

**EXETER CITY COUNCIL**  
**SCRUTINY COMMITTEE – ECONOMY**  
**14 NOVEMBER 2013**

**EXETER KNOWLEDGE ECONOMY STRATEGY PREPARATION**

**1. PURPOSE OF REPORT**

- 1.1 To update members on industry consultation and research undertaken in the preparation and development of a knowledge based economic development strategy, and to present the final recommendations.

Members at Scrutiny Committee - Economy will receive a presentation from Mickledore, the appointed consultant and views are invited on the strategy and final recommendations. A copy of the current draft strategy is available on the Council and Democracy pages on the Exeter City Council web site.

**2. BACKGROUND**

- 2.1 Scrutiny Committee – Economy (7 March 2013) and Executive (19 March 2013) approved funding to appoint a consultant to provide specialist advice to the City Council and key partners on the opportunities to grow the city's knowledge economy. The intention is to create a focus for attracting investment and renowned expertise, growing businesses, developing new sources of business activity for local companies, and creating employment opportunities for local people.
- 2.2 At Scrutiny Committee – Economy (9 September 2013) Mickledore presented on the work undertaken so far to understand the current position of and the opportunity presented by Exeter's emerging knowledge economy. Preparation of the strategy is now almost complete.
- 2.3 The development of the knowledge economy has been an ongoing priority for the City Council and its partners in the Science Park, East Devon District Council, Devon County Council and the University of Exeter. The city's economy has proved resilient throughout the economic downturn but there is no room for complacency. The creation of high value added employment opportunities, attracting and retaining high skilled workers, and capitalising on existing strengths and assets (such as the University of Exeter) are especially important as the city continues to strengthen its economy.

**3. INDUSTRY ENGAGEMENT**

- 3.1 A project steering group of knowledge economy businesses and other relevant organisations was established to question and monitor the work and research undertaken by Mickledore, to ensure that the resulting strategy and action plan is pragmatic, deliverable and relevant to the city's economy. A wider selection of organisations were consulted on a 1-2-1 basis. A list of businesses that have been consulted is shown within Appendix 1.
- 3.2 The project steering group met on three occasions: 8 August, 28 August and 11 October with discussions proving invaluable and extremely useful in developing the knowledge economy strategy and action plan.

3.3 Further consultation will be undertaken during autumn 2013 on the findings, recommendations and action plan as presented to this meeting, which will result in it being incorporated into the new Exeter Economic Development Strategy, with the final version being presented to Scrutiny Committee – Economy January 2014.

#### **4. CURRENT POSITION**

4.1 The programme of work has been undertaken in a number of interlinked stages focused on:

- understanding the current priorities of Exeter's knowledge economy in terms of its capability and other key assets
- identifying the opportunities to grow the knowledge economy as well as barriers to its development
- developing the action plan and identifying the resources required to achieve it
- setting out national and international case studies of how other locations have developed a knowledge economy

4.2 Exeter has sector strengths in legal and accounting, telecommunications, professional services, scientific and technical activities. Beyond the typically labour intensive sectors of retail, wholesale trade and public services (i.e. health, education, social services) the largest industries in Exeter, in terms of total employment, are:

- legal and accounting activities (4,000)
- services to buildings and landscape activities (2,900)
- telecommunications (1,900)
- other professional, scientific and technical activities (1,700)
- specialised construction activities (1,500)
- financial service activities, except insurance and pension funding (1,400)

4.3 The collective view following early analysis and discussions with the project steering group is that undoubtedly Exeter is at an embryonic stage of developing its knowledge economy. There is not yet a critical mass in key knowledge economy sectors.

4.4 The figures above for employment do not fully illustrate the performance of industries and sectors in Exeter. To better understand where Exeter has a comparative advantage compared to other areas, Location Quotients (LQs) are used.

LQs present the proportion of employment in each sector within Exeter compared to the equivalent percentage at the national level, against other comparable destinations. Scores over 1.00 indicate a relatively strong representation, while scores of over 2.0 indicate that double the proportion of employees in Exeter work in the sector compared to the position in England.

Relatively speaking as shown in the table below, in comparing the city with similar locations the concentrations of relevant employment show a respectable level of activity. Exeter has sector strengths in legal and accounting, telecommunications and professional, scientific and technical activities.

Industry	Exeter	Warwick	Cambridge	Norwich	York
Water collection, treatment & supply	7.52	1.42	1.42	1.14	0.34
Electricity, gas, steam, & air	4.40	2.89	0.22	0.35	0.25
Scientific & technical activities	3.70	1.20	1.95	0.60	0.57
Telecommunications	2.87	0.84	1.06	0.88	0.78
Legal & accounting services	2.23	0.88	1.20	1.06	1.01
Public admin, defence	1.84	1.31	0.63	1.49	0.99
Postal & courier services	1.64	2.99	0.71	0.88	1.00
Human health activities	1.58	0.90	1.46	0.47	1.17

- 4.5 Water Collection, treatment and supply is the sector with the highest LQs. This highlights the dominance of South West Water (part of the Pennon Group plc).

