

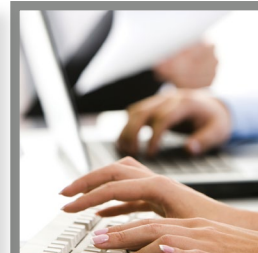
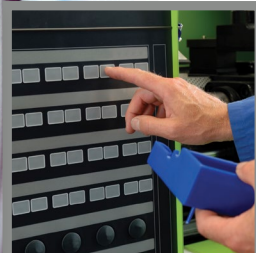
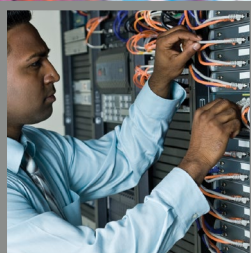


THAMES VALLEY BERKSHIRE:

Delivering national growth, locally

Strategic Economic Plan, 2015/16 – 2020/21

STRATEGY





PREFACE: OUR PROSPECTUS FOR GROWTH

Alongside London, Thames Valley Berkshire is the UK's economic powerhouse.

Our businesses are driving forward national economic recovery and growth. In many cases, they are competing successfully in global markets. This really matters. Fundamentally, it matters because **our growth is real growth for the UK as a whole**; in other words, the success of our businesses is largely 'additional' and it is not at the expense of those elsewhere in the UK.

We know we have tremendous locational advantages – most notably our proximity to Heathrow Airport. With these advantages come real responsibilities and, looking ahead, we are determined to make our locational advantages count further. We want to do this for the benefit of our residents, communities and businesses. But we also want to do it for the benefit of the wider UK economy.

We are committing – through our Strategic Economic Plan – to deliver an uplift of around £700m in the overall wages and profits generated through Thames Valley Berkshire's businesses; by 2020, our Gross Value Added (GVA) will be £32.4bn, £700m higher than our baseline projection for 2020 of £31.7bn (all at constant, 2009, prices). This in turn will increase returns to the Exchequer (through tax receipts) and it will also stimulate reinvestment locally (through businesses and the voluntary/community sector).

Much of the responsibility for this uplift in projected economic performance is our own – and we are very much 'up for it'.

We are not seeking 'hand-outs' from central government and we will not 'chase' grant funding. However we do need to work with central government to ensure that Thames Valley Berkshire is able to marshal its full economic muscle and contribute fully to the national growth agenda.

We need our businesses to reinvest confidently in Thames Valley Berkshire. This outcome is within our grasp, but it needs:

- » an end to the uncertainties surrounding the future of Heathrow Airport
- » planned investments in western rail access to Heathrow Airport and improvements to the M4 motorway to proceed sooner, rather than later, and certainly on schedule
- » a greater supply of skilled people, particularly those with expertise in science, technology, engineering and mathematics
- » stronger and more creative links (both formal and informal) with the research community in (or close to) Thames Valley Berkshire
- » investment in our places so that they continue to provide a good quality of life.

Our Strategic Economic Plan sets out in detail our vision and investment priorities, and it presents evidence relating to both.

Through the collaborative momentum of our partnership we are committed to delivering this accelerated growth. We will work with government to bring this about.

Steve Lamb
Chairman

Thames Valley Berkshire
Local Enterprise Partnership

March 2014



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GLOSSARY

AMR	Annual Monitoring Report
AWE	Atomic Weapons Establishment
B2B	Business to Business
BDUK	Broadband Delivery UK
BEBPO	Berkshire Education Business Partnership Organisations
Biotech	Biotechnology
BRIC	Brazil, Russia, India & China
CE	Cambridge Econometrics
Disruptive Technologies	According to McKinsey “disruptive technologies [are those that] will transform business and life in the next decade”.
EU	European Union
FDI	Foreign Direct Investment
FE	Further Education
GVA	Gross Added Value
HA	Higher Apprenticeships
HE	Higher Education
HQ	Headquarters
ICT	Information and Communications Technology
IT	Information Technology
JSA	Job Seekers Allowance
LEP	Local Enterprise Partnership
Mbps	megabits per second
MINT	Mexico, Indonesia, Nigeria & Turkey
NUTS	Nomenclature of Territorial Units for Statistics
NVQ	National Vocational Qualification
Pa	per annum
R&D	Research & Development
SDLs	Strategic Development Locations
SEP	Strategic Economic Plan
SME	Small and Medium Size Enterprise
STEM	Science, Technology, Engineering & Mathematics
SWT	Sewage Water Treatment
TVB	Thames Valley Berkshire
TVIN	Thames Valley Investment Network
UK	United Kingdom
UKTI	UK Trade & Investment
WRAtH	Western Rail Access to Heathrow



EXECUTIVE SUMMARY

This document sets out our **Strategic Economic Plan for Thames Valley Berkshire**. It is grounded in evidence, and it has been developed in dialogue with businesses, local authorities and other key stakeholders.

Already our economy is successful: when considered alongside the other 38 Local Enterprise Partnerships in England, it tops the league on many key metrics. Our benchmarks, however, must be understood internationally. On this wider stage, the competition is fierce, although the potential rewards – both for Thames Valley Berkshire and for the UK economy – are substantial. We are strongly placed already, but we need to invest to adapt – as a place and as an economy – to maintain our competitive edge.

In the context of an international economy that is increasingly driven by knowledge, our overarching priority is to **secure better access to talented people and bright ideas, and to use both more effectively.**

Six main objectives follow. With regard to **people** we must:

- 1: Use better those who are already in the workforce
- 2: Inspire the next generation and build aspirations and ambition
- 3: Ensure that economic potential is not restricted by labour supply issues

In terms of **ideas**, we will:

- 4: Ensure that knowledge is effectively commercialised and grown within Thames Valley Berkshire
- 5: Strengthen networks and invest in the 'soft wiring' to use ideas better
- 6: Make Thames Valley Berkshire's towns genuine hubs in the ideas economy

We have developed four high level Programmes through which these objectives will be achieved.

We will deliver these packages through a wide range of implementation mechanisms. Included within these packages -is a bid into the Local Growth Fund. Whilst important, this is only part of our overall resourcing plan. In addition, therefore, we will flex our own collective resources creatively and purposely to deliver our Strategic Economic Plan; we will work closely with government to ensure that wider spending decisions are appropriately aligned and that the fiscal and regulatory framework is broadly supportive; and we will encourage substantial private sector investment. We approach the latter mechanism with some confidence: we have an outstanding track record in these terms and, with a modest injection of new public sector funds, the private sector contribution will be substantial.



On conservative assumptions, we estimate that the implementation of our Strategic Economic Plan will deliver an uplift in economic output (Gross Value Added) amounting to some £700m in 2020 (compared to baseline projections for 2020), with additional impacts to follow in the longer term.

As a result, by 2021, we will be well on the way to achieving our overall Vision for Thames Valley Berkshire.

Our Vision:

The vibrancy of our business community will be internationally envied. The ambition and creativity of our established businesses will be energised through strong, knowledge-rich, networks. Our workforce will be the lifeblood of our economy: young people will be inspired and older workers valued. Our infrastructure will match the scale of our ambition and potential. And people will choose Thames Valley Berkshire as the place to live and work

