

Report to	Sustainable Development Panel 21 February 2018	Item
Report of	Director of regeneration and development	4
Subject	Norwich Economic Analysis and its implications for the Greater Norwich Local Plan	

Purpose

To consider research commissioned by Norwich City Council into the functional economic geography of Norwich and its growth potential which was published in June 2017 and the significance of this in the preparation of Greater Norwich Local Plan.

Recommendation

That the report produced by GVA Hatch is noted and that its relevance to the preparation of the Greater Norwich Local Plan is considered prior to its formal submission as part of the evidence base for the Plan.

Corporate and service priorities

The report helps to meet the corporate priority a prosperous and vibrant city, and a healthy city with good housing.

Financial implications

None

Ward/s: All Wards

Cabinet member: Councillor Stonard - sustainable and inclusive growth

Contact officers

Graham Nelson, head of planning services

01603 212530

Background documents

None

Report

Introduction

1. The Greater Norwich Local Plan (GNLP) options document is currently subject to consultation.
2. At its meeting on 13 December 2017, that approved this document for consultation reference was made to concerns that had been expressed by the council leader about the emerging document at the preceding meeting of the Greater Norwich Development Partnership (GNDP) Board meeting.
3. Among other matters that were raised the leader drew attention to how he wanted to see a clear focus in the plan on how it would address the growth needs of a vibrant and dynamic city. The plan will need to appropriately delineate the urban growth area from the wider rural hinterland as this is needed to: allow appropriate monitoring and attracting investment both through marketing to private sector and institutional investors; and by serving to allow different policies to be applied to different parts of the plan area.
4. He noted that information about this matter was contained in the recent reports prepared for the city council by GVA Hatch and that it was his intention for these reports to be formally submitted to the GNDP so that due regard can be had to them in taking the GNLP forward.

The GVA Hatch Reports

5. GVA (www.gva.co.uk) are a major worldwide consultancy describing themselves as “the UK’s leading and most diverse real estate advisory-led business”. To undertake the commission they partnered with Hatch (www.Hatch.com) a consultancy specialising, among other things, in urban solutions and smart cities.
6. Norwich City Council contracted GVA/Hatch to produce a detailed economic assessment of the urban economy of Norwich and its functional economic area as a basis for assessing its future growth potential.
7. The report clearly demonstrates that the Norwich functional economic area as defined in the ‘Norwich Policy Area’ is a core driver for accelerating the delivery of jobs and housing growth for the East of England and deserves to be recognised as such. The report has been divided into three parts:

Part 1: Norwich Economic Geography

8. An overview of the multiple economic geographies of Norwich which include the local authority area, the urban area, the Norwich Policy Area (NPA), the Greater Norwich Area, Travel to Work Areas (TTWAs)/commuting patterns, the Broad Rental Market Area (BRMA) and Housing Market Area (HMA). This review informs the use of the NPA as a study area or ‘reference geography’ that is used as the basis for analysis of the local economic area in following sections. This part of the series also assesses the commercial and housing property market, the role of infrastructure and growth locations as growth

drivers, and how these come together as a cluster to form the engine of growth and development around the Norwich core.

Part 2: The Norwich Policy Area

9. A dynamic, resilient growth oriented economy: a review of the competitiveness of the Norwich economy within the UK and a detailed socio-economic overview of the NPA and its contributions to the regional and national economy. This analysis is based upon success factors that are attributed to resilient, adaptable and fast growing cities:

- Scale and Quality of Assets
- Population, Workforce and Skills Base
- Dynamic Enterprise Culture
- Strong Representation in High Value Growth Sectors
- Growing Capabilities in Key Technologies for the Future
- An Attractive and Vibrant Urban Core

Part 3: Future Growth Sectors

10. This identifies priority sectors within the NPA, based upon detailed quantitative analysis and stakeholder input, which are expected to deliver employment and productivity growth over the next 25 years. Priority sectors that have been identified within the NPA include:

- Financial Services
- Life Sciences
- Advanced Manufacturing
- Food and Drink
- Digital
- Creative Industries
- KIBS (Knowledge Intensive Business Services)

11. The executive summary of the report is appended to this report but the full report is available to download at https://www.norwich.gov.uk/downloads/download/2361/local_economy

Implications for the GNLP

12. The potential implications of this detailed research for the Greater Norwich Local Plan are considerable. It is credible and robust evidence of the type that could be used to support policy development. Particular areas of the GNLP that may be informed by this evidence include:

- Vision and Objectives – (Q1 of current consultation paper) in particular consideration of whether the current proposed vision and objectives should be amended to better reflect the diversity of the urban and rural areas covered by the GNLP;

- Distribution of Housing - (Qs 9-12 of current consultation paper) options for the distribution of housing growth should reflect the evidence about the key economic growth sectors;
- City Centre Policies (Qs 14-20 of current consultation paper) City centre policies should provide a spatial response sufficient to maximise growth in those key sectors likely to prefer city centre locations;
- Norwich Centred Policy Area (Q26 of current consultation paper) the evidence provides considerable support for maintaining a Norwich centred policy area to deliver objectives;
- Economic Strategy (Q27-32 of current consultation paper) care should be taken to ensure that the strategy maximises the scope for key growth sectors to flourish in future.

13. Clearly the GVA/Hatch work is only one aspect of the evidence that will be used to inform the GNLP. It will need to be considered alongside other existing and emerging evidence. This will also include the emerging Norwich City Vision and other evidence such as the emerging Norwich Financial Cluster Development Plan which is being produced by the Financial Industries Group who recently gave a presentation to the Growth Board about it and on which a verbal update will be given the panel meeting.

Norwich Economic Analysis

A dynamic, resilient, growth-oriented economy

Research commissioned by Norwich City Council into the functional economic geography of Norwich and its growth potential June 2017

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Introduction

The city of Norwich sits in the largely rural county of Norfolk although its level of influence reaches further into the New Anglia Local Enterprise Partnership area and beyond. As a key economic driver for the East it is important to be able to measure the city's true economic characteristics and growth potential as an aid to the future planning of housing and economic growth.

As an under-bounded city it has always proved difficult to find data that accurately reflects the functional economic area as an alternative to using proxy measures like the combination of Broadland and Norwich city council areas which ignores a significant part of the Norwich Research Park contained within the South Norfolk District Council boundary and covers a large rural area (including the Norfolk Broads) of Broadland District Council.