Some of the numbers need to be treated with some caution. In electricity supply the numbers employed in Exeter may be inflated by the presence of EDF Energy's call centre. This may also partly account for the telecommunications sector's high LQs, although there are key companies in this sector such as South West Communications.

- 4.6 There are a number of key organisations which will certainly be important to progressing the strategy which are explored in this document, including the Met Office, University of Exeter, Royal Devon & Exeter Hospital and the Medical School.

## 5. ECONOMIC DEVELOPMENT OPPORTUNITIES

- 5.1 The consultants and steering groups view is that there are four ways in which the knowledge economy can directly lead to increased economic activity and therefore strengthen the local economy:

- Spin out activity from the University of Exeter
- New company start-ups and strengthening existing companies
- Attraction of inward investment
- Strengthening of existing institutions

However, the current structure of the Exeter economy suggests that the first two also are unlikely to create the step change in economic performance that is sought. The last two are important ways in which the economy can be stimulated.

- 5.2 From work undertaken by Mickledore consideration was given to Exeter's existing assets, identification of key sector trends and how these could provide opportunities for Exeter. The main sectors Mickledore examined in detail, and which are recommended to be focussed upon to develop the knowledge economy, where proactive project work is most likely to generate a positive outcome are under the five umbrella headings of:

- Big Data
- Climate Change
- Healthcare
- Water
- Agri-tech and food safety

For each of these sector groupings Mickledore focused on the strengths, competencies and the industry / market problem that could be solved – this is the economic opportunity for Exeter. It is important that the sectors are considered in their widest sense across their entire supply chain and customer base. The example given is that of climate change, as understanding the opportunity should not be limited to those niche companies working on climate prediction, but to companies to which climate change will be highly relevant such as companies ranging from flood

prevention to insurance. These five sectors also relate to each other in many ways

The detail on trends, existing assets and opportunities within each of the sector groupings are within the attached strategy.

## 6. REPORT'S RECOMMENDATIONS

- 6.1 The knowledge economy activities recommended within the strategy should be focused on a broad range of sectors, as mentioned in the previous section. It is difficult to define these sectors too tightly and sometimes is unhelpful to do so. This is because many sectors rely on knowledge-based activities and processes irrespective of the final product or service produced.

Mickledore recommends that the activities proposed are the basis of the future economic development strategy for the City. The Exeter economic strategy should be built around the knowledge economy because of the real opportunities presented by the activities and standing of the University of Exeter, the University of Exeter Medical School, the RD&E Hospital and the Met Office.

- 6.2 Exeter has the foundation for growing a knowledge-based economy, and is at the beginning of a shift in the economy towards this area. As a result, Mickledore recommends that a 'vision' is created for the strategy and for Exeter. Development of a vision can provide an overall direction for all work carried out in this area. It is suggested that the work undertaken by partners focuses on an effort '*to make Exeter the best-known city in the south-west of England for innovation*'.

Visions are useful to direct and guide work, but it needs to be combined with specific and measurable objectives for the work to be undertaken. Mickledore suggests that the objective of the knowledge economy strategy is that within 5 years the work results in the establishment of:

- 75 new companies
- 2000 new jobs linked to the sectors identified in the strategy

- 6.3 In order to ensure that the recommendations of the strategy and any future interventions are co-ordinated and delivered, there is a need for a 'governance' structure to be put in place. It is not suggested that a new committee or body is created - there are already structures in place that could take up this role, two such bodies are EXiST and the Exeter & the Heart of Devon Growth Board. Discussions will commence with both organisations on the approach and resources required to take the knowledge economy strategy forward.
- 6.4 The supercomputer investment secured by the Met Office has the potential to provide a significant change to the Exeter knowledge economy. Under current proposals the supercomputer will be located at Exeter Science Park and it is envisaged that private sector companies and others will have access to its computing power alongside the Met Office. There is therefore clear potential for companies undertaking 'Big Data' initiatives to benefit from access (and proximity). The promotion of the supercomputer capacity and ability to provide a very clear understanding of the terms of its use will be important to attract interest. Mickledore recommend work should commence on this immediately.
- 6.5 In terms of the health sector, there are opportunities that are likely to arise building upon the strengths of the city. Work locally in diabetes, cardiovascular risk and ageing, neurology and mental health, environment and human health and in product introduction in the areas of telehealth and digital health solutions all present opportunities for commercial collaboration which may involve investment and jobs