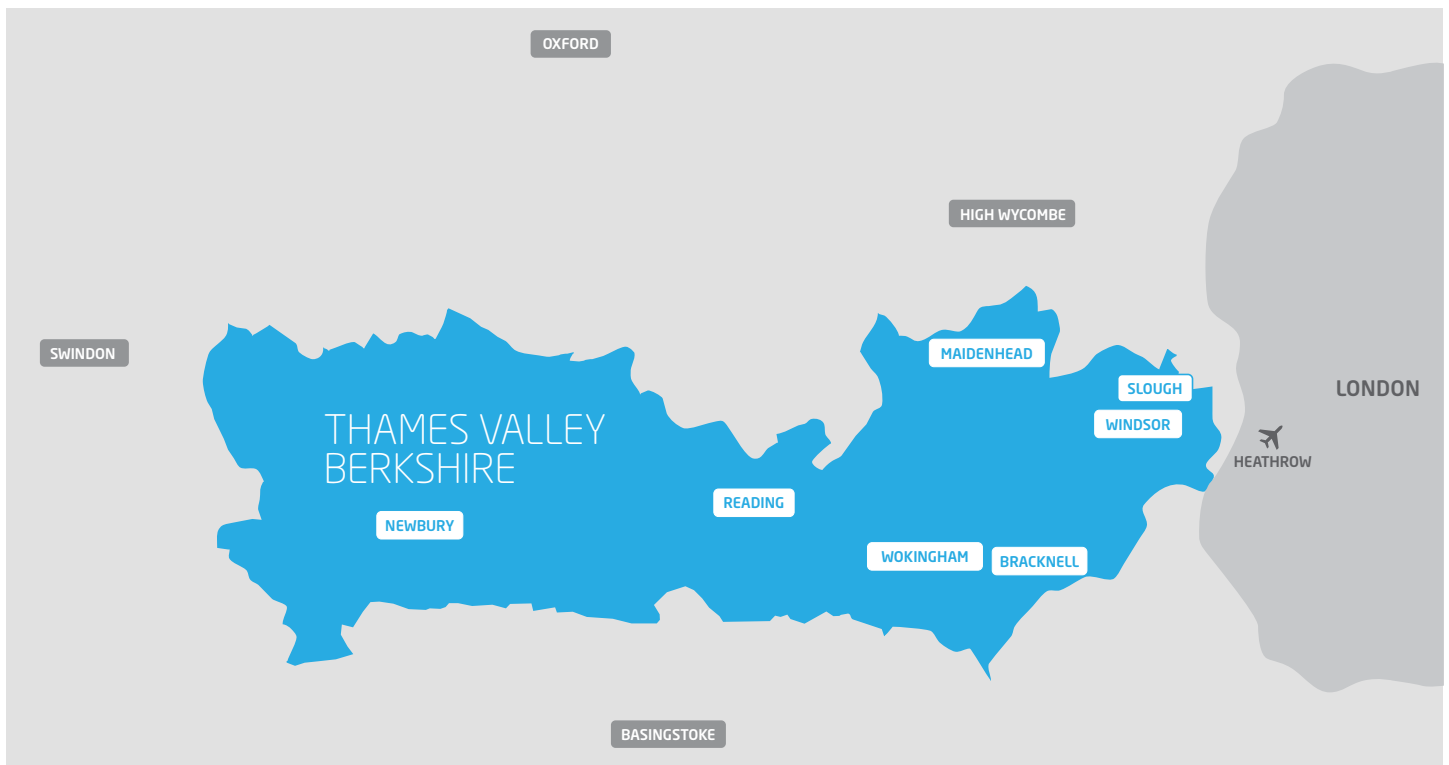


INTRODUCTION

THE THAMES VALLEY BERKSHIRE ECONOMIC POWERHOUSE

Located immediately to the west of London, Thames Valley Berkshire (TVB) is an economic powerhouse of enormous importance to the UK. Administratively it consists of the whole of the former county of Berkshire, now divided into the six unitary authority areas (Bracknell Forest, Reading, Slough, West Berkshire, Windsor and Maidenhead, and Wokingham).

Figure 1: Thames Valley Berkshire



It is home to over 870,000 people and 42,000 businesses. Together these generate economic output – measured in terms of Gross Value Added (GVA) – of around £30bn (in current prices). This is equivalent to around 15% of the total for the South East region¹ or just over 2% of the UK-wide figure.

On a national stage, TVB performs strongly on most key metrics. In 2012/13, we secured more inward investment projects than any other Local Enterprise Partnership (LEP) area apart from London. In addition, a benchmarking report comparing the performance of the 39 LEP areas in England found that²:

1 Defined as the counties (or former counties) of Berkshire, Buckinghamshire, East Sussex, Hampshire, the Isle of Wight, Kent, Oxfordshire, Surrey and West Sussex

2 *Local Economies and the Growth Challenge: Review of Local Enterprise Partnership area economies in 2013* LEP Network



- » 42.3% of employment in TVB is in 'top output growth sectors' (Rank 1)
- » 28.5% of employees in TVB work in the 'knowledge economy' (Rank 2, behind London)
- » some 2.5% of enterprises are in foreign ownership (Rank 1)
- » economic output per head in TVB is £32.8k (Rank 2, behind London)
- » the business birth rate is 12.4% (Rank 2, behind London).

The 2014 *UK Competitiveness Index 2013* concluded that TVB is "by far the most competitive LEP area in England."³

However, these headlines leave no room for complacency. We have outstanding locational advantages – not least our proximity to Heathrow Airport and to the world city that is London, but also the quality of our natural environment and the strength of our communities. For the benefit of our own people and businesses – but also for the UK as a whole – we must make these advantages count. This means that benchmarks ought to be defined both nationally and internationally. On this wider stage, the competition is relentless.

OUR STRATEGY - AND OUR STRATEGIC ECONOMIC PLAN

Against this backdrop this document sets out our Strategy for the Thames Valley Berkshire sub region⁴. It explains how our economy is performing currently and it distils the principal opportunities we must seize – and the challenges we must navigate – as we look to the future. It sets out a Vision of what TVB needs to become and is accompanied by an Implementation Plan that details the interventions needed to bring this Vision about.

These are not – as perhaps in the past – a wish list. Nor are they a simple statement of what 'they' (mainly government) should do for 'us': we understand the state of the public coffers and the need for a different kind of approach to delivering the UK's national economic growth strategy in local areas. Building on our successful City Deal, our investment priorities are therefore a distillation of where we believe that modest (but important) investments from central government will secure significant leverage and generate impacts which will benefit substantially the UK as a whole.

Together our Strategy and Implementation Plan - underpinned by our substantive Evidence Base - comprise our Strategic Economic Plan. We are committed to delivering this. Through it, we will secure a first rate economic future for the benefit of our businesses, and for all of those who live and work in Thames Valley Berkshire. We will also increase further the scale of the net contribution we already make to the UK Exchequer.

³ The 2013 edition of the *UK Competitiveness Index (UKCI)* represents a benchmarking of the competitiveness of the UK's localities, including its LEP areas (Huggins & Thompson)

⁴ This is a strategy for economic growth, recognising that other local strategies and plans will address wider issues relating to well-being



OUR ECONOMY IN OVERVIEW

TVB has a very strong local economy.

We have a vibrant population of small and medium-sized enterprises (SMEs), and TVB is a place where small businesses flourish. At the micro end of the spectrum, we benefit from over 30,000 SMEs (with fewer than five employees) and these operate in all sectors of our economy – from web-based media, to tourism, land-based activities, retail and local services. These are tremendously diverse. Increasing numbers are home-based (and this is especially important for our rural areas) whilst some occupy bespoke business incubators. Some are on a rapid growth trajectory whilst others have more modest ambitions. Collectively, they are a crucial element of our economy.

Our business start-up rate is high: the 5,010 new enterprises formed in 2012 comprised 12% of our business stock (compared to start-up rates of 11% across the South East). Survival rates are also reasonably strong. Among new enterprises formed in 2007, 48% were still in business five years later compared to 44% England-wide (although on this metric, nearby areas perform better than TVB: data suggest that the five-year survival rate is 51% in both Buckinghamshire and Oxfordshire).

On conventional metrics, our resident population of working age is highly qualified: 41% is qualified to degree level or above (NVQ4+) compared to just under 37% across the South East region as a whole.

Our workers are also reasonably well paid. As **Figure 2** demonstrates, on a residence basis, median weekly pay for full time employees ranges from just over £500 in Slough to well over £700 in Windsor and Maidenhead. Conversely, on a workplace basis, the figures range from around £580 in West Berkshire to approaching £650 in Wokingham.

Locally, the differences between residence- and workplace-based measures are explained through the effects of commuting. There are some major differences within TVB in terms of the relationship between residence and workplace-based weekly pay. In part, these reflect the rural nature of the west of TVB and the strong London (and Heathrow) influence in the east. Nevertheless, all of the figures reported in **Figure 2** exceed the England-wide benchmark. Of course, living (and particularly housing) costs in TVB are also high and median figures do not portray individual circumstances – which, for those in low paid employment in TVB, can be particularly challenging.

Across TVB, employment rates are high (77.0% compared to 74.7% across the South East⁵). As of October 2013, the total number of Job Seekers Allowance (JSA) claimants was less than 10,000 across our whole area – equivalent to 1.8% of the working age population (compared to 1.9% across the South East and 3.0% England-wide). Allowing for ‘frictional unemployment’, this may suggest – even in the immediate aftermath of recession – that we are close to full employment.



