and stimulus for the local supply chain, but also ensures real protection for the environment and for improved social well-being.

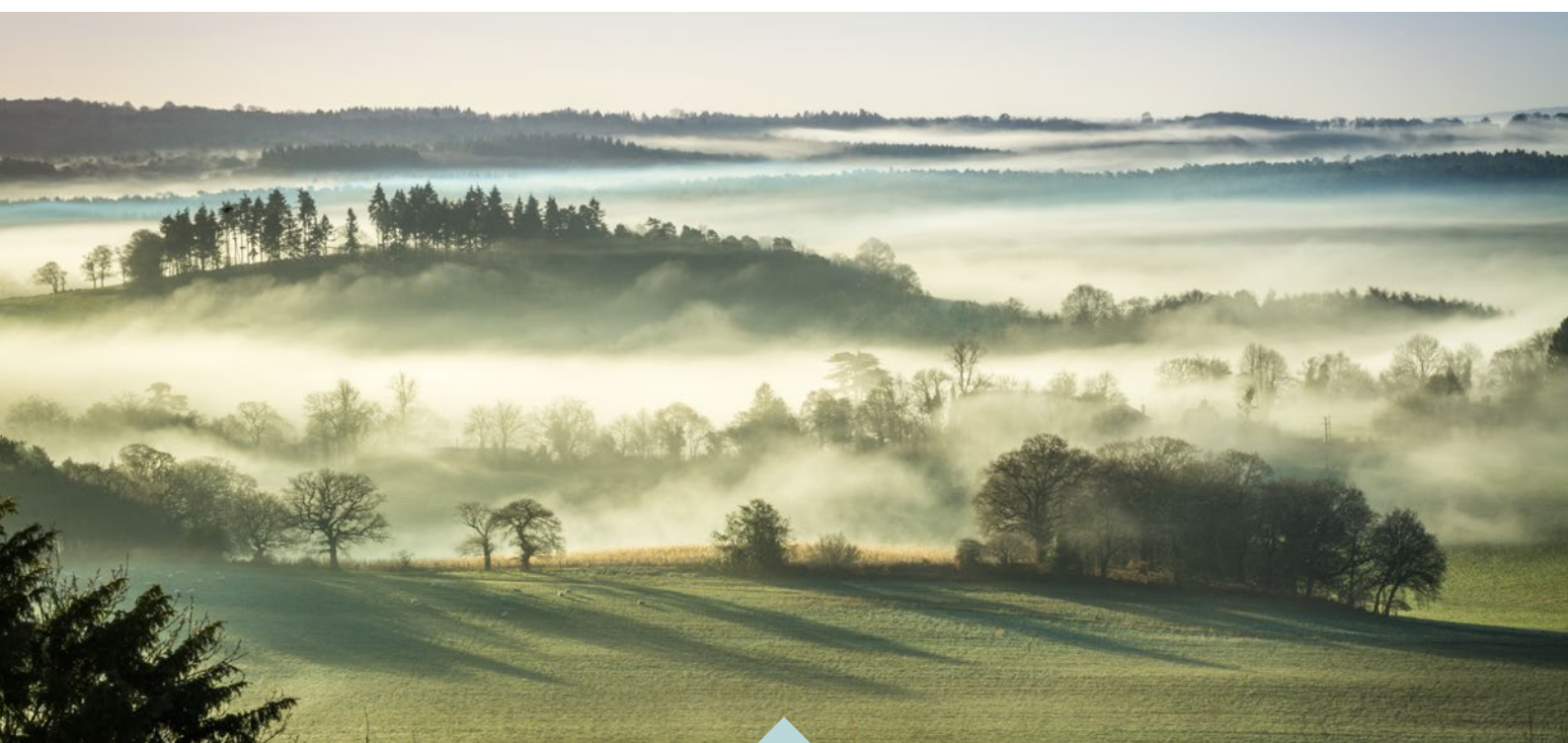
Surrey is gifted with areas of outstanding natural beauty that lend themselves very well to increased leisure opportunities. Cycling, walking, wild swimming and kayaking all represent ways to take advantage of the desire people have for more outdoor activity. In so doing, Surrey becomes a more attractive place for people to visit and to spend longer in. It also encourages people to move to the county permanently, so increasing property tax receipts and discretionary spend on retail, restaurants and other services.

