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South East Diamonds for Investment and Growth: the evidence

SEEDA

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For and on behalf of Experian	
Approved by:	Tim Sydenham
Position:	Associate Director
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Signed:	

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Executive summary

Experian was commissioned in June 2006 by SEEDA to develop a robust evidence base to provide the platform for a shared agenda for eight South East ‘diamonds for investment and growth’. This is a summary of the evidence base, highlighting opportunities and constraints facing the diamonds (individually and collectively) and identifying implications for policymakers. The diamonds are, in alphabetical order, Basingstoke, Brighton and Hove, Milton Keynes and Aylesbury Vale, Oxford/Central Oxfordshire, Reading, Thames Gateway Kent, The Gatwick Diamond and Urban South Hampshire.

Collectively, the diamonds are of great significance to regional and national economic growth. Although considerably smaller than the Northern Way city-regions, the diamonds’ collective rate of growth has outperformed the region, the UK and western Europe. In particular, diamonds have collectively driven GVA growth, indicating that they have the characteristics to not only support but drive the region’s response to the challenges outlined in the draft RES.

Individually, there are considerable differences between the diamonds, in terms of role, assets and performance. A number of the diamonds (Basingstoke, Milton Keynes, Oxford/Central Oxfordshire, Reading and The Gatwick Diamond) significantly outperform the region on many indicators of competitiveness. However, the other diamonds (Brighton and Hove, Thames Gateway Kent and Urban South Hampshire) perform less well. Nevertheless, future performance is not necessarily constrained by the past, and a number of opportunities to unlock the growth potential of all diamonds are clearly identifiable.

In broad terms, **Basingstoke** is a key location for knowledge and cultural industries, with little legacy from previous industrial periods and good links to the rest of the region, London and the global economy. **Brighton and Hove** is a centre for education, culture, creativity, leisure and tourism and an asset of regional significance because its singular character is able to attract the types of creative and knowledge workers important for a 21st Century economy. **Milton Keynes and Aylesbury Vale** is part of a designated Growth Area, is well situated between London/the South and the Midlands/the North, and has good airport as well as motorway and rail links. It offers a prime location for businesses with national and international reach. **Oxford/Central Oxfordshire** has a science and research base with few rivals, but also a high technology manufacturing base, and a helpful location near to Heathrow, London, the Midlands and the West. **Reading** has a strong location near London and Heathrow, and as a global gateway is an important base for head offices and high-value, high-growth business services. **Thames Gateway Kent** provides huge development opportunities as part of Europe’s largest regeneration initiative, and is soon to acquire high speed rail links to London and mainland Europe. **The Gatwick Diamond** is an air transport hub of global importance, but also provides high quality residential opportunities linked into the regional and London economies. **Urban South Hampshire** is a major conurbation which, on the face of it, is the diamond most similar to northern city-regions but with two important seaports, a mixed industrial base and good educational assets.

International comparator analysis helps to identify key drivers of economic competitiveness. Analysis of similar European urban areas and the North Carolina Research triangle suggests that key economic performance factors for policymakers to consider are growth in working age population, a skilled workforce, a favourable industrial mix, a strong university presence, a collaborative culture between business and research institutes, and proximity to a very large, well-performing area (London, in the case of the diamonds).

The state of readiness of diamonds to collaborate on intra-diamond issues is key to unlocking their future growth potential, as are individually tailored strategies under the banner of *The South East Diamonds for Investment and Growth*.

Introduction

BACKGROUND

In June 2006, the South East of England Development Agency (SEEDA) commissioned Experian to develop a robust evidence base to provide the platform for a shared agenda for eight 'diamonds for investment and growth' identified in the draft *Regional Economic Strategy* (RES) for the South East. Experian is being advised during the course of the study by Professors Mike Coombes, Michael Parkinson and James Simmie, authors of the recently published *State of the Cities Report*.[1]

The overarching aim of Experian's research is to support the work of the diamonds as they identify a common agenda for action designed to unlock the diamonds' growth potential and raise awareness among policymakers of the contribution that the diamonds could make to national and regional economic prosperity. The eight diamonds were identified by the region prior to the commissioning of Experian. Therefore, Experian's remit has been to generate an economic evidence base on those previously identified diamonds.