This research was commissioned to assist the Norwich City Council in its collaboration with other fast growth cities such as Cambridge, Oxford, Milton Keynes and Swindon and builds on the Greater Norwich City Deal.¹

Norwich City Council contracted GVA/Hatch to produce a detailed economic assessment of the urban economy of Norwich and its functional economic area as a basis for assessing its future growth potential.

The report clearly demonstrates that the Norwich functional economic area as defined in the 'Norwich Policy Area' is a core driver for accelerating the delivery of jobs and housing growth for the East of England and deserves to be recognised as such.

The report has been divided into three parts:

Part 1: Norwich Economic Geography

An overview of the multiple economic geographies of Norwich which include the local authority area, the urban area, the Norwich Policy Area (NPA), the Greater Norwich Area, Travel to Work Areas (TTWAs)/commuting patterns, the Broad Rental Market Area (BRMA) and Housing Market Area (HMA). This review informs the use of the NPA as a study area or 'reference geography' that is used as the basis for analysis of the local economic area in following sections. This part of the series also assesses the commercial and housing property market, the role of infrastructure and growth locations as growth drivers, and how these come together as a cluster to form the engine of growth and development around the Norwich core.

Part 2: The Norwich Policy Area

A dynamic, resilient growth oriented economy: a review of the competitiveness of the Norwich economy within the UK and a detailed socio-economic overview of the NPA and its contributions to the regional and national economy. This analysis

¹ <http://www.centreforcities.org/wp-content/uploads/2016/03/Fast-Growth-Cities.pdf>)

is based upon success factors that are attributed to resilient, adaptable and fast growing cities:

- Scale and Quality of Assets
- Population, Workforce and Skills Base
- Dynamic Enterprise Culture
- Strong Representation in High Value Growth Sectors
- Growing Capabilities in Key Technologies for the Future
- An Attractive and Vibrant Urban Core

Part 3: Future Growth Sectors

This identifies priority sectors within the NPA, based upon detailed quantitative analysis and stakeholder input, which are expected to deliver employment and productivity growth over the next 25 years. Priority sectors that have been identified within the NPA include:

- Financial Services
- Life Sciences
- Advanced Manufacturing
- Food and Drink
- Digital
- Creative Industries
- KIBS (Knowledge Intensive Business Services)

Executive Summary

The Norwich Policy Area: a dynamic, resilient growth oriented economy.

1. Norwich is one of the fastest growing cities in the UK, performing strongly on a range of economic indicators including productivity and jobs growth. The city's economy is diverse and resilient with a number of key strengths and significant potential to make an increasingly important contribution to the regional and national economy.
2. The city is identified as being part of the Fast Growth Cities network, ranked 20/379 for overall competitiveness on the PWC Index 2016. The economic dynamism of the city underpins the regional economy and as such its significance as an economic driver, attractor of investment and of skilled labour must not be underestimated.
3. As part of our work supporting the Fast Growth Cities network Norwich City Council commissioned Hatch/GVA to look at how best to identify the city's true functional economic area and further scale up its growth potential. This work identified the Norwich Policy Area as an appropriate geography. With a population rising to just under 300,000 the Norwich Policy Area is equivalent to a medium sized city, more than double the current size of the Norwich local authority area; boasting high quality knowledge and sector assets aligned to the Local Enterprise Partnership and National investment priorities.
4. Scaling up to the Norwich Policy Area brings critical mass, improved performance and influence – economic activity and employment rates are very high and the city has higher rates for both indicators than national averages with a rate of 85% and 81% respectively.
5. The Norwich Policy area represents an economy of significant scale and influence. The population rises to just under 300k with employment of around 155K. By making this 'quantum leap' Norwich Policy Area is entering a new category of economic entity and becoming a medium sized city with the critical mass and influence to attract high quality skills, talent, investment and institutions.
6. Population is growing at a rate of 6.1% outstripping the national rate (3.8%), while the working population is forecast for strong growth over the next 22 years.
7. Norwich has a high quality skills base and an ability to attract talent nationally and internationally.
8. Norwich has a high business density and strong 5-year business survival rates compared to similar high growth cities.
9. Employment and Business growth over the past 6 years has been concentrated in Knowledge Intensive Sectors.
10. Employment growth and specialisation analysis shows important opportunities in emerging high value sectors.
11. One in 5 employees in the Norwich Policy Area is employed in priority high value sectors,
12. Constructing Norwich Policy Area forecasts from the East of England Forecasting Model demonstrates the high growth potential. Norwich anchors the eastern end of the east-west rail link, connecting to the fast growth corridor of Cambridge, Milton Keynes and Oxford; its business demography is more closely aligned with

the knowledge based industries of Cambridge than it is with the industries prevalent in the rest of the New Anglia LEP area, something that has not been sufficiently recognized in the past. Within the LEP area the primacy of the city economic area has a set of uniquely different attributes needs and priorities than its hinterland (young population, sectoral demography, high level of graduates, top 20 in UK competitiveness index etc.); and these should be addressed in the New Anglia Economic Strategy through a place-shaping agenda rather than a county or purely sector-based approach which may fail to address increasingly interconnected needs of the growth agenda in an holistic way. The strategic direction of the Norwich economy and its economic geography is necessarily different than that of the surrounding districts.

13. There is some evidence that competition between the city's core and periphery is contributing to a hollowing-out of the city centre, which is a risk to forming and growing the dense business eco-systems essential to its economic wellbeing and continued growth; it is essential that this is addressed in the development of key sites via provision of medium and large office accommodation suitable to the needs of growing knowledge intensive sectors and the expansion requirements of the existing business base.
14. The character of the city core and the property typology within it is suited to tech firms and knowledge intensive businesses that function well within city locations that support face-to-face working. There is a growing suite of amenities that support these businesses and the city core would benefit from a strategy that prioritises this activity as an investment zone and builds on these assets. The right economic and development policies need to be pursued to maximise job creation and support competitiveness in a manner that plays to the strengths of the Norwich urban area.