WE HAVE
A VIBRANT
COMMUNITY
OF SMALL
BUSINESSES

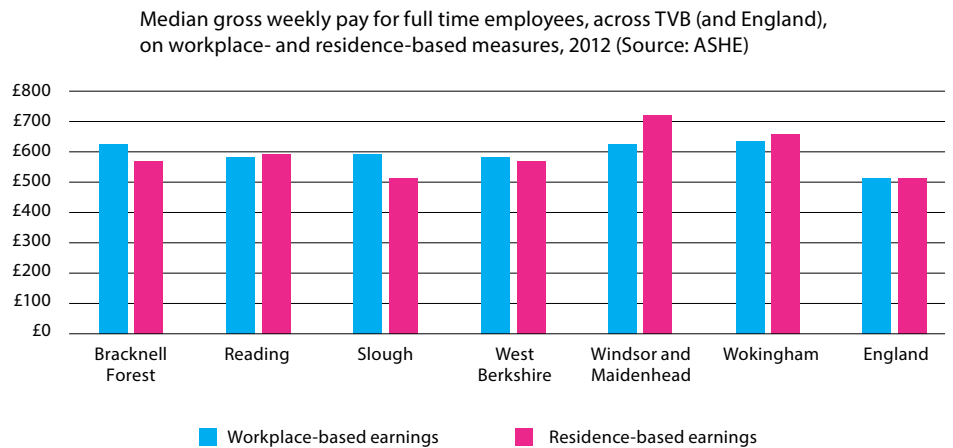


OUR WORKING
POPULATION IS
VERY HIGHLY
QUALIFIED

⁵ These data are taken from the Annual Population Survey and they relate to the period July 2012-June 2013



Figure 2: Gross weekly pay across TVB



THERE ARE MANY OPPORTUNITIES FOR OUR YOUNG PEOPLE – BUT SOME STILL STRUGGLE

However, there are pockets of economic inactivity and unemployment across TVB – particularly in our larger urban areas of Reading and Slough. This is especially concerning in relation to young people. In Reading there are 360 16–18 year olds not in education, employment or training⁶, some 8.4% of the total; while in Slough, the claimant count rate among 16–24 year olds is notably higher than the regional average. In the midst of a vibrant economy, statistics of this nature are unacceptable; we need to address the surrounding issues and our City Deal has been developed in response.



⁶ Data for the year to end 2012, sourced from Department for Education (DfE) (<http://www.education.gov.uk/childrenandyoungpeople/youngpeople/participation/neet/a0064101/16-to-18-year-olds-not-in-education,-employment-or-training>)



WHAT MAKES OUR ECONOMY DISTINCTIVE

Within this overall context – and based firmly on the available evidence – three distinctive, and inter-related, features of our economy stand out: the importance of technology-based (tech-based) activity; the significance of internationalisation; and the role of the corporates. All three are inherently related to our strong relationship with London; but none of them is reducible to it.

These three features are flagged **not** because they are all that matter; and certainly **not** because other aspects of the economy are unimportant. Rather, they are highlighted because they are important in relation to our Strategic Economic Plan in two key respects.

- » First, they set the economy of TVB apart in relation to future economic growth, both in absolute terms and when considered alongside the role and potential of other LEP area economies across England: our economy is already the most strongly internationally oriented and competitive, and with this comes substantial further potential.
- » Second, they are the attributes on which much of our area's historic economic success has been built but in relation to which, profound changes are afoot with significant risks (both upside and downside) for our economic future.

THE IMPORTANCE OF TECH-BASED ACTIVITY

A recent report published by KPMG mapped the incidence of tech-based employment across every local authority district in England, Scotland and Wales⁷. On a definition which related largely to the IT sector (hardware and software)⁸, it found that Wokingham topped the list in terms of its 'tech location quotient' and that each of the other five unitary authority areas within TVB featured in the top 15 nationally. On this measure, without doubt, we lead the way in terms of the strength of our tech-based (or, more precisely, IT-based) economy.

Across the piece, there are some very significant businesses linked – more or less closely – to information and communications technologies. These range from well-established corporates (like Oracle, Cisco, Microsoft, Telefonica and Vodafone) through to smaller firms (such as Volume in Wokingham, Redwood Technologies in Bracknell, and Ntegra in Newbury), some of which are growing at a tremendous pace.



WE HAVE THE
UK'S STRONGEST
TECH-BASED
ECONOMY...

⁷ *Tech Monitor UK: Understanding tech clusters and tracking the UK tech sector's outlook for employment and economic growth*, KPMG, 2013

⁸ Note that tech-based activity was defined in relation to five key sectors: software publishing; computer programming; data processing; manufacturing of computers; and manufacturing electrical equipment



WE ARE
SURROUNDED BY
WORLD-CLASS
KNOWLEDGE-
BASED ASSETS



...BUT WE NEED
TO MAKE SURE
THAT WE ARE
CLOSE TO THE
SOURCE OF THE
'KNOWLEDGE
SUPPLY CHAIN'

The role of TVB within the tech-based economy - and the risks linked to it

Detailed occupational data (sourced from the 2011 Census) suggest that over 25,000 TVB residents are "information technology and telecommunication professionals" (almost 6% of all employed residents and as a share of the total, close to double the figure in both Oxfordshire and Cambridgeshire); a further 4,700 are "information technology technicians". From other sources, we know that in 2011, there were around 62,000 jobs in the IT services sector in TVB, and a further 6,000 in the (related) media sector⁹. Whilst these two sets of observations are not directly comparable (as one relates to working residents and the second to workplace jobs), they are important: taken together, they suggest that significant numbers of jobs in these key sectors relate to non-technological occupations. Uppermost among these are tech-based firms' sales and marketing, management and other corporate functions. We also know that the number of people working in 'pure research' is relatively low.

TVB performs strongly in relation to the tech-based economy, particularly that element linked to information and communications technologies. But the risk – looking ahead – is that the bespoke technical content may not always be as great as the headlines imply. Intrinsically, an economy that generates knowledge and technology is in a stronger position than one that packages and sells it to clients and customers, whatever the scale or sophistication of the operation. This is not to belittle the latter, for it is crucial for wealth generation. Nor is it to make sweeping generalisations, for there certainly are knowledge-generating businesses within TVB. However, it is to flag an important risk for TVB as a whole, given our dependence on the sector and the scale and pace of internationalisation within it.

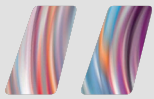
Knowledge-based assets

In this context, we must recognise that there are some world-class knowledge-based assets in – or close to – TVB. The University of Reading is important. It has science-based specialisms (relating, for example, to climate change and satellite imaging) and the University is seeking a far more active role in relation to knowledge-based economic growth than previously. The University of Reading has close links with the Met Office and the European Centre for Medium Range Weather Forecasts is located nearby in Wokingham. TVB therefore features prominently in assessments of the UK's research capabilities in the sphere of satellite technology¹⁰. Also within TVB is the Atomic Weapons Establishment (AWE), an organisation with a long history in leading edge defence-related research and development. It is significant in scale, employing well over 4,000 staff, and it too is keen to explore potential commercial applications.

Although just outside our geography, we are also physically very close to some of the UK's foremost scientific research. This includes, *inter alia*, the activities linked to the

⁹ Data taken from a set of baseline projections prepared by Cambridge Econometrics using the Local Economy Forecasting Model

¹⁰ *Encouraging a British Invention Revolution: Sir Andrew Witty's Review of Universities and Growth* Final Report, October 2013



WE NEED
TO BUILD
STRONGER LINKS
BETWEEN OUR
OUTSTANDING
BUSINESSES AND
THE WIDER
RESEARCH
COMMUNITY



ALONGSIDE
LONDON, WE
ARE THE FIRST
CHOICE LOCATION
FOR INWARD
INVESTMENT TO
THE UK

University of Oxford and to the 'big science' facilities at both Harwell and Culham (in southern Oxfordshire). To the east is much of the London-based research community including, for example, science-based Imperial College. On any measure, these are world class institutions. They are on our doorstep.

Building the 'soft wiring'

In relation to the tech-based economy, our current strengths are clear – in the form of the scale and depth of our business community and the workforce linked to it. There are also some equally clear risks. These could be mitigated through stronger and more productive links with the research community in the environs of TVB.

The missing ingredient at the moment is the 'soft wiring'. Potentially, this could transform an impressive array of tech-related businesses (and their staff) and a group of world class research-based institutions into a dynamic, and knowledge-rich, cluster. The 'dots' are all in place; the 'joins' just need to be improved, recognising that these depend in part on physical infrastructure and in part on individual and collective behaviours.

From within TVB, there are examples of processes of precisely this type. One illustration stems from the professional services sector in Reading. Over recent years, it has grown substantially and Reading has emerged as the main regional centre for the wider Thames Valley (including Oxford). In part at least, this process is explicable in terms of the physical provision that has been made in central Reading, and the willingness of lawyers, accountants and others to make full use of it. It is also being reinforced by the improvements in rail connectivity and the redevelopment of Reading railway station which, although temporarily disruptive, is widely welcomed by the business community.

The significance of internationalisation

TVB is an intrinsically – and distinctively – international economy.