OBJECTIVES

The key objectives of Experian's research are to:

- generate a robust evidence base on the South East diamonds to inform policymaking at all governmental levels;
- enhance understanding and awareness of the nature and role of city-regions in the South East;
- identify the characteristics, opportunities and constraints facing diamonds, individually and collectively; and
- provide a platform for a common agenda for action in and across the diamonds in order to unlock their growth potential.

In order to generate an evidence base on the diamonds, Experian has undertaken a series of research tasks. In broad terms, these tasks have included:

- producing a contextual and analytical framework to guide the research;
- producing alternative analytical proxy areas for each diamond;
- generating local area data on the past, present and future performance of the diamonds, using Experian's *Regional Planning Service*;
- collating data and information from a wide range of sources for a series of indicators of economic performance;
- mapping the socio-demographic structure of each diamond, using Experian's *Mosaic Public Sector* segmentation system;
- assessing the linkages between the diamonds themselves and the diamonds and London;
- identifying international (European and US) comparator areas and any implications for the future growth of the diamonds;
- identifying opportunities and constraints facing diamonds, on the basis of the evidence above; and
- assessing the various components of the evidence base to highlight key strengths and weaknesses of diamonds, individually and collectively.

[1] *State of the Cities Report*, ODPM/DCLG, March 2006.

THE STRUCTURE OF THIS REPORT

This report provides a summary of the evidence base and is structured as follows:

Section 1 provides the policy parameters of the study, reviewing the city/city-region agenda and its relevance to the South East. The section also summarises Experian's analytical framework.

Section 2 provides a broad overview of the evidence on the diamonds, individually and collectively.

Section 3 provides a brief portrait of each individual diamond, highlighting selected indicators of performance and identifying opportunities and constraints revealed by the evidence base.

Section 4 provides a summary of Experian's identification and assessment of international comparator areas, specifically European urban areas and the North Carolina Research Triangle.

Section 5 provides an overview of the evidence, setting out implications for policymakers.

For more information, contact:

Tim Sydenham
Associate Director – Economic Policy
Experian Business Strategies
0207 355 8262
tim.sydenham@uk.experian.com

1 City-regions in a South East context: creating an evidence base

1.1 THE CITY-REGION AGENDA

Interest in cities and more recently city-regions has gathered pace since the publication of the Urban White Paper in 2000.[2] Increasingly, cities and their hinterlands are seen as key drivers of regional economic growth. Indeed, the economic importance and agglomeration effects of cities is at the heart of the resurgence in urban policy.

At the heart of this is the idea that, in economic terms at least, cities and surrounding areas interact closely. The economic functional area (or 'footprint') of a city tends to stretch beyond its administrative boundaries. Together, they are the concentrated locations for most economic activities (in particular, activities which depend primarily on human capital for their value-added, rather than activities which rely heavily on natural resources which tend to be located outside of urban centres). Consequently, policymakers are turning their attention to issues that can be dealt with more effectively across economic functional areas, namely at the city-region level. Intervention at this level is considered key to the competitiveness and future growth of urban economies.

The 2003 study, *Cities, Regions, Competitiveness*, brought this debate to the forefront of policymaking circles.[3] Since then, considerable research has been undertaken around this agenda, most notably the *State of the English Cities Report* which assessed the performance of 56 Primary Urban Areas. The most recent publication on urban policy – the joint Treasury, DCLG and DTI paper, published alongside the 2006 Budget, *Meeting the regional economic challenge: the importance of cities to regional growth* – demonstrated the importance placed on cities by current UK Government policymakers:[4]

"Given the importance of cities as places where the majority of people live and work, and the strong links between city and regional economic growth in an increasingly integrated global economy, lifting the economic performance of cities is critical to improving the economic prospects of regions and to tackling disparities between regions."