In summary the report:

- Identifies a strong evidence base for focusing on the Norwich Policy area as the obvious location for intensive future economic and housing growth
- Argues that this analysis demonstrates a stronger economy than has been recognised in the past when using proxy measures for the functional economic area and compares more strongly with other fast growth cities than previously
- Suggests, that to maximize this growth, the Norwich Policy Area should be specifically identified in the New Anglia LEP Economic strategy as a primary growth area and receive support to develop its fast growth potential by concentrating on the urban core and the development of key sites and high quality office development. Norwich is the clear knowledge driver in the regional economy with its established economic assets and networks. Business formation and survival rates are encouraging but there is scope to attract more businesses to Norwich, particularly given the noted desirability of the city and the quality of its amenities. If the Norwich Policy Area flourishes then the benefits will accrue to adjoining rural settlements across the county and beyond.

Part 1: Norwich Economic Geography

Norwich has a series of geographies that relate to its physical and economic footprint which do not neatly conform to its local authority area. Catchments for housing and labour change over time and often extend outside of cities. The economic analysis work undertaken by GVA/Hatch recognises that the local authority area poorly captures the functional economic area and does not reflect the extensive growth opportunities positioned on the city's periphery. Many of these peripheral commercial locations provide highly skilled jobs and much of Norwich's economic strengths are poorly captured by analysis conducted at the local authority level only. It is necessary to capture the influence of these peripheral sites more clearly, particularly as they continue to compete with the Norwich city core.

The overly large, institutional construct of the Greater Norwich 3-district area captures large swathes of the rural hinterland (including some of the Broads) which are not directly part of urban Norwich and its functional economic area. The inclusion of these rural areas in any economic analysis tends to dilute the economic vitality of the urban area.

The urban area of Norwich acts as a regional service centre and a locus for services such as health, retail and leisure. It is a major employment centre, providing almost two-thirds of the Travel to Work Area's jobs. Much of the Norwich TTWA is rural with very low population densities; so although parts of the North Norfolk and Mid Suffolk local authority areas fall within the Norwich TTWA the actual numbers of people involved are very small.

The Broad Rental Market Area (BRMA) for Central Norfolk and Norwich has a reasonable degree of fit with the Norwich TTWA. Aligned with the analysis of the TTWA, the BRMA indicates Norwich has an influence on residential location decisions that extends beyond the Greater Norwich area. The Central Norfolk Housing Market Area (HMA) identified by the 2015 Central Norfolk Strategic Housing Market Assessment is reflective of the scale of the BRMA and TTWA, reinforcing the observation that Norwich has a large geographic influence and acts as a prominent economic centre in the East of England.



Figure 1 TTWA, BRMA, HMA

However, a majority of strategically important assets are located within the Norwich Policy area (NPA) which consequently closely aligns with the Norwich functional economic area. Norwich is most strongly connected to settlements and development sites within this area.



Figure 3 Norwich Policy Area (NPA)

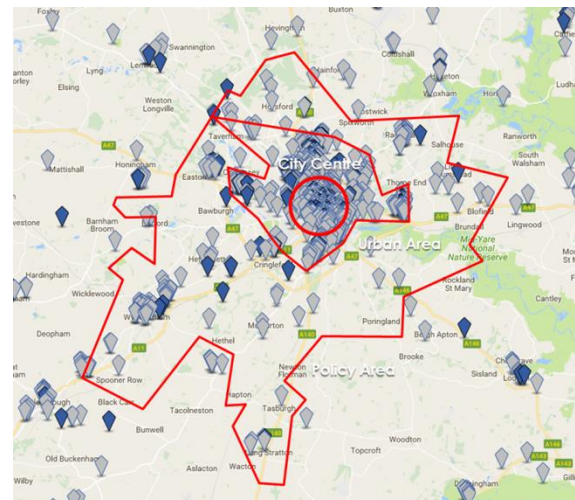


Figure 2 Commercial property with NPA

The NPA is a long standing spatial definition, devised in the mid-1970s and includes the Norwich local authority and parts of Broadland and South Norfolk. It was designed to facilitate the management of growth driven by the city. The key objective for the NPA is to achieve a better local balance between homes and jobs - to reduce the need to travel and to keep Norwich-related growth as close to the city as possible.

Commercial property market

Most of the office space in the NPA is in the urban area of Norwich and more specifically in the city centre. Industrial floor space is more dispersed throughout the NPA, with a large proportion located in the urban area but in more peripheral locations such as in industrial estates rather than in the city centre.

A majority of the office space in the wider NPA is located in the urban area of Norwich and more specifically in the city centre. City centre office vacancy rates are relatively high; this is misleading because of the inclusion of a large amount of redundant floor space. In Norwich, average office rents are higher in peripheral locations rather than in the city centre, suggesting the Broadland Business Park has higher quality than that available in the city centre. This is the inverse of what should be true; city centre offices should always command a higher rate but there is a shortage of Grade A office space in the city centre.

This shortage of Grade A has driven the relocation of several Professional and Financial Service businesses outside of the city centre. The projected strong growth in Professional, Technical and Digital means that the office supply market needs to respond to avoid further hollowing out of the KIBS sector in the city centre.

Housing market

Alongside the geographies of commercial property floor space and cost, house price affordability is also of interest because it reflects how well a local economy is doing, how desirable an area is, whether there may be affordability issues for attracting talent, and is comparable across the country. In Lloyds Bank's 2017 housing affordability report, Norwich's housing market was ranked the 15th most expensive in the country. Norwich is therefore considered a desirable place to live and work, which is also reflected in its large HMA catchment as shown in Figure 1.

Figure 4 shows housing affordability in postcode areas across Greater Norwich. It shows that the most affordable and therefore lowest quality or desirability, homes are primarily located in the Norwich urban area.