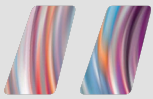
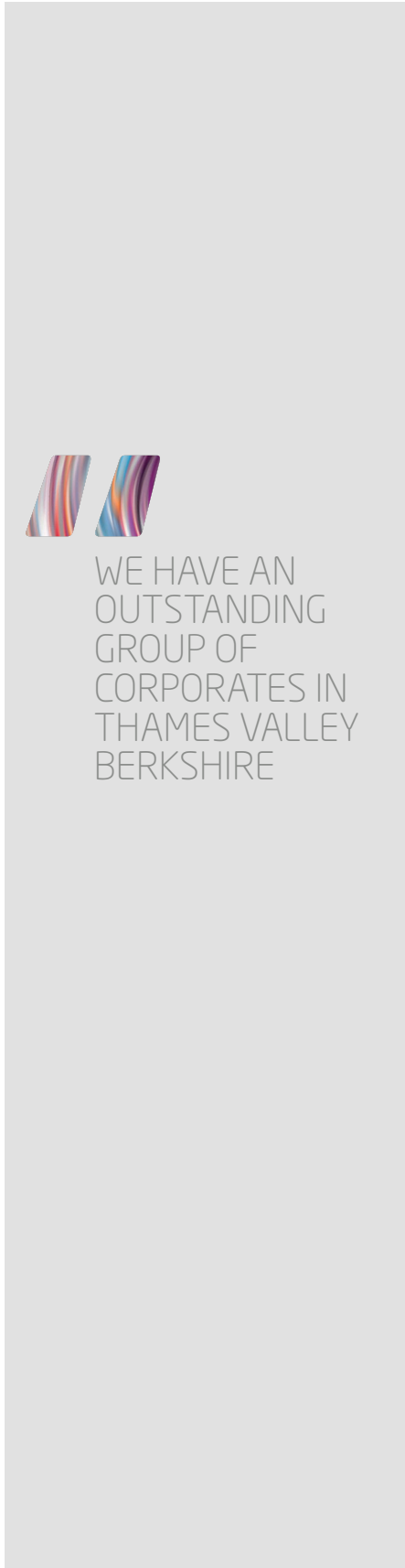
The significance of internationalisation owes much to the proximity of Heathrow Airport which – although outside our boundaries – is crucially important. Most immediately, Heathrow Airport is a major employer: over 18,000 of our residents currently work at the airport¹¹ (and just in terms of the scale of employment, it is worth noting that this is equivalent to almost a third of the IT services sector within TVB).

Proximity to Heathrow Airport has been instrumental in relation to inward investment. Already, we have the highest proportion of foreign-owned businesses (among 39 LEP areas) and estimates suggest that these account for a quarter of all employment and approaching a half of TVB's overall turnover¹². But the stock of inward investment is not simply an historic legacy. We continue to account for a significant share of inward investment into the UK: in 2012/13, for example, we claimed 56 foreign direct investment 'successes', the highest number in any LEP area (outside of London)¹³.

11 *London Heathrow Economic Impact Study A Report by Regeneris Consulting, September 2013. Ibid. See Table 5-1*

12 *Ibid. See Table 4-4*

13 Data for 'involved successes' taken from the *National Inward Investment Pipeline*



WE HAVE AN
OUTSTANDING
GROUP OF
CORPORATES IN
THAMES VALLEY
BERKSHIRE

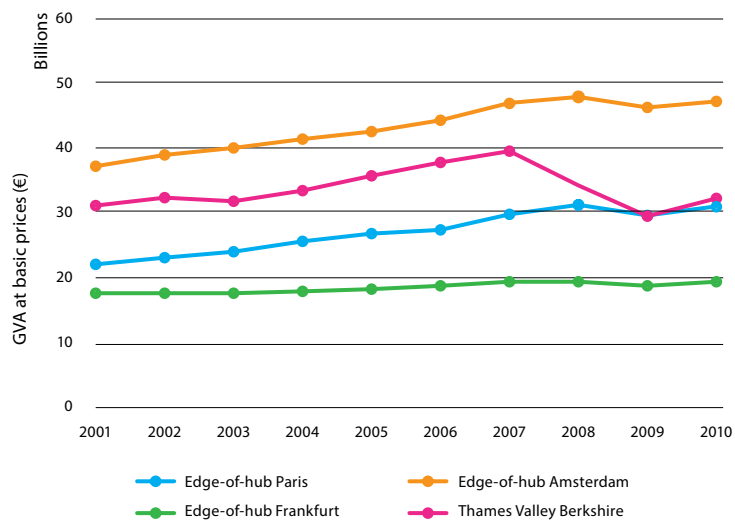
Proximity to Heathrow Airport is therefore – in economic development terms – a substantial asset. But we must reflect on whether we are ‘sweating’ this locational advantage as hard as we might. In this context, it is instructive – although not easy – to compare TVB with ‘edge of hub airport’ economies elsewhere in Europe, namely the non-metropolitan areas abutting Schipol (Amsterdam), Charles de Gaulle (Paris) and Frankfurt¹⁴.

The findings from this exercise are important. Data sourced from Eurostat and reported in **Figure 3** suggest that TVB grew more quickly than these comparators¹⁵ prior to the recession, but also that the impact of recession – at least on these data – bit relatively hard¹⁶. These observations – coupled with on-going uncertainties regarding government’s commitment to both the future of Heathrow Airport and the UK’s membership of the EU – present risks in relation to our on-going appeal to would-be investors. Yet for TVB, this international dimension is crucial.

The role of the corporates

The role of the corporates is a third, very distinctive, element of our economic make-up. There are well over 200 European or global HQ operations in TVB. Many of these are long-established, and they are often major employers operating in strategically important sectors – like pharmaceuticals, petrochemicals, energy, food and IT. Locationally, they have tended to gravitate towards our major employment sites such as Slough Trading Estate, Green Park, Thames Valley Park, and Winnersh Triangle.

Figure 3: Thames Valley Berkshire and key international comparator locations (Source: Eurostat (data released in June 2013), Statistics Netherlands)



14 These were defined in terms of NUTS3 areas that were adjacent to the relevant hub airport but were not the main city
 15 Defining appropriate comparators is in practice extremely difficult. We have had to rely on NUTS3 definitions and this raises many issues in terms of the validity of the comparisons. Nevertheless, the underlying data sources are reasonably robust
 16 Note that the GVA figures quoted here for TVB differ from those quoted elsewhere. The source is different and the Eurostat data are presented in euro – which means that assumptions around exchange rates come into play



Discussions with the corporates in developing this Strategy have pointed to some important issues regarding TVB's economic future. Among the most consistent and concerning are those relating to people:

- » for many, recruitment is proving very challenging, particularly in relation to staff with an in-depth knowledge of science, technology, engineering and mathematics; in this domain, the challenge of competing internationally was again flagged, particularly given the volume of high quality science graduates emerging from the likes of South Korea, China and India
- » retention of staff can also be extremely difficult, especially in relation to younger workers for whom the appeal of London (in the form of both higher salaries and the buzz and excitement of the metropolis) seems impossible to resist
- » in response, some corporates are turning to international labour markets and whilst the quality of potential recruits is reviewed in positive terms, the frustration of lengthy negotiations over visas and work permits is palpable.

In varying combinations, these three factors are having a material influence on corporates' future plans, and this in turn will impact on our growth potential. For some, the solution will be to focus future growth abroad, particularly in relation to more routine technical functions, representing a straightforward loss to the UK economy. For others, because of the importance of recruiting and retaining bright young people, and exploiting the disruptive technologies that they can develop, the decision is to expand operations in central London (cost implications notwithstanding).

Two other observations are important.

- » First, the links between our corporates and both the population of small and medium sized enterprises *and* the research base in the environs of TVB are 'thin'. TVB is a good place to be because of its international connectivity. But our wider and dynamic 'B2B' networks are under-developed compared to elsewhere.
- » Second, the corporates themselves are changing. The rigidities and formalities of the past are giving way to new patterns and styles of working, enabled by the possibilities of digital connectivity and the desire/pressure to minimise overhead costs, including those linked to property. There is – across the board – an increasing opacity in the boundaries between 'home' and 'work', and this in turn is challenging locational preferences.

The economic footprint of the corporates in TVB is linked to a post-war pattern of spatial development; it is structured around edge- (or out-) of-town business parks and is typically highly car-dependent. Elsewhere, as boundaries dissolve, the spatial disconnect between business parks and lively urban environments is becoming difficult to reconcile – hence some apparently odd decisions that break all the rules of economics (like Google's recent decision to locate a major new facility near St Pancras Station in central London).





Against this backdrop, the overwhelming risk for TVB flagged by the corporates is – in general – one of ‘tiredness’: of buildings from, essentially, a bygone era; of a workforce which is, in many cases, ageing “structurally” (as the retention of young people is so difficult); and of a business model that must adapt to survive with challenging implications for TVB (and indeed the UK).

This narrative must not be taken too far. There is no immediate ‘crisis’ and on all the key metrics, our economy continues to function well. Equally, particularly through some major town centre investments, TVB is starting to re-invent itself.

But there are, evidently, risks. Read alongside the interrelated risks associated with our tech-based sector and the changing pressures and imperatives linked to internationalisation, the importance of our overall Strategic Economic Plan – both for us and for the UK as a whole – is obvious.



TVB LEP has invested Growing Places Funds to support the regeneration of Bracknell town centre



OUR CONNECTIVITY

The biggest single risk to the future economic contribution of TVB concerns our transport and communications infrastructure.