- 6.6 The agricultural technology sector in the UK has been acknowledged as world class and where continued success could make a huge difference to the UK economy. The University of Exeter's activity in this sector could provide an area of differentiation for the city and is an activity in which Government spending is expected to increase.
- 6.7 Much of the work recommended within the strategy focuses on the attraction of new investment. The organisation with primary responsibility for the attraction of inward investment into the UK is UK Trade & Investment (UKTI). There is an opportunity for the City Council to put forward a proposition to UKTI for each of the core sectors. The objective is to ensure that Exeter is considered by UKTI and put forward to clients when potential investment projects from overseas arise.
- 6.8 In terms of establishing a knowledge economy an equally important government agency is the Technology Strategy Board (TSB). Fewer public agencies focus on the TSB as an organisation with whom influential relationships should be built. This represents an opportunity for Exeter in terms of influencing future funding, further extending the understanding of Exeter's key sectors and those key businesses present in Exeter; and in ensuring that Exeter is considered for high-profile initiatives such as Catapult Centres. Mickledore recommends a long-term strategy to build close links with the TSB at all levels and is considered an important strand of the strategy. The Council has already had success with project funding from the TSB towards a Passiv-Haus housing project and feasibility work for a new swimming pool.
- 6.9 The provision of reliable and fast broadband across the City is obviously a pre-requisite for a knowledge economy strategy, particularly in considering sectors such as 'big data'. The roll-out of improved broadband through the contract provided by Connecting Devon and Somerset to BT is underway and the more general commercial upgrade to areas not requiring public subsidy will be undertaken by a range of providers.

There is concern within the City that the availability of the service will be slow to arrive, will upgrade exchanges but not necessarily all cabinets, and will still leave coverage black spots. This is an evolving issue, but it is clear that there will not be 100% next generation access for the entire area.

As a result, in addition to maintaining pressure on Connecting Devon and Somerset and BT, Mickledore recommends the need to explore the use of ERDF / LEP funding to extend the coverage (this has been achieved elsewhere) and to ensure that alternative models of delivery are known and worked up in some detail to provide a solution to potential occupiers.

## **7. RESOURCE IMPLICATIONS**

- 7.1 The cost for the preparation of this strategy will be no more than £20,000 and is funded from the New Homes Bonus receipts.

It has never been intended that this knowledge economy strategy is owned exclusively by the City Council. This is a strategy for the city of Exeter and for those key players within the knowledge economy. Delivery of the Exeter knowledge economy strategy will be implemented from applications to external funding bodies and from existing resources with the City Council and partners.

**8. RECOMMENDATION that**

- 8.1 Scrutiny Committee – Economy members receive and comment on this report, and the presentation from Mickledore.
- 8.2 Scrutiny Committee – Economy support the adoption of the knowledge economy strategy as the basis for the economic development strategy to be presented to the City Council for approval, early in 2014.

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**Richard Ball**  
**Assistant Director Economy**

Local Government (Access to Information) Act 1985 (as amended)  
Background papers in compiling this report:-

Knowledge Economy Consultation Update  
Scrutiny Committee – Economy  
9 September 2013

Preparation of Knowledge Economy Strategy 2013 – 2018  
Executive  
19 March 2013

Preparation of Knowledge Economy Strategy 2013 – 2018  
Scrutiny Committee – Economy  
7 March 2013

## APPENDIX 1

The following organisations and individuals were consulted by Mickledore on the Exeter knowledge economy. A number of individuals were unavailable due to time constraints, these will be contacted again for consultation on the final document.

\* indicates individuals who have been members of the project steering group.

Organisation	Contact	
University of Exeter	Sean Fielding	*
University of Exeter Medical School	Prof Angela Shore	*
ExIST	Robert Mcilwraith	*
Vacye Associates	Dr Paul Sheppard	*
South West Communications Group	Harry Langley	*
Met Office	Lynda Jones	*
Heart of the South West LEP	Vinita Nawathe	*
Stratton Creber Commercial	Jonathan Ling	*
Jones Lang LaSalle	Andrew Page	*
blur group	Tara Rampersaud	*
Exeter City Council	Richard Ball	*
Exeter and East Devon Growth Point	Andy Wood	
Mid Devon District Council	Gordon Cleaver	
Exeter Science Park	Gerry Shattock	
Royal Devon & Exeter Hospital	Vaughan Lewis	
University of Exeter, Business School	Prof Robin Mason	
University of Exeter	Dr Robin Jackson	
University of Exeter	Prof Ken Evans	
Exeter College	Iain Hatt	
Exeter Chamber of Commerce	Derek Philips	
ATASS	Vanessa Cobb	
South West Water	Stephen Bird	
South West Water	Mike Davies	
Environment Agency	Vikki Quinn	
Exeter & Heart of Devon Employment and Skills Board	Gill Bishop	