To date, much of the debate around English cities has been focused on the eight Core Cities[5] and the eight city-regions of the Northern Way[6] – at least until the publication of the *State of the English Cities Report*. Less attention has been given to the role that cities and major towns in the South East of England play in driving economic growth at both the regional and national level.

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[2] *Our Towns and Cities: The Future – Delivering an Urban Renaissance (the Urban White Paper)*, ODPM/DCLG, 2000.
[3] *Cities, Regions, Competitiveness,* UK Government, 2003.
[4] *Meeting the Regional Economic Challenge: The Importance of Cities to Regional Growth*, Treasury, DCLG, DTI, March 2006.
[5] The Core Cities are Birmingham, Bristol, Leeds, Liverpool, Manchester, Newcastle, Nottingham and Sheffield.
[6] The Northern Way city-regions are Central Lancashire, Hull and the Humber Ports, Leeds, Liverpool/Merseyside, Manchester, Sheffield, Tees Valley and Tyne and Wear.

1.2 A FRAMEWORK FOR ANALYSIS IN THE SOUTH EAST

The region's draft Regional Economic Strategy (RES) has identified cities and towns which, with their surrounding areas, have the potential to act as eight "diamonds for investment and growth" on the basis of their concentrations of "people, employment, built assets, knowledge, transport, networking, creativity, leisure, culture and diversity":

- Basingstoke.
- Brighton and Hove.
- Milton Keynes and Aylesbury Vale.
- Oxford / Central Oxfordshire.
- Reading.
- Thames Gateway Kent.
- The Gatwick Diamond.
- Urban South Hampshire (including both Portsmouth and Southampton).

However, the urban structure of the South East is different from that of many other regions in England, particularly those regions to the north. Broadly speaking, South East urban areas differ as follows:

- They are generally smaller than the Core Cities and the city-regions of the Northern Way – that said, the size of the South East cities differs markedly from one to the next, and although they are smaller than the large, free-standing Core Cities, they are still significant in size.
- They are usually (with some exceptions) better performing than northern cities, and there is evidence of further divergence in economic performance between them as the South East cities pull away with strong growth ratings.
- Their relationship with London is much more closely intertwined, to the extent that a Greater South East area has been identified in which the hugely successful London economy acts as the hub – indeed, an EU-funded research project POLYNET is currently examining the South East's role in a "Polycentric Mega-City-Region" centred around the capital.
- The urban form of the region itself is relatively polycentric in that no single city or major town situated within the region (i.e., excluding London which in administrative terms lies outside the South East) dominates it, comprising towns and cities that are physically separate but functionally networked.
- Unlike most of the Core Cities and city-regions of the Northern Way which are still dealing with the legacies of their industrial past, many of the urban areas of the South East are already good examples of what 21st Century economies might be expected to look like.

Therefore, the urban policy context in the South East is quite different – on the whole, its urban areas are relatively well-performing, service-based economies which are driving not only the regional but also the national economy. Indeed, the joint Treasury, DTI and DCLG paper referred to above recognised the heterogeneity of English cities and that "*different places of different sizes play distinctive, and complementary, roles in regional economies, and have different experiences, challenges, and opportunities*." This differing nature of the cities agenda in the South East is an important factor in creating a framework for analysis of the region.

Fundamentally, the research outlined in this report on the South East diamonds is concerned with economic growth – more specifically, economic growth that is both "smart" and "sustainable". These two concepts underpin the major policy documents in the South East, most relevantly the RES and the region's spatial strategy, the South East Plan. Our contextual and analytical framework produced to guide this research highlighted these concepts which are included in the three central challenges identified in the RES – i.e., global competitiveness, smart growth and sustainable prosperity.

Our analytical framework for the study is based on the "competitiveness pyramid" used by the authors of the *State of the Cities Report* in the economic component of that study. The target outcome in the pyramid is an increased urban standard of living achieved through enhanced economic performance, itself revealed by labour productivity, employment, wages and profits. The pyramid highlights seven key drivers of economic performance, indicators of which we have used to create our evidence base on the South East diamonds. The pyramid also identifies five fundamentals wherein policymakers have scope to intervene in urban economic policy. Our research has been based on this overall framework.