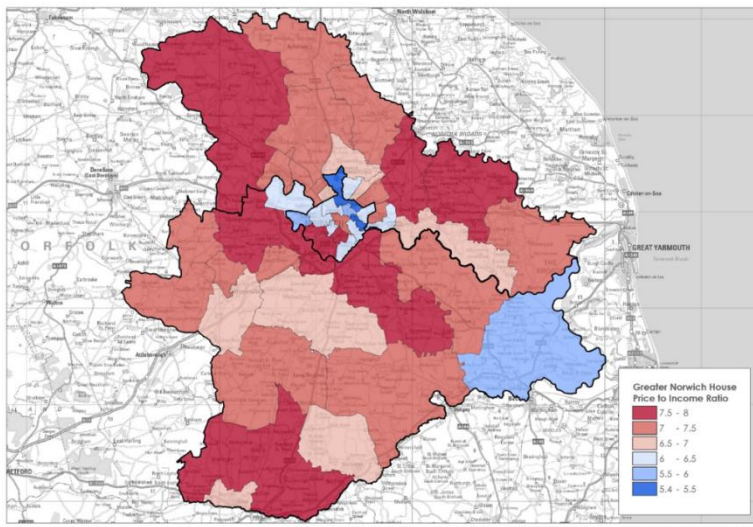


Figure 4 Housing affordability in postcode areas across Greater Norwich

Growth drivers

Growth drivers refer to the physical assets, principally infrastructure and growth locations, on and around which much of the development driven by the Norwich economy is likely to be positioned. This view recognises that local economic areas typically comprise a cluster of nodes (growth locations) and spokes (infrastructure) that are, in this case, centred on Norwich. Growth locations and key infrastructure include:

Growth locations

- Norwich Research Park/Cringleford
- Broadland Business Park
- Old Catton/Sprowston/Rackheath/St Andrew Growth Triangle
- Longwater/Easton/Costessey
- Wymondham and Hethel
- Hethersett
- Long Stratton
- Norwich Airport/Airport Industrial Estate
- Norwich city core

Figures 5-7 demonstrate that the majority of high value businesses that specialise in finance and business services, the creative sector, media and publishing, and

production and manufacturing cluster in the city core and the eight growth locations. The geographies of these businesses provide further support to the use of the NPA as the functional economic area because the majority, particularly those which are large, fall within this area

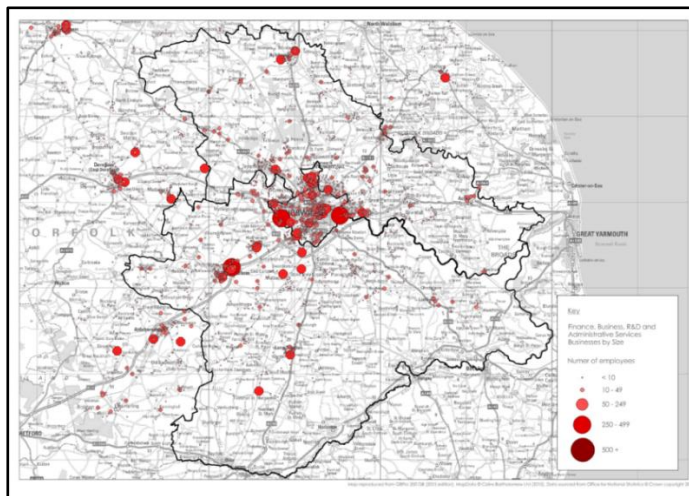


Figure 5 Business count based on no. of employees: Finance, Business, R&D & Administrative Services

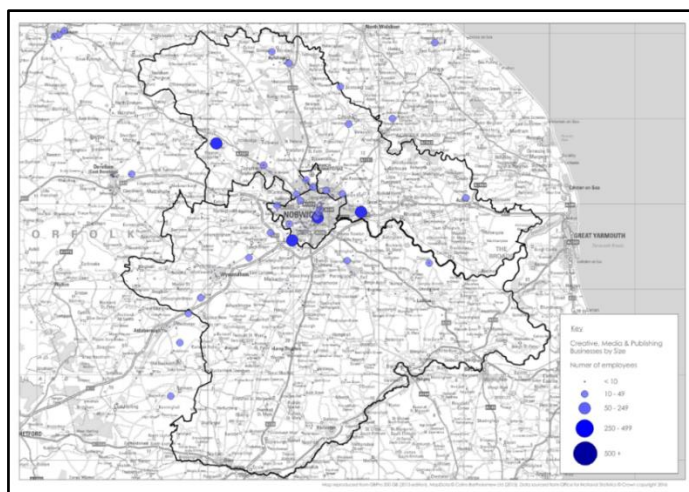


Figure 6 Business count based on no. of employees: Creative, Media and Publishing

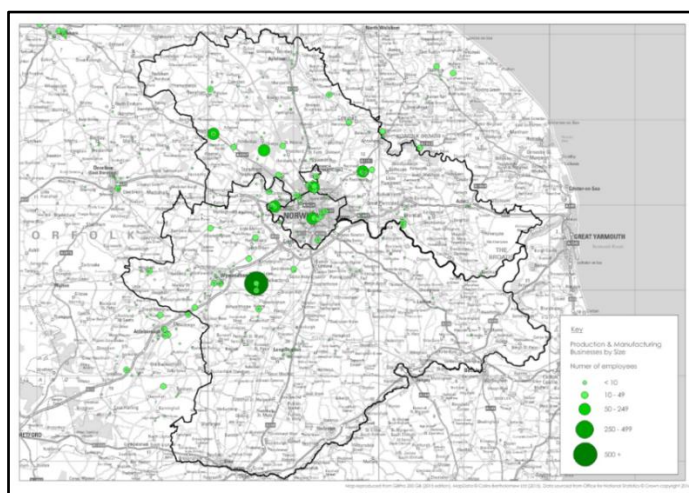


Figure 7 Business count based on no. of employees: Production & Manufacturing

Key Infrastructure

- Northern Distributor Road
- A11 Corridor (Cambridge/Norwich Tech corridor)
- Long Stratton Bypass
- Sustainable Transport Corridors/Green Infrastructure
- Norwich International Airport
- Rail Improvements

Infrastructure acts as the spokes between nodes that facilitates accessibility and connectivity, creating the wider cluster system that underpins a local economic area. In this sense, an effective transport network is critical to fostering sustained economic growth within a local economic area. These connections enable businesses to reach their customers, connect with suppliers and draw from a wide pool of labour that is either located in other hubs/nodes within the LEA or further afield. These connections have led to Norwich becoming an economic centre in East Anglia, with strong multi-transport connections between NPA centres and to other regional economies such as London and Cambridge

City core

The Norwich city core, shown in Figure 8 is the primary employment centre in the NPA. The city core is also a hub for education and the arts based around the University of East Anglia, City College Norwich and Norwich University of the Arts. These institutions are critical to supplying the city with a skilled labour force as KIBs and technology firms play an increasing role in the local economic area.