WHY OUR CONNECTIVITY MATTERS

The growth of our economy has been – and continues to be – fundamentally shaped by our connectivity:

- » our international links via Heathrow Airport are the principal reason why inward investors choose to locate in TVB and they are a crucial underpinning of ongoing re-investment
- » the importance of our links with London cannot be overstated – particularly through the M4 motorway, the Great Western Mainline and the Reading to Waterloo Mainline
- » within TVB, our economic geography is polycentric with a number of different towns each playing an important role; connections between our towns are therefore critical at a local level
- » our digital connectivity is of paramount importance to our business community writ large: our tech-based businesses depend on it, and more broadly, it is a critical infrastructure for our small business community in our rural and urban areas alike.

However, the transport and communications infrastructure on which we rely is simultaneously a local, national and international resource. It is very congested. This in turn is threatening to undermine our intrinsic growth potential. It is therefore essential to invest in it and also to encourage local sustainable transport networks that promote active travel on foot, on bicycle and on public transport.

NATIONAL PRIORITIES FOR CONNECTIVITY...

We are encouraged that the importance of our connectivity is recognised by government. In particular:

- » We welcome the observation from the Office of the Rail Regulator that £3bn (20% of the national total) will be invested on the Western route between 2014 and 2019. We have made the case consistently for investment in Western Rail Access to Heathrow (WRAtH) and have demonstrated that the short rail link (which needs 4km of new tunnel between Langley and Terminal 5) will deliver economic benefits of over £2 billion and create 42,000 new jobs. This project is crucial to TVB's growth ambitions. Also important is the completion of Reading Station; the provision of semi-fast Crossrail services to and from Reading; a Third Thames Crossing east of Reading and the electrification of the Berks & Hants route, at least to Bedwyn.
- » We welcome the planned M4 Smart Motorway Scheme from Junction 3 out to Junction 12, due to start construction in 2016. This should include screening, noise reduction and air quality measures.





GOOD
CONNECTIVITY
IS NOT A STATIC
ASSUMPTION
BUT AN
ON-GOING
COMMITMENT

On a less positive note, current uncertainties in relation to the future of Heathrow Airport are profoundly unhelpful. This is particularly important in relation to our corporates, many of which are constantly weighing up competing global opportunities. Uncertainties around the future of the UK's only hub airport are therefore compromising our ability to secure the investment and re-investment that is so important for the UK as a whole.

Our Strategy is premised on TVB's connectivity. However, good connectivity is not a static assumption but an on-going commitment, and it needs investment. Over decades, we have demonstrated that we can provide a positive return to the UK Exchequer. This is the 'growth deal' to which we are committed.





ONE VIEW ON THE FUTURE: BASELINE PROJECTIONS

ECONOMIC PROJECTIONS

As an input into the development of our Strategy, Cambridge Econometrics (CE) prepared a set of baseline projections for TVB¹⁷. As modelled data – rather than a calibrated forecast – these should not be taken too far, but they are useful insofar as they provide one impartial view on economic prospects.

Consistent with much other evidence and analysis, CE's baseline projections are broadly positive. They highlight our underlying strengths: GVA per job (a key measure of productivity) is notably higher in TVB than across the South East and England, as is GVA per capita (an important measure of wealth). This is an important starting point in relation to our future projected economic growth.

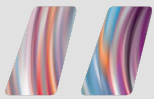
Figure 4: Baseline projections for Thames Valley Berkshire (Source: Cambridge Econometrics)

Annual growth rates (% pa) – historic performance and baseline projection – for **Thames Valley Berkshire** (GVA at constant (2009) prices)

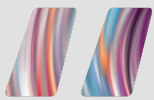
	1995-2000	2000-2005	2005-2010	2010-2015	2015-2020	2020-2025	2010-2020
GVA	5.1%	3.6%	1.6%	1.1%	2.5%	2.6%	1.8%
Employment	2.3%	-0.1%	0.7%	0.5%	0.4%	0.8%	0.5%
Population	0.6%	0.3%	1.1%	1.1%	1.0%	0.7%	1.1%
GVA/Population	2.7%	3.7%	0.9%	0.6%	2.1%	1.8%	1.3%
GVA/Population	4.5%	3.3%	0.5%	0.0%	1.5%	1.9%	0.7%

Annual growth rates (% pa) – historic performance and baseline projection – for the **South East** (GVA at constant [2009] prices)

	1995-2000	2000-2005	2005-2010	2010-2015	2015-2020	2020-2025	2010-2020
GVA	4.4%	3.4%	1.0%	1.3%	2.3%	2.3%	1.8%
Employment	1.6%	0.9%	0.2%	0.5%	0.3%	0.6%	0.4%
Population	0.6%	0.5%	0.8%	1.0%	0.9%	0.7%	1.0%
GVA/Population	2.7%	2.5%	0.9%	0.7%	2.0%	1.7%	1.3%
GVA/Population	3.8%	2.9%	0.2%	0.2%	1.4%	1.6%	0.8%



WE ARE A
FUNDAMENTALLY
STRONG
ECONOMY...



...PATTERNS
OF PROJECTED
FUTURE
GROWTH ARE
REASONABLY
GOOD

¹⁷ These were prepared in September 2013 and are consistent with CE's UK Regional Economic Forecasts, June 2013

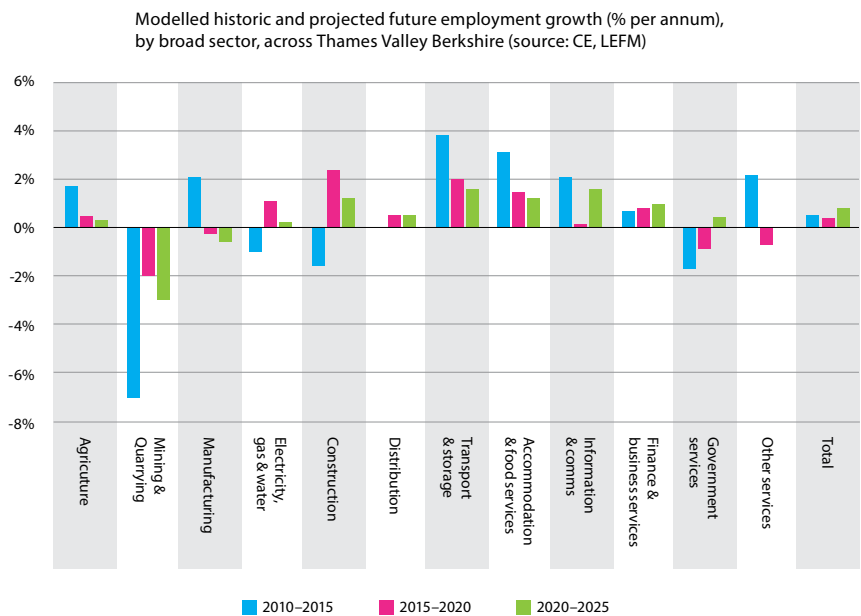
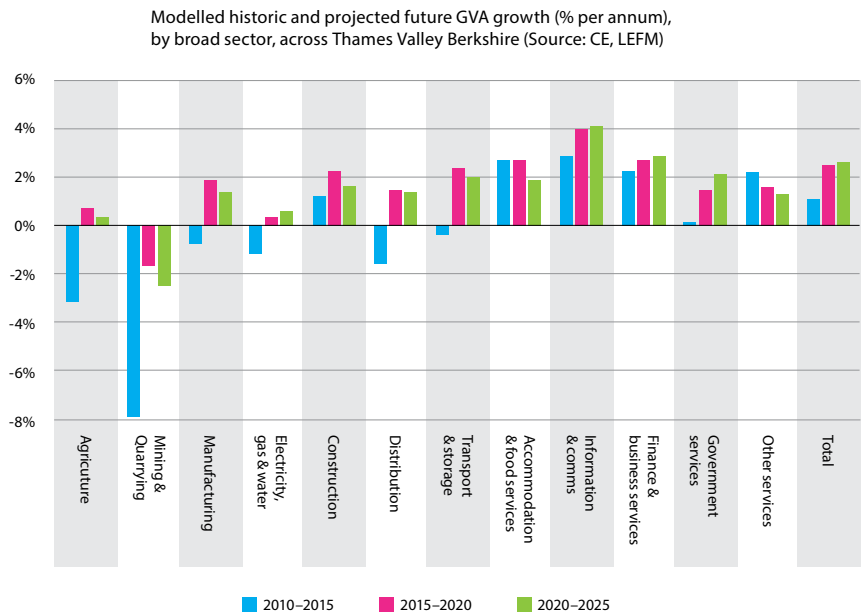


Looking ahead, steady growth is projected overall (see **Figure 4**). However:

- » projected rates of growth – particularly in GVA and productivity – are lower than those enjoyed by TVB historically
- » projected rates of growth in TVB are really quite similar to the average for the South East as a whole.

From the baseline projection it is also useful to consider how prospects vary by sector (whilst recognising that there are any number of ‘local’ factors that might, in practice, change the outcome).