Local Green Governance

Global movements and national climate plans need local implementation to ensure tangible progress. Local actors have the potential to be catalysts and pioneers for national policy, and Surrey in particular can be a case study of how sustainable development and climate action can be applied locally. To achieve national and local climate-oriented goals, a collective joined-up approach must be maximised by both local authorities and key stakeholders. Collaborating and pooling resources such as knowledge, resources and local skills would be more effective in the creation of 'green' networks that achieve the aims and goals. In Surrey's case, this could entail working with neighbouring authorities to form an alliance on 'Green' ambitions as well as forming wider regional sustainable hubs. Sustainable Development utilises multi-sector collaborations at all levels in order to manage resources. Governance needs to match with existing boundaries of an ecosystem/biosphere to ensure sustainable policies and practices maximise their potential. The Surrey Hills is a well-defined Area of Outstanding Natural Beauty (AONB) that covers predominantly the North Downs and the Greensand Ridge, and is a significant biosphere for the county. As Surrey's largest natural asset, it must have specific regional attention to ensure sustainable investment and development. However, it is important

to recognise that bio-regionalism must also work across county borders. Surrey must work with other local authorities to protect the regional biosphere and natural assets from degradation.

For a 'Green' local strategy to be successful, it depends upon local political and economic commitment. This both means recognising the climate emergency as well as establishing a plan on how to address the problem, facilitated by a significant mandate that is supported by all key local stakeholders. This will ensure that any plan has the momentum and resources required to achieve its goals and aims. There must be a concerted effort on the potential of social solidarity and a meaningful way in which participation by all members and stakeholders in the community can be ensured. This links directly to the importance that this report puts on 'place' and how we must look to people and communities to drive sustainable growth for the local economy. Grassroots innovations and projects must be championed locally and supported in scaling up to county-level initiatives. When it comes to sustainability and 'green' governance, it is important to recognise the most significant challenge of ensuring aims and projects remain accountable and their success is measurable. Under the current circumstance, Surrey's natural environment cannot survive ongoing complacency when it comes to addressing the climate crisis.



► CASE STUDY ◀

► WOKING BOROUGH COUNCIL ◀

Woking has been a leader in sustainability governance, becoming a pioneer in energy efficiency amongst UK local governance and with long-standing grassroots activity for sustainable development. The council's first Climate Change Strategy was adopted in December 2002 and focused on the reduction of carbon emissions alongside the promotion of sustainable choices. Subsequently, Woking has developed an ambitious 2050 strategy on climate action that seeks to reduce the impact on the environment with accountability to and leadership from local government (Woking Borough Council, 2015). The initiatives include an Annual Sustainable Development report, a revolving fund for energy investments and an Action Woking scheme towards climate action.

The Surrey Climate Commission

The Surrey Climate Commission was officially launched in June 2019, and represents a collaboration of organisations including the University of Surrey, Surrey Chamber of Commerce, Siemens, World Wildlife Fund and Surrey Wildlife Trust. The Commission was established to support the county in reaching its climate aims and goals and to provide a voice for both the public and private sectors. This includes the provision of a transformative action plan and accountability measures to avoid the impact of runaway climate change. It focused specifically on three key areas: low carbon development, climate resilience and public transport. This group represents the future of climate governance as a multi-sector, diverse set of actors working towards a unified goal of decarbonising the local economy.





POLICY RECOMMENDATIONS



Policy Recommendations

Surrey stands at a pivotal moment in deciding on its post-Covid **community-based growth** options. Historically, it has enjoyed exponential growth, benefiting from its geographical location and strong business community. Yet, more recently, this has begun to dip and as data has highlighted, Surrey's growth had fallen behind the UK's pre-Covid. The pandemic itself has brought new and unique challenges, with the aftershocks likely to be felt for years to come. Therefore, key stakeholders across the county must take urgent, strategic action to address the short-term contraction and long-term stagnation that the county may otherwise face. Decision-makers need to ensure that by 2030, Surrey continues to be the economic leader in the South East and the nation's catalyst for economic growth, as well as a key locale for both place-based, and specific **community-based growth**. In preparation for this, the research team at the University of Surrey propose the following policy recommendations, aimed at addressing challenges and grasping opportunities over the next two, five and ten years.

Localism and Rejuvenating the High Street

As society adapts and overcomes Covid, it will do so in a manner that brings about lasting changes to our daily lives. For most, the last year has been represented by a greater sense of belonging to one's immediate vicinity, be it their street, town or borough. The acute impact of declining footfall from the last year, owing primarily to the drop of commuting and lockdown measures, has been stark. However, early economic data is suggesting that higher consumer spending is underway as businesses reopen. Under the banner of community-based growth, Surrey has the opportunity

to fuel this economic revival by adopting a greater emphasis on place and localism, ensuring Surrey residents shop and eat local wherever possible. This will also involve encouraging those working from home within the county to adapt their habits and engage more with their local High Street in a way that has been difficult over the last year.