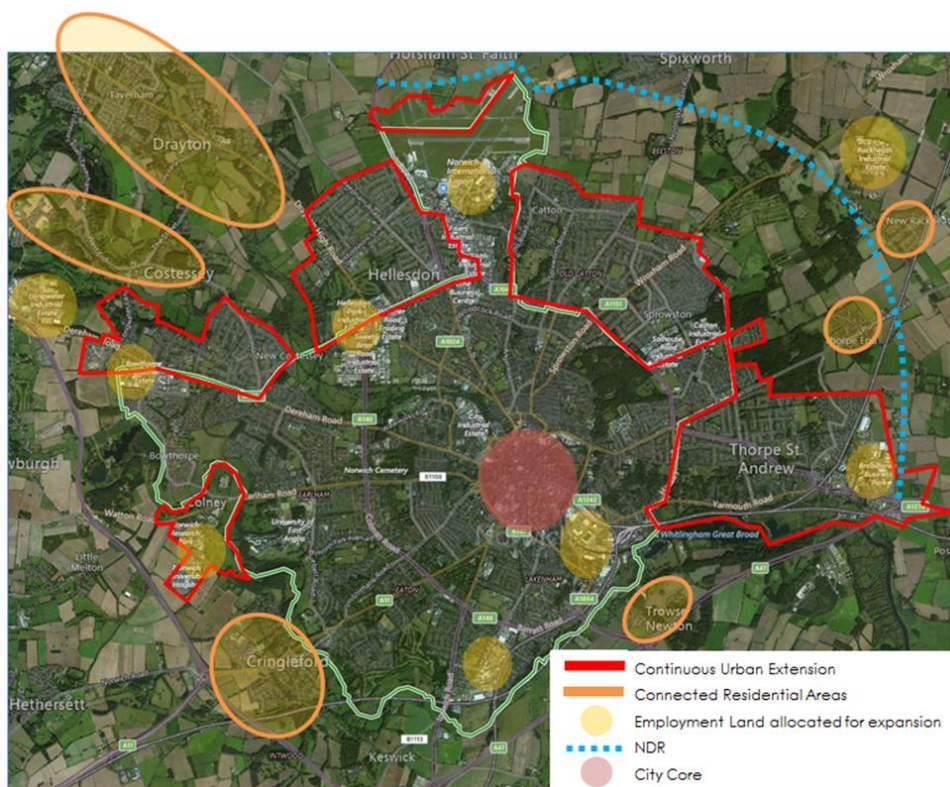


Figure 8 City core

A talented labour pool is not only important for meeting the needs of businesses but also helps to contribute to the amenities and services that make a place desirable to

live and work. As is shown in the property section, Norwich is one of the most desirable places to live in the UK and this is the result of such amenities as well as factors such as access to good jobs. The city has an historic character, which is supported by the prominence of the Norman castle and cathedral, as well as a strong retail and leisure offer.

Such amenities are valued for attracting skilled labour and retaining graduates who are some of the most mobile in the UK labour force. However, the city core has been struggling in recent years to retain office occupancy levels as shown in the property sector, albeit some loss as a result of change of use, and now competes with peripheral locations,

Taking a more united approach at a local economic area level, rather than the local authority level, will aid in managing some of the movements in a way that works for Norwich. There is, however, scope to attract businesses to Norwich, particular given the noted desirability of the city and the quality of its amenities. The 2016 Tech Nation report identifies Norwich as an early-stage cluster, with potential across a range of tech sectors and a burgeoning network of tech groups such as Hot Source, Norfolk Developers and SyncNorwich. There is also a sizeable amount of affordable workspace and development opportunities in the city core that would suit tech businesses, particularly start-ups.

As the Tech Nation report finds, Norwich not only has a suite of amenities that are attractive to a range of businesses, but also has an existing cluster of KIB businesses and networks, affordable workspace, finance provision, and skilled labour force that makes the city attract to high value tech businesses. As suggested, there is clear potential to further improve on this existing strength and to build on what differentiates the core from peripheral locations and to attract businesses that prefer to locate in central, 'buzzing' locations.

Part 2: The Norwich Policy Area

It is now widely recognised that cities and city-regions are the primary drivers of national productivity growth, accounting for almost two thirds of national GVA despite only representing a small proportion of population and land.

Norwich Policy Area has a diverse and resilient economy which has significant potential to achieve strong economic growth and make an increasingly important contribution to the regional and national economy. This is supported by the latest Cambridge Econometrics' forecast which projects strong growth for the NPA economy over the period to 2045.

Norwich was recently identified by the Centre for Cities as being part of the Fast Growth Cities group comprising Cambridge, Oxford, Milton Keynes and Swindon. Analysis indicated that these cities perform strongly on a range of economic indicators, including productivity growth and share of knowledge-based employment. Importantly the capacity these cities have to attract knowledge-based businesses puts them in a strong position to continue to grow in the future. The 2016 PWC Competitive UK Cities Index puts Norwich in the top 20 out of 379 localities for overall competitiveness - an impressive placing when considering the top 10 are all London Boroughs. A review of the current evidence on competitive cities enables the identification of the common success factors which demonstrate resilience, strong growth and adaptability.

Cities: future competitiveness success factors

1. Scale and quality of assets
2. Population, workforce and skills base
3. Dynamic enterprise culture
4. Strong representation in high value sectors
5. Growing capabilities in key technologies for the future
6. An attractive and vibrant urban core

Factor 1 - Scale and Quality of Assets

The Norwich Policy Area has high quality knowledge and sector assets aligned to LEP and national investment priorities. With the University of East Anglia, Norwich University of the Arts, City College Norwich, Easton & Otley College and key drivers such as the Norwich Research Park, Hethel Engineering Centre and the Norwich International Aviation Academy, the city clearly has the knowledge assets to help drive strong economic growth over the coming decades. Going forward supporting the growth of Norwich's knowledge assets and integrating them with the business base will be key to sustaining long-term growth across the economy.

Table 1 shows that the NPA represents an economy of significant scale and influence - by making this 'quantum leap' Norwich is entering a new category of economic entity and becoming a medium sized city with the critical mass and influence to attract high quality skills, talent, investment and institutions.

Core Metrics	Norwich Policy Area	Norwich Local Authority
Population	299,000	141,000
Employment	154,600	87,200
Estimated GVA (£billions)	£7.1 - 7.4*	£3.7*
Self-employment	22,000	7,200
Unemployed (March 2017)	2,530	1,790
GVA per job	£38,962	£37,239
	*Source: EEFM using Norwich GVA per capita figure (£26,500) x NPA population	*Source: EEFM

Table 1

Factor 2 - Population, workforce and skills base

Economic activity and employment rates for NPA are very high and the city has higher rates for both indicators than the Fast Growth Cities average and the national average.