Figure 5: Patterns of GVA (in constant (2009) prices) and employment growth on the baseline projection, by broad sector (Source: Cambridge Econometrics)





ALTHOUGH OUR POPULATION IS PROJECTED TO GROW, THE NUMBER OF YOUNGER ADULTS IN TVB IS LIKELY TO GROW SLOWLY – THIS WILL AFFECT OUR BUSINESSES



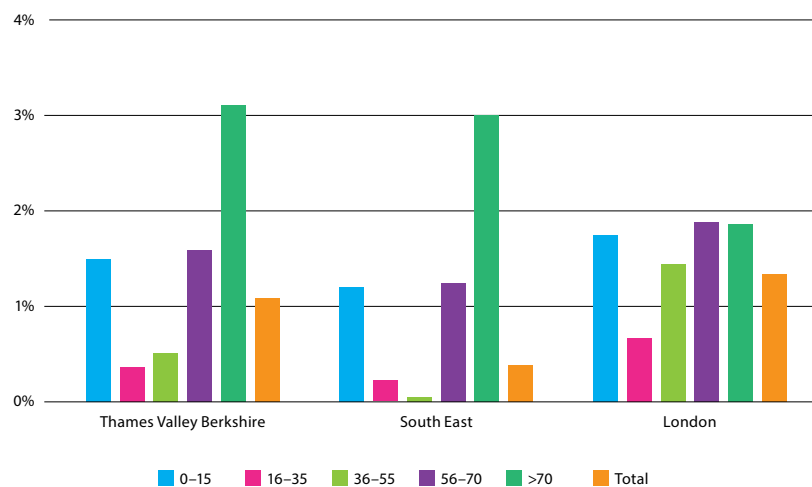
WE ALREADY STRUGGLE TO RETAIN OUR YOUNG PEOPLE – AND LOOKING AHEAD, LONDON IS SET TO GROW FURTHER

From **Figure 5**, it is apparent that projected rates of employment and GVA growth vary significantly by sector. Moreover, some sectors which are projected to see relatively rapid rates of GVA growth (e.g. information and communications) have relatively modest projected rates of employment growth (and *vice versa*). Given the tightness of our labour market, this observation is important. At a more granular level, the apparent significance of IT services in relation to future GVA growth (but not so much to employment growth) is also quite striking.

DEMOGRAPHIC PROJECTIONS

Alongside the economic projections, we have also reflected on projections relating to population growth (see **Figure 6**). Again these are modelled numbers that have not been calibrated locally and they need to be treated with some caution.

Figure 6: Projected population growth (percentage per annum) by age group, 2011-2021
(Source: ONS Interim 2011-based sub-national population projections)



Two important observations however need to be drawn from these data.

- » First, within Thames Valley Berkshire's working age population, the number of younger adults is projected to grow relatively slowly. The implication is that the workforce available to our businesses and other employers will age between 2011 and 2021; this has clear implications in terms of priorities for skills and workforce development
- » Second, rates of population growth in TVB are lower than those projected in London across every age group other than those aged 70 or more. Already, we struggle to retain our young people, and further relative growth in London is projected.



THE SPATIAL FRAMEWORK FOR ECONOMIC GROWTH

Three 'givens' underpin the spatial framework for economic growth across TVB:

- » First, as **Figure 7** (on page 23) indicates, TVB is highly constrained in development terms. Much of the west of TVB is a protected landscape (North Wessex Downs Area of Outstanding Natural Beauty) while the Metropolitan Green Belt features strongly in the east
- » Second, TVB is, genuinely, polycentric. A number of different towns play important roles locally, and connectivity between these places is crucial in relation to the functioning of the local economy
- » Third, administrative boundaries – both within and beyond TVB – have little relationship to 'how the economy works' currently. In some respects, it is helpful to think of TVB in terms of three functional economic areas:
 - to the west is the predominantly rural area around Newbury; a diverse economy with a mix of small and international businesses;
 - in the centre are the highly interconnected urban areas of Reading, Wokingham and Bracknell; a major centre of economic activity with significant potential for future growth;
 - and in the east are Slough, Windsor and Maidenhead; another centre of economic activity with close links to adjacent areas in west London (including Heathrow Airport).

Within each of these distinctive local economies, planning for housing and employment growth must occur across administrative boundaries, facilitated by local authorities' Duty to Co-operate. This should more clearly identify the inter-dependencies between local authorities, residents and businesses – both within and outside the LEP area – for the provision of jobs and housing.

Five of our six unitary authorities have adopted Core Strategies within their Local Plans. Initially, these will provide the spatial framework for growth over the lifetime of our Strategic Economic Plan.

LOCATIONS FOR GROWTH

Consistent with national planning policy, all of the adopted Core Strategies plan for physical regeneration and growth in, or close to, the principal urban settlements:

- » provision is made for a number of ambitious, mixed use, town centre regeneration schemes, some of which are substantially underway
- » sites are identified for both housing and employment growth on the edge of the larger settlements (e.g. sites to the north of Bracknell and urban extensions to the east and south of Newbury)



OUR ECONOMIC
GEOGRAPHY
IS DEFINED
AROUND A
NETWORK OF
TOWNS – AND
CONNECTIVITY
BETWEEN THEM
IS CRUCIAL



WE MUST
DELIVER THE
HOUSING FOR
WHICH WE HAVE
ALREADY MADE
PROVISION

» provision is made for housing development at a number of other locations; in particular, the Core Strategy for Wokingham identifies four Strategic Development Locations each of which includes provision for between 1,500 and 3,500 new dwellings.

Table 1 shows agreed housing targets (which in the main have been rolled forward from the (now revoked) South East Plan). It also shows progress in achieving them. Over recent years, the rate of housing delivery has been ahead of target in parts of TVB, notably Reading and Slough.

Table 1: Planned housing provision and achieved housing delivery

Unitary Authority area	Date of Adoption of Local Plan Core Strategy	Total planned housing provision 2006-2026	Total number of dwellings delivered 2006-2012	Achieved annual housing delivery 2006-2012	Target annual housing delivery 2006-2012
Bracknell Forest	2008	11,139	2,118	353	557
Reading	2008	10,420	3,582	597	521
Slough	2008	6,300	2,623	437	315
West Berkshire	2012	10,500	2,882	480	525
Windsor and Maidenhead	2003	6,920	1,999	333	346
Wokingham	2010	13,230	2,593	432	600
Thames Valley Berkshire		58,509	15,797	2,632	2,864

Source: Review of Local Plan Core Strategies and AMRs

Over the five years of the Strategic Economic Plan, our immediate priority must be to deliver planned provision, noting that this includes some major (and complex) schemes which require up-front investment in infrastructure. These feature strongly in our Implementation Plan

The forecasts created for the now-revoked South East Plan (which are largely reflected in the adopted Local Plans) are, however, fast becoming out of date. Government guidance is that plans, particularly housing requirements, should be based on up-to-date population projections provided by the Department of Communities and Local Government. These projections may have to be adjusted where there is evidence that housing affordability is significantly worse than in adjoining areas (defined in relation to Local Plans); this is a particular concern in TVB.