- **'Eat local, shop local'**: a campaign to seize the economic benefits from higher personal savings, utilising a range of persuasive measures to increase footfall on high streets, such as joined-up communication resources, daily markets, relaxed parking, increased bus services and a local voucher scheme.
- **Multipurpose spaces**: changing the way residents engage with the high street, a new multi-use, rotational approach can ensure Surrey can become a place of health, accessing services, culture, recreation and belonging; alongside the traditional roles of retail and hospitality.
- **Business Investment County (BIC)**: drawing on similarities to the work of existing BIDs, can help to ensure 360 feedback and business working in lockstep with local government, helping to ensure local business needs are reflected in future planning. This should primarily focus on micro/sole traders and SMEs within Surrey.
- **Surrey tourism**: to boost Surrey's heritage and place an emphasis on towns particularly vulnerable from declining footfall, using a sustainable-based approach, encouraging the use of public transport and adopting joint-up initiatives between local businesses.



► Employment and Skills

In the short-term, the county will be reflective of national employment trends, with unemployment expected to increase towards the end of the year. However, forecasts suggest that Surrey may not necessarily be as impacted as other areas of the country, likely due to the diverse, high-value, high-growth business community. Instead, unemployment will likely be felt in a series of specific, skilled sectors, such as manufacturing and aviation.

- **Regional Skills Bank:** a central repository system where potential employees can be matched with future employers, helping to retain these skills in the local economy and accelerate the bounce back to recovery. This would likely require coordination and implementation across a network of stakeholders including the LEPs, Surrey County Council, Borough and District Councils, and local Jobcentres.
- **Work in Surrey:** internships and apprenticeships: closer engagement between skills providers and industry must be facilitated by ensuring a closer alignment between the needs of employers and the provision of future skills by education providers and apprenticeships.
- **Surrey Skills Strategy:** designed to take particular advantage of the innovative nature of the county economy, by remaining in lockstep with new and emerging sectors such as Gaming, AI and digital infrastructure.
- **Surrey Top-Ups:** county HEIs and FEIs delivering targeted, bespoke training courses, qualifications and “top-ups” delivered in tandem with industry.



► Inward Investment

The development of a tailored investment model for Surrey is imperative to ensure place-based growth. As outlined, place-based growth is premised on a diverse, sustainable Surrey economy which can leverage inclusive, community-led growth. This model must simultaneously balance Surrey’s existing strengths (including its strong networks of anchor institutions) and build its emerging, high-value sectors. Doing so requires: (1) targeted short-term investments for businesses, capital expenditure to leverage high value areas badly impacted by Covid; (2) medium-term investment to stimulate current, functioning inward investment into Surrey; (3) long-term investment to grow new areas on the basis of an established ‘Surrey brand’.

- **Establishing ‘Brand Surrey’:** A centralised, dedicated inward investment team based in SCC is the first step. Supporting this team is an inward investment partnership forum representing national government (e.g. BEIS, DIT), regional, cross-county business interests (e.g. LEPs, airports, hospitals, universities), local governmental businesses authorities (e.g. district and borough), and a cross-sectoral representation of industry partners that are (MNCs, SMEs, micro and entrepreneurial). The forum can operate as a proactive, county-wide business hub that provides advice and support to businesses, whilst enhancing collaboration with LEPs, local authorities, and key stakeholders.

In addition, the Surrey Growth Board could be given a clearer series of sector-specific responsibilities to both attracting inward investment, as well as refining a sharper ‘Invest in Surrey’ message.

- **Surrey-international linkages:** identifying and ensure access to existing investment opportunities, and work to establish new ones. In both the proposed inward investment team, and the partnership forum, the external/international component of Surrey’s inward investment needs to be undertaken by a designated, cross-sectoral, rotational series of representatives.

► Clusters and Ambassadors

Representatives from Surrey's anchor institutions and clusters of excellence in Surrey need to be more deeply embedded into the local economy and growth agenda, as they represent a key opportunity to attract both national and regional innovation, and foster international investment.

- **Surrey cluster ambassadors:** designed to proactively grow the capacities of specific clusters and actively represent Surrey's world-class assets and innovation to potential investors. Similar to the rotational 'High Sheriff' structure, and working in tandem with the proposed inward investment team and partnership forum, Surrey cluster ambassadors would provide a proactive, intensely sector-focused assistance, helping to leverage inward investment in a way that assists post-Covid recovery and Surrey's overall place-based growth strategy.

► Joined-up Approach

Boosting inward investment has been effectively undertaken through an explicitly 'joined-up' approach by local authorities in Bath, Bristol and Media City (Salford). These areas boast local authorities strongly connected to a small but effective circle of representatives, dedicated to providing and identifying high levels of investment (both capital and capex) to support specific parts (clusters) of the region's high-tech industry. Surrey could adopt this approach, by mapping out its '5G Surrey' ambitions linking the county's major towns.