Strong growth in working age population is projected to 2039, outperforming Fast Growth Cities apart from Milton Keynes. The population has grown by 6.1% over the past 5 years in Norwich - outstripping the national rate (3.8%) over the same period.

Norwich Policy Area Economic Activity							
Area		All residents aged 16 to 74	Economically active	In employment	Self- employed	Unemployed	Economically Inactive
		number	%	%	%	%	%
Fast Growth	Swindon	154,080	76.0	68.9	7.8	4.2	24.0
	Cambridge	98,283	64.0	55.6	7.4	2.7	36.0
	Milton Keynes	181,385	75.9	68.0	8.7	4.8	24.1
	Oxford	118,437	63.3	53.6	6.9	3.2	36.7
	Norwich Policy Area	210,017	70.2	62.5	8.9	3.7 ²	29.8

Table 2

In terms of occupational profile the NPA is not dissimilar to the cohort of Fast Growth Cities.

Area	All Occupations	1. Managers, directors and senior officials	2. Professional	3. Associate professional and technical	4. Administrative and secretarial	5. Skilled trades	6. Caring, leisure and other service	7. Sales and customer service	8. Process plant and machine operatives	9. Elementary
	Number	%	%	%	%	%	%	%	%	%
Cambridge	59,437	8.6	38.0	11.3	7.8	6.6	7.3	6.5	3.4	10.5
Norwich Policy Area	137,834	9.5	17.8	12.3	11.3	11.7	9.5	10.1	6.5	11.5
Milton Keynes	127,783	10.9	18.2	13.5	12.6	8.8	7.9	9.3	6.6	12.3
Oxford	69,807	8.3	33.6	11.6	8.3	7.0	8.2	6.7	4.6	11.6
Swindon	109,499	9.5	15.6	12.6	12.0	10.7	8.1	9.6	8.8	13.2

Table 3

Norwich performs well compared to comparator cities in terms of high level skills being outpaced, unsurprisingly, only by Cambridge and Oxford. Being able to attract the right skills is the single most important factor in the growth and competitiveness of knowledge firms. Norwich demonstrates strong performance and even greater potential in supplying the skills for the future economy. A fundamental challenge will be to ensure that key growth sector skills gaps can be met in the future - particularly in health, agri-tech, digital, financial services but also in the low carbon and energy sectors.

Deprivation is relatively low in the NPA with crime, health and housing showing very good scores. Income and employment domains are similar in scope and better than the national average. Education however is the only domain which suggests the NPA is behind the national average.

² This is the 2011 figure from the Census of Economic Activity. Hatch has however estimated an ILO definition rate for 2017 for the NPA which is 3.6% and a rate based on the claimant count which is 1.2%.

Factor 3 - Dynamic Enterprise Culture

Business start-up and survival rates provide two key measures of entrepreneurial resilience. The birth of new enterprises is often perceived as one of the key determinants of job creation and economic growth. The number of businesses per 1000 of the population for Norwich (at 37 per 1000) is ahead of nearly all of its Fast Growth and Tier 2 comparators with the exception of Milton Keynes, Cambridge and Bristol.

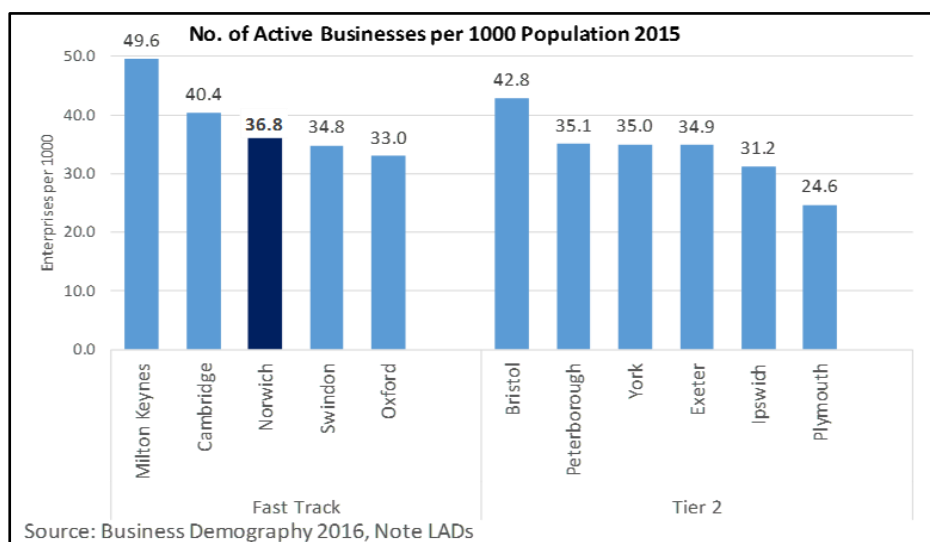


Figure 9 Business base

Looking at perhaps the most challenging enterprise milestone - survival after 5 years – Norwich performs very well against the Fast Growth Cities and the national (GB) figure with 43.4% of its businesses surviving more than five years. Figure 10 shows that only Cambridge performs better.