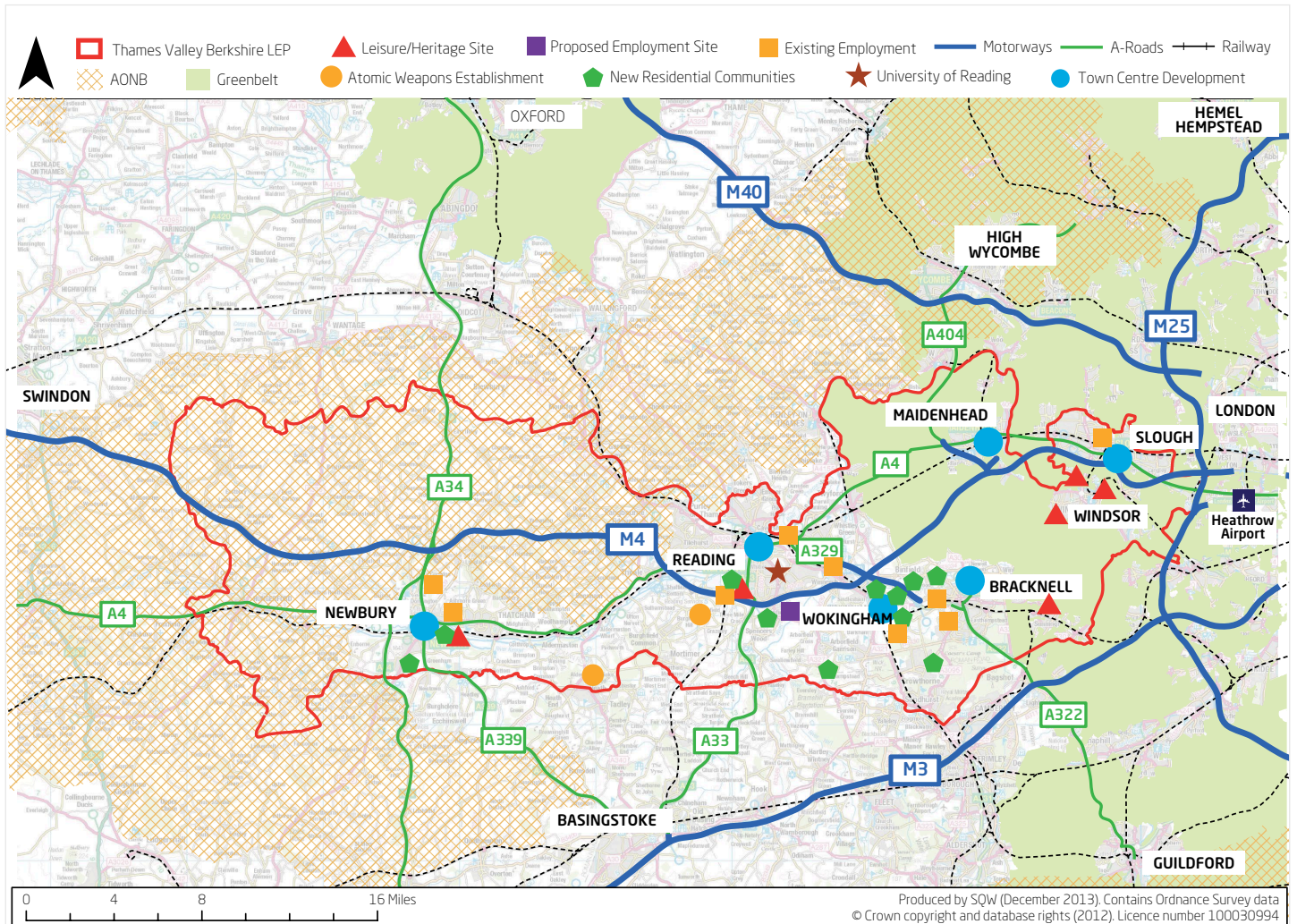
IN THE FUTURE,
WE WILL NEED
TO CONSIDER
WHETHER
PLANNED
HOUSING
PROVISION IS
SUFFICIENT

There is an established statutory planning process for local authorities to review their housing targets. Most of our local authorities have already committed to a joint Strategic Housing Market Area Assessment. This is an essential precursor to any revision of planned housing targets.

Looking ahead, it is crucial that housing availability and affordability do not become serious constraints on the future growth of our economy. We are therefore keen to ensure that a review of housing targets is carried out expeditiously, reflecting the ambitions set out in our Strategy, and that any necessary changes are implemented as soon as practicable and with the active co-operation of all those involved.

Locally, plans for housing growth must also take account of wider infrastructure and related constraints, not least flood risk and utilities. These issues are considered further in our Implementation Plan.

Figure 7: Spatial Framework for growth across Thames Valley Berkshire





OUR VISION AND OVERARCHING PRIORITY

Our Vision:

By 2021, the vibrancy of our business community will be internationally envied. The ambition and creativity of our established businesses will be energised through strong, knowledge-rich, networks. Our workforce will be the lifeblood of our economy: young people will be inspired and older workers valued. Our infrastructure will match the scale of our ambition and potential. And people will choose Thames Valley Berkshire as the place to live and work.

In striving towards our Vision, there are three challenges that we must resolve:

- » Within TVB, there are **world class businesses** (large and small), but many of these – particularly those in tech-based sectors – are **struggling to recruit and retain the staff that they need**. Businesses struggle to grow their workforce for two reasons: national skills shortages (particularly in relation to science, technology, engineering and mathematics), and the ability of TVB to ‘hold onto’ those individuals that do have the requisite skills
- » Looking ahead, TVB’s population of world class businesses must be reinvented constantly, recognising the strength of global competition. Whilst TVB has a high incidence of employment in tech-based businesses, relatively few of these firms focus their R&D in the area. Hence there are **concerns about the pipeline of ‘next generation’ tech-based businesses from within TVB**. Linked to this, the ‘soft networks’ that help mitigate the risks linked to intrinsically ‘high risk’ activities (e.g. starting new tech-based businesses) are underdeveloped locally, and again, this limits the pipeline. These ‘soft networks’ have a strong spatial dimension and they are often linked to particular places (although they also have global components too)
- » TVB is a dynamic economy and employment rates are generally high, but many jobs have limited prospects and – in the context of high living (and particularly housing) costs – ‘in-work poverty’ is an increasing concern. Some young people struggle to enter the workforce. However, many others walk into jobs at the age of 17 but are no further



forward at 27 or 37 and by then, their options are much reduced. Meanwhile, the paradox is that businesses are struggling to recruit and retain the workforce they need.

In response to these challenges, we have identified one overarching priority. This defines the basis of our Strategy:

Our overarching priority is to secure better access to talented people and bright ideas, and to use both more effectively





OUR OBJECTIVES

In securing better access to talented people and bright ideas, and using both more effectively, we have identified six key objectives. The first three relate to 'people' and the remainder focus strongly on 'ideas'. It is in response to these objectives that we will focus future investment linked to transport/communications, skills, housing, enterprise and innovation, and other infrastructure.

PEOPLE

1: Use better those who are already in the workforce

Although there are localised challenges – particularly in Reading and Slough – in general, employment and activity rates within TVB are already high. This means that over the period of the Strategic Economic Plan, our existing workforce has a pivotal role to play in achieving our overall Vision.

We need to equip our already-employed people to play this role as well as possible, recognising that learning and training must occur throughout an individual's working life: in an internationally connected economy, there is an ongoing need for better skills. We also need to recognise the value of older workers; demographic projections suggest that these will comprise an increasing proportion of the working population and many more will be willing and able to work for longer than in previous generations.

In up-skilling the existing workforce, account must be taken of the skills that businesses are seeking, now and in the future. They should also provide some basis for progression, creating a route out of the 'in work poverty' which affects many people, given the very high living (and especially housing) costs within TVB.

2: Inspire the next generation and build aspirations and ambition

We must focus on the next generation, particularly the young people who will enter the labour market over the next decade. We need to encourage a new generation of entrepreneurs and business leaders, and we need to explain far better the opportunities that exist within TVB.

In order to retain them, we need to recognise and understand the specific aspirations of young people – particularly in relation to the types of environment in which they want to live and work. We need to respond more fully to these aspirations, acknowledging that as both a place and an internationally connected economy, TVB itself needs to evolve.

3: Ensure that economic potential is not restricted by labour supply issues

If our ambitions for economic growth are not to be stifled, we must grow our overall labour supply.





Where particular skills are in very short supply, businesses need to be able to find solutions, recognising that this might sometimes require international migration. Many of our businesses are internationally mobile, and we need to ensure that they can find the people they need.

In relation to labour supply, it is imperative that we deliver our planned housing provision. Working with the local planning authorities – and over the longer term – we will also need to ensure that the scale of planned housing growth is sufficient, and the mix appropriate, given the area's substantial economic potential and the body of evidence suggesting both labour/skills shortages and housing market stress.

IDEAS

4: Ensure that knowledge is effectively commercialised and grown within Thames Valley Berkshire

We need to take steps to ensure that growing numbers of businesses in TVB are operating at – or close to – the source of the 'knowledge supply chain'.

There are substantial knowledge-based resources in – or physically close to – TVB and we must use these more effectively and creatively. Our intention is to build knowledge content both as a basis for creating new businesses and as a means of embedding existing ones more firmly within TVB.

In pursuing this aspiration, we want to encourage disruptive technologies, recognising that these are likely to play creative havoc with existing sectoral specialisms. In the future, boundaries need to dissolve within and between the business and research communities. In anticipation, TVB must put in place the hard and soft infrastructures needed to encourage this process.

5: Strengthen networks and invest in the 'soft wiring' to use ideas better

Our polycentric settlement structure means that economic life does not gravitate towards one urban centre and it is, instead, dispersed. This in turn means that networks are disparate: many are in any case global, but within TVB itself there is a lack of critical mass despite the strength, size and diversity of our business community, and across corporates and small and medium sized enterprises alike.

Through our Strategic Economic Plan, we need to build and strengthen these networks across our rural areas as well as our towns so that 'the whole' can genuinely exceed the sum of its component parts.



WE NEED TO
MAKE SURE
THAT MORE OF
OUR JOBS ARE
BETTER JOBS,
PARTICULARLY
FOR OUR YOUNG
PEOPLE



6: Make Thames Valley Berkshire's towns genuine hubs in the ideas economy

Finally, it is essential that Reading, Slough, Wokingham, Newbury, Thatcham, Bracknell, Maidenhead and Windsor all function well as towns. They need to have clear and distinctive roles that allow them to complement – rather than compete with – each other. This can be achieved through collaboration. In all cases, they need also to be vibrant centres.