- **Cluster, sector or industry 'hubs':** to help deepen research, and proactively improve the visibility for potential investment opportunities. Equally, sector-specific facilitators can efficiently develop a county-level strategy in areas suffering from a lack of interconnectivity, or struggling to get support at regional and national levels.
- **Surrey Cyber-hubs:** combined with leading high-tech companies established in Guildford and across Surrey, Surrey cyber-hubs will attract national and international investment, effectively paralleling place-based growth commitments to boost

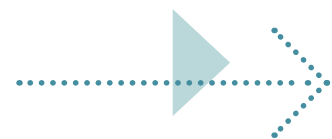
enhanced connectivity to residents and businesses for Surrey overall.

- **Growing Guildford Gaming:** recent data indicates a renewed public focus and private sector investment in UK gaming. In addition to being tied into key anchor institutions (e.g. universities), the sector has impressively weathered Covid's economic impacts, demonstrating both resilience and the capacity for post-Covid growth, innovation and investment.

► Sustainability and the Green Economy

Regrowth for Surrey must be sustainable.

Decisions across the county made regarding infrastructure, housing, commerce, connectivity and more, all need to incorporate environmental changes and sustainability goals for decades to come. As illustrated above, place-based growth is intrinsically sustainable, with data and interviewees stressing the importance of implementing sustainable options for growing post-Covid Surrey. Opportunities exist therefore to rebuild Surrey centred around sustainable, green towns, with championing sustainability in a way that embeds ambitious climate change goals while retaining Surrey's traditional and historical identity. SCC and the Surrey Growth Board need to identify the various climate mitigation approaches in their drive to promote Surrey as a carbon neutral economy, including reducing overall net energy use, energy efficiency, energy sourced from renewable and low carbon sources, as well offsetting carbon emissions. A number of key options suggest themselves:



Greening our multipurpose, multifunction spaces

The radical shift in *functionality* of spaces affords opportunities to simultaneously promote a switch in the sustainability of their overall use. Given the large and increasing numbers of vacant retail and commercial property, both business-oriented and high-street regrowth programmes can undertake changes by transforming empty retail or office space into temporary, pop-up, rotational or semi-permanent collaborative, multi-purpose spaces. In doing so however, ensuring that buildings are for example efficiently insulated, smart-metered, hydrogen boilded, solar-panelled, use recycled packaging, cultivating a roof or wall garden, support local, district, borough/county-level green targets will ensure that post-Covid shifts are genuinely sustainable.

Local Government Incentives

In terms of its policy competences, Local Government can identify opportunities in procurement, the use of local government buildings, waste management, and council tax:

- **Procurement:** ensuring local and regional partners subscribe and are held accountable to stringent Sustainable Surrey criteria;
- **SCC buildings:** ensuring all buildings, properties, and land, as well as its data-use, are managed via clear, ambitious and transparent climate targets, overseen by a Sustainable Surrey compliance officers helping to promote sustainable practices at county level;
- **Waste management** remains a dominant concern and should be a priority in future sustainable practice change at Local Government, adopting it within the circular economic model in which energy generation is produced through waste collection, enhanced recycling programmes, and overhauled disposal targets. While local governments have limited powers in co-ordinating major overhauls of industrial practices, SCC can support the shift towards more sustainably circular business models.
- **Council tax:** Surrey residents will face a range of residential costs in the medium term, from converting to hydrogen boilers and reinsulating loft space, to adding charging points for hybrid or electric vehicles, to converting to smart meters and adding solar panels. SCC could consider ‘Sustainable Surrey’ incentives for individuals, streets, residents associations, or whole communities who opt to

undertake such changes independently or collectively. Discounts similar to the single-person household could be implemented, ranging from 10-40% reductions per annum/per capita depending on the overall contribution to Surrey’s sustainability targets.

‘Sustainable Surrey’ Leadership

The majority of towns and villages in Surrey are already undertaking proactive steps towards sustainability. Additionalities can ensure that decision-making levels across local authorities boost genuinely joined-up thinking on strategic areas like county-wide regrowth, and sustainability targets, including:

- **Sustainable Surrey Forums:** designed to cut across county, district and borough levels focused on common goals, complementary approaches, and harmonised investment and funding incentives could identify and drive shared goals.
- **Sustainable Surrey Champions:** serving Surrey’s district and borough planning forums could facilitate more efficient connections between county and local stakeholders on a few, key green initiatives.
- **Sustainable Surrey Business:** awards, certificates, incentives can likewise be introduced for large-minded and small businesses, as well as newly-established start-ups. Businesses and leaders who work diligently and publicly to identify, mitigate and eliminate environmental degradation caused directly or indirectly by their business can be rewarded for their efforts to enact sustainable practices.

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