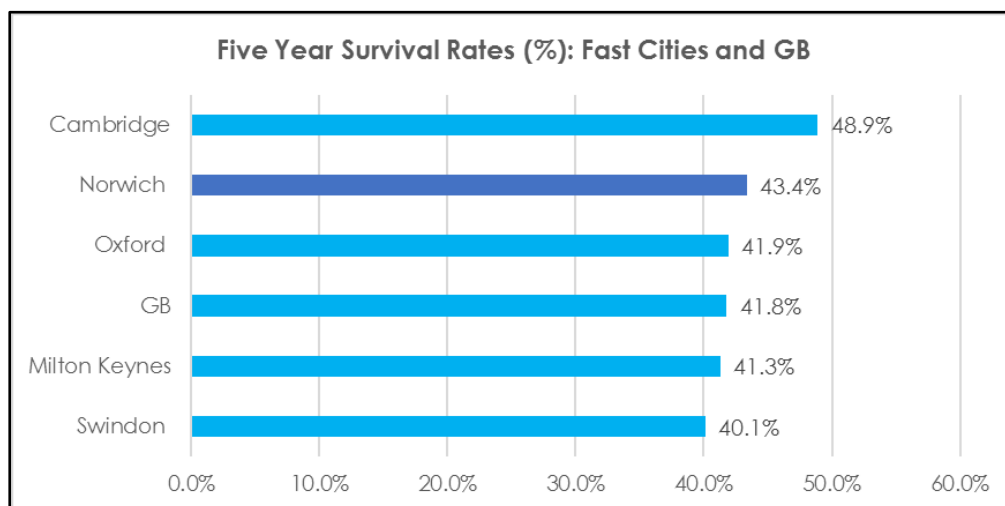


Figure10 Business 5-year survival rates

Factor 4 - Strong representation in high value sectors

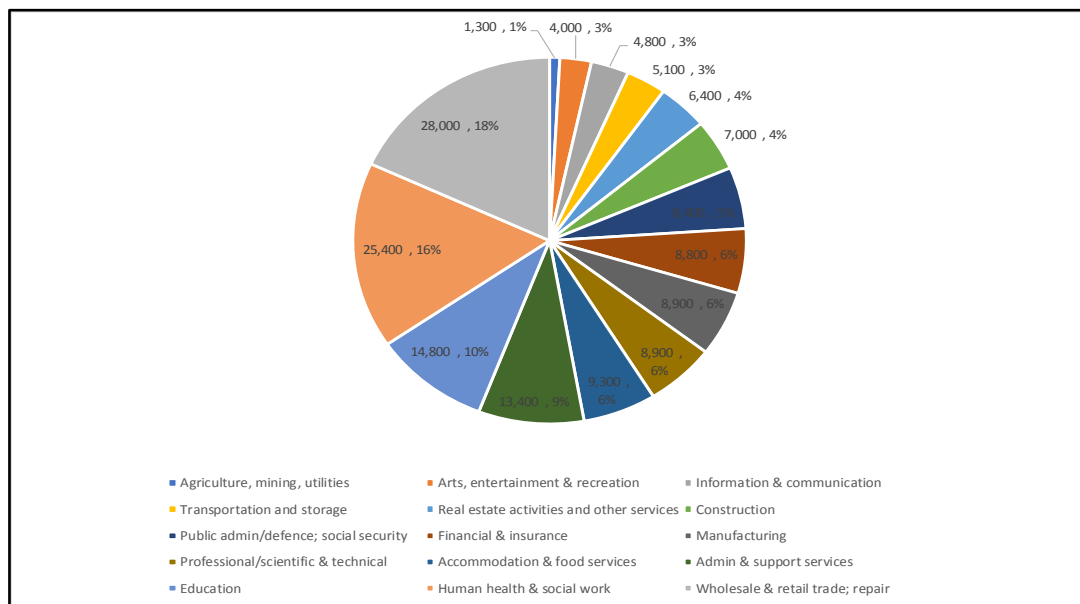


Figure 11 Employment by broad sector in the NPA

Figure 11 demonstrates that the NPA has a fairly typical employment profile for a medium sized city with key social, education and civic functions.

Industry	2010	2016	Change	%
70 : Activities of head offices; management consultancy activities	185	260	75	41%
62 : Computer programming, consultancy and related activities	185	240	55	30%
86 : Human health activities	110	165	55	50%
74 : Other professional, scientific and technical activities	105	150	45	43%
56 : Food and beverage service activities	340	380	40	12%
43 : Specialised construction activities	195	230	35	18%
71 : Architectural and engineering activities; technical testing & analysis	130	165	35	27%
82 : Office administrative, office support & other business support	130	165	35	27%
45 : Wholesale and retail trade & repair of motor vehicles and motorcycles	160	185	25	16%
85 : Education	75	100	25	33%

Table 4

Table 4 shows the biggest positive change in business numbers by industry over the past 6 years has been in the most knowledge intensive sectors- which is an extremely positive direction of travel for the economy. Of particular note, six of the top ten are knowledge intensive industries. Employment growth and specialisation analysis shows important opportunities in emerging high value sectors.

The NPA has a very strong specialism in financial services and insurance. Although the sector declined as a whole, key elements within it are growing locally. The sector is a big contributor to GVA and is a local specialism to build on as part of a wider business services cluster targeting the urban core. A particularly encouraging factor is strong growth in both professional and technical services and Information & communications. These have grown rapidly and Norwich needs to secure a bigger share of these high value services which are currently underrepresented so there is

room to grow these sectors. Health and social care is very well represented and growing; other private sector services are also strong in the NPA and growing.

One in five employees in the NPA works in priority high value sectors. Clusters of interacting sectors are well recognized as drivers for city competitiveness, fostering innovation, promoting knowledge diffusion and have the capacity to stimulate new start-ups and spin-outs. Norwich boasts six key growth sectors employing an estimated 30,000 people and a sub-substantial presence of knowledge intensive businesses (KIBS). KIBS are often innovation active and graduate intensive, and typically invest more in business research and development.

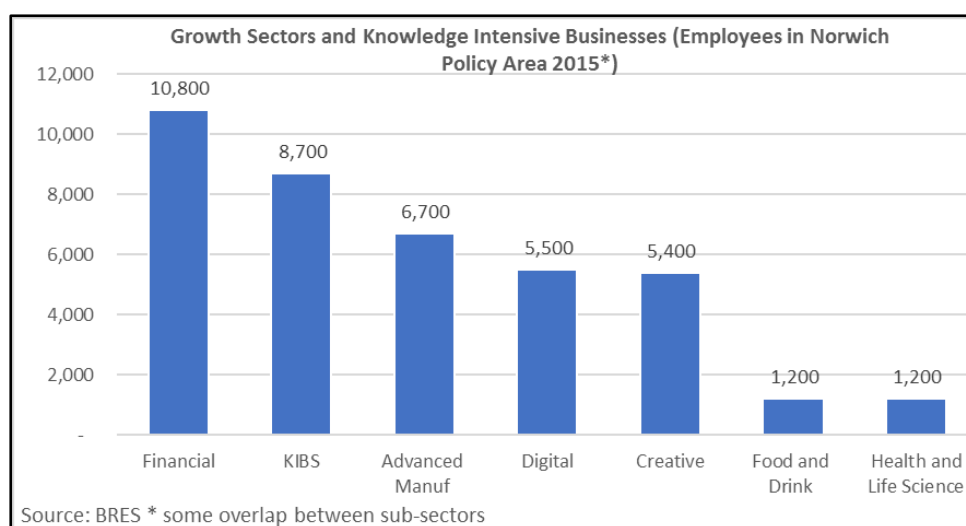


Figure 12 KIBS and growth sectors

The NPA economy is has an employment structure which is predisposed to growth. It has eight key sub-sectors, shown in Figure12 which combine regional specialisation and forecast employment growth. These sub-sectors are expected to make up over 51% of total employment in 2045.