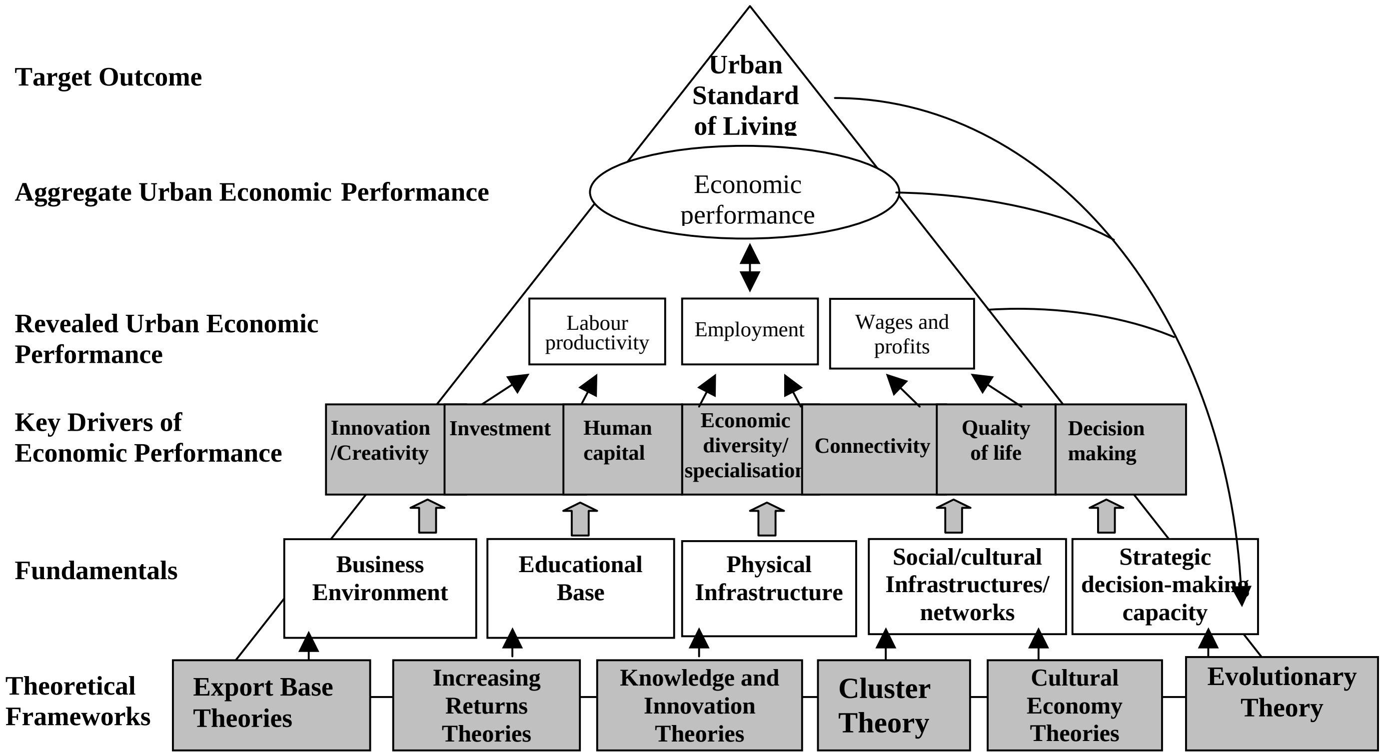

Figure 1.1: The urban competitiveness pyramid

2 "Diamonds for Investment & Growth"? an overview

2.1 INTRODUCTION

The diamonds have been identified for their potential to drive economic growth and raise economic prosperity both at the regional and national level.

This section provides an initial overview of the diamonds as follows:

- an overview of the collective significance of the diamonds within both the regional and national economy, and compared to another high-profile city-region agenda in the UK, the Northern Way;
- an initial analysis of the individual characteristics of the diamonds, highlighting the similarities that (certain groups of) diamonds share, but also the significant differences between diamonds;
- a snapshot of the current state of readiness of each