In addition, their out- (or edge-) of town business parks – and the new urban extensions that many are proposing – need to be part of the mix, both functionally and emotionally.

Our towns should be places where ideas can flourish and where these ideas can, in time, lead to a new generation of businesses which will drive the economy of Thames Valley Berkshire forward.

Investment in transport infrastructure, like the new Reading Station, is essential for Thames Valley Berkshire (and in this case the South West and Wales as well)





THAMES VALLEY BERKSHIRE STRATEGIC ECONOMIC PLAN: IN SUMMARY

Our vision:

By 2021, the vibrancy of our business community will be internationally envied. The ambition and creativity of our established businesses will be energised through strong, knowledge-rich, networks. Our workforce will be the lifeblood of our economy: young people will be inspired and older workers valued. Our infrastructure will match the scale of our ambition and potential. And people will choose Thames Valley Berkshire as the place to live and work.

Our **overarching priority** is to **secure better access to talented people and bright ideas, and to use both more effectively**

PEOPLE

1. Use better those who are already in the workforce
2. Inspire the next generation and build aspirations and ambition
3. Ensure that economic potential is not restricted by labour supply

IDEAS

4. Ensure that knowledge is effectively commercialised and grown within Thames Valley Berkshire
5. Strengthen networks and invest in the 'soft wiring' to use ideas better
6. Make Thames Valley Berkshire's towns genuine hubs in the ideas economy



High level Programmes within our Implementation Plan

Infrastructure –
transport,
communications
and place-shaping

Enterprise,
innovation and
business growth

Skills, education
and employment

International



IMPLEMENTING OUR STRATEGIC ECONOMIC PLAN

The implementation of our Strategy will rely on four main mechanisms ('the how'), each of which will play a distinctive role:

- » Most importantly, we will continue to work hard to **secure private sector investment**, recognising that we have an outstanding track record in these terms. We have a long history of successful inward investment and we also have a very vibrant development process (noting that substantial regeneration schemes are well underway in most of our town centres). Aspirational concepts – like the so-called Central Thames Valley Growth Hub (in the area around Junction 11 of the M4) – continue to provide a focus and catalyst for developers
- » We will continue to work with **central government** to influence key delivery mechanisms and levers. Decisions made by central government will have a huge influence on TVB, not least in relation to Heathrow Airport and key investments in the national road and rail infrastructure
- » We will **use our own resources better**, including those controlled by our wider partnership
- » We will **bid for available grant and loan based funding and flex it hard**, recognising the small, but distinctive, role that this needs to play. This includes, *inter alia*, the Local Growth Fund, Growing Places Fund, our allocation from the European Regional Development Fund and European Social Fund (through EU SIF), and future rounds of the Regional Growth Fund.

Substantively, we will implement our Strategy through four high level Programmes. These are introduced briefly in the paragraphs that follow. Further detail is presented in our separate (and live) Implementation Plan.

INFRASTRUCTURE (TRANSPORT, COMMUNICATIONS AND PLACE-SHAPING) PROGRAMME

Our approach to implementing our Infrastructure Programme will be multi-layered. It includes all four of "the how" mechanisms outlined above. It also relates to a very wide range of physical infrastructures including transport, communications (including broadband), housing, employment land, utilities and flood defences.

Across all of these – and moving from our Vision through to more immediate delivery imperatives linked to Infrastructure – our intention is:

- » **to ensure that economic potential is not stifled by labour supply issues**, meaning that congestion must be addressed and planned housing (some of which is dependent on upfront infrastructure investment) comes forward as quickly as possible



WE NEED TO INVEST IN TRANSPORT TO UNLOCK SOME MAJOR HOUSING DEVELOPMENTS



WE NEED TO DEVELOP OUR NETWORKS SO THAT OUR BUSINESSES GROW STRONGER ROOTS IN THAMES VALLEY BERKSHIRE



EMPLOYERS' EXPECTATIONS ARE NOT ALWAYS MET WHEN THEY RECRUIT YOUNG PEOPLE

» **to ensure that our towns function as real hubs**, recognising that they need effective transport infrastructure (within and between) and also that town centre investment continues apace

» **to ensure that supporting infrastructures - like broadband, flood defences and utilities - are consistent with our growth ambitions.**

ENTERPRISE, INNOVATION AND BUSINESS GROWTH PROGRAMME

Through the delivery of our Enterprise, Innovation and Business Growth Programme, we want:

» **to ensure that knowledge is effectively commercialised and grown in TVB**, noting that we have never had a science park and that our network of business incubators and co-working space merits further development

» **to invest in and strengthen our soft networks**, noting that strong business networks improve the flow of information between firms, encourage innovation and reduce risk, and are frequently a catalyst for growth

» **to support business growth**, recognising the enormous potential that exists within our population of SMEs.

SKILLS, EDUCATION AND EMPLOYMENT PROGRAMME

In relation to our third Programme, our implementation objectives are:

» **to use better those who are already in the workforce by providing opportunities for up-skilling and progression**, acknowledging that "in work poverty" is a major challenge and better skills needs to be part of the solution

» **to inspire the next generation and build aspirations and ambition**, recognising especially the opportunities and imperatives in relation to STEM and the need for a stronger dialogue between our schools, FE Colleges and businesses.

INTERNATIONAL PROGRAMME

Our International Programme will underpin the whole of our Strategic Economic Plan, consistent with TVB's distinctively international character. Through it, we intend:

» **to promote the area better to secure new - and repeat - investment from international business investors and visitors**, responding to intensifying global competition and reinforcing the nationally significant role of TVB within it

» **embed inward investors more effectively in the local economy and support more businesses to engage in export activity**, thus harnessing the impacts of international economic activity, locally.

Our Implementation Plan is detailed. It is provided alongside this statement of our Strategy. Together, our Strategy, Implementation Plan and our underlying Evidence Base comprise our Strategic Economic Plan for Thames Valley Berkshire. We are committed to delivering it fully, and to realising the Vision we have set ourselves.



THE CONTRIBUTION WE INTEND TO MAKE TO NATIONAL ECONOMIC GROWTH



WE WILL ACHIEVE ABOVE-TREND ECONOMIC GROWTH THROUGH THE IMPLEMENTATION OF OUR STRATEGY

OUR CONTRIBUTION TO THE NATIONAL ECONOMY

Our baseline projections suggest that on 'business as usual' assumptions, the economy of Thames Valley Berkshire is set to grow steadily – but not dramatically – over the years ahead (see **Figure 4**, page 19). Through the implementation of our Strategic Economic Plan, our firm intention is that we should see above-trend growth, particularly in the key metrics of economic output (GVA) and productivity (GVA/job).

Estimating the scale of net impact is not, however, straightforward:

- » First of all, it depends, crucially, on the extent to which all four of the implementation mechanisms described above can, in practice, be brought to bear. There are clear delivery risks in relation to each, some of which are in our gift to determine whilst others, quite clearly, are not
- » Second, it depends on a raft of macro-economic and geo-political factors, none of which we can control. Our economy is internationally focused and – compared to other LEP area economies – it means that the risks (both upside and downside) are greater
- » Third, it depends on the timescales under consideration. This Strategic Economic Plan is concerned – effectively – with probing the 'genetic make-up' of Thames Valley Berkshire's economy. It is seeking, fundamentally, to re-purpose our outstanding locational advantages so that they are attuned fully with the risks – and possibilities – of 21st Century competition in the knowledge-based economy as defined on a global stage. None of this is easy or quick but it is, we believe, crucial: TVB made a substantial contribution to the well-being of the UK economy in the second half of the 20th Century and we intend to do likewise in the 21st, but the 'ground rules' are changing and TVB – as both an economy and as a place – will need to adapt, all of which takes time.

Our baseline projection points to GVA growth of 2.5% per annum over the period 2015–20. Through the implementation of our Strategic Economic Plan, we want to increase this by at least half a percentage point, to 3.0% per annum. Our aim is to achieve this primarily through productivity improvements.

If we are successful, we will:

- » increase TVB's economic output by about £700m compared to the baseline projection. By 2020, our GVA is currently projected to be £31.7bn. As a result of our Strategic Economic Plan, we want to see that figure rise to £32.4bn (at constant, 2009, prices).



WE WILL
MONITOR THE
PROGRESS OF
OUR STRATEGY IN
IMPLEMENTATION

In turn, these changes will mean that:

- » more of our residents will pay higher rates of income tax
- » our business base will increase and more of these businesses will be more profitable; the corporation tax take from TVB should therefore increase substantially.

In addition, if we can increase effective labour supply – beyond that which is currently projected – we are confident that the GVA impacts linked to the delivery of our Strategic Economic Plan will be greater again.



For more information contact:

Tim Smith MBE
Business Director

Thames Valley Berkshire LEP Ltd
100 Longwater Avenue
Green Park
Reading
Berkshire RG2 6GP

Telephone: 0118 945 0200

www.thamesvalleyberkshire.co.uk