Factor 5 Growing capabilities in key technologies for the future

Low carbon investment and development will unleash a longer term wave of innovation as firms reposition themselves and seek to exploit low carbon opportunities. The NPA is ideally located to take advantage of this; Norwich is the closest city to the Array Wind Farm and is the location for many companies in the energy sector supply chain, which locally has 40 years expertise of oil and gas, nuclear, bio-energy and wind power.

In a recent report by MasterCard, Norwich was named as one of the top three UK cities that have shown significant strides in using latest technology to drive growth and innovation. This is demonstrated by the city's burgeoning FinTech³ industry.

³ FinTech companies are businesses that leverage new technology to disrupt traditional financial services markets by creating new financial services delivery channels, products and models. This includes any technological innovation in the financial sector, retail banking, insurance, investment and even online cryptocurrencies such as Bitcoin and Droplet.

Factor 6 An attractive and vibrant urban core

Globally, successful cities are able to attract talent is by offering a good quality of life, a distinctive cultural offer and high quality neighbourhoods with good levels of amenity. Crucially however in the knowledge economy, proximity and critical mass are important. Knowledge business demand proximity to other knowledge businesses and knowledge workers want to work in high quality urban environment. Place making and the quality of the public realm therefore have a direct and positive link to the economic performance of the modern knowledge economy.

Part 3: Future Growth Sectors

It should be recognised that defining sectors by Standard Industrial Classification (SIC) 2007 is a blunt tool as there is a blurring of some of the sectors, for example, do Fintech companies classify themselves as digital or financial services? In addition, the East of England Forecasting Model, which is the basis for the analysis below, uses specific sector definitions based on an amalgamation of SIC codes which is not always helpful.

A degree of caution should also be employed when interpreting the figures presented within this section. For example the quality of the Business Register of Employment Survey (BRES) estimates deteriorates as the geographies get smaller and this should be taken into account when considering the quality of sub-national estimates⁴. EEFM forecasts are based on observed past trends only and are unconstrained, which means that the forecast numbers do not take into account any policy or other constraints that might prevent their actual realisation on the ground.

Financial Services

Norwich is acknowledged as a leading centre in the UK finance and insurance services market. It is the largest general insurance centre in the UK, with commensurate support functions and supply chain companies

The reasons behind the changing make-up of the sector include regulation, a shift in technology and the way customers expect to access services alongside an ageing population driving growth in retirement products for example. FinTech companies are breaking the dominance of financial services' largest players in novel ways and, as a result, FinTech is one of the fastest-growing areas for venture capitalists

The EEFM shows that in the NPA between 2016 and 2045: the finance sector will decline by 21%; Professional services will increase by 14%; Business services will increase by 40%

Life Science

Research, education and training activities on the Norwich Research Park are currently complemented by business support functions within the individual institutions and the facilities and services at the Norwich Innovation Centre and Norwich Bio-Incubator as well as a New Enterprise Centre. SIC codes offer a fairly blunt assessment of Life Sciences and undercount the number employed in this sector.

⁴ For a summary of the data limitations see [here](#).

Going forward medtech, digital health and analytics will be an increasingly important driver of growth both and some of the key emerging technological, demographic health trends play to NPA strengths.

Advanced Manufacturing

In terms of advanced manufacturing the NPA has concentrations of electronics, auto, aviation and marine businesses. Industry 4.0 is the term used for the current trend of automation and data exchange in manufacturing technologies. It includes cyber systems, the Internet of Things and cloud computing. Digitalization will result in lower costs, improved production quality, flexibility and efficiency.

The EEFM shows that in the NPA between 2016 and 2045 the sector will become more efficient and productive through the fourth industrial revolution but it will continue to experience modest employment decline.

Food and Drink

It should be noted within the EEFM that the sector is defined quite narrowly and excludes those staff employed in bars and restaurants. Unsurprisingly for an urban area, the sector is relatively small in the NPA. Generally, the sector exhibits efficient supply chains, low waste and high levels of regulatory compliance.

The EEFM projections expect modest employment decline in food processing. However, the accommodation and food services is predicted to increase by 33% driven by population growth.

Digital

The world of digital is rapidly changing and is increasingly embedded into every business and business function. The NPA has some key digital and technology strengths and has seen 33% growth in digital employment; three times the national rate. The NPA is well positioned to attract high quality technology and digital related inward investment and research institutes exploiting digital technologies. This would build on (a) its presence of large financial corporates deploying FinTech, (b) manufacturing firms investing in the Fourth Industrial Revolution/IoT, (c) robotics in food and drink and (d) research organisations already utilising Big Data and data analytics

Creative Industries

The NPA has a concentration of creative industries and a thriving digital creative scene with a cluster of digital arts companies located in the city centre in particular. Norwich boasts a number of organisations and festivals of national importance.

The major trends of continued digitisation throughout the sector, fragmentation of audiences, changing user behaviours, convergence and cutting out the middleman – have all contributed to the emergence of a digital landscape of increased complexity. These trends are a historically high level of low-knowledge work.

The rise in business services employment has been particularly striking in recent decades and the fact much of this growth in the NPA has been fuelled by the growth of head offices is interesting. This phenomenon could be exploited for inward investment purposes. disrupting established value chains while at the same time providing considerable potential for growth.

KIBS (Knowledge Intensive Business Services)

The KIBS sector encompasses a range of activities including computer services, research and development (R&D) services, legal, accountancy and management services, architecture, engineering and technical services, advertising and market research, among others. KIBS typically employ a greater proportion of highly-skilled workers than other sectors of the economy. Over the last 50 years or so Norwich is part of a select group of cities that have managed to reinvent themselves through KIBS growth despite having historically high levels of low-skill jobs.

The rise in business services employment has been particularly striking in recent decades and the fact much of this growth in the NPA has been fuelled by the growth of head offices is interesting. This phenomenon could be exploited for inward investment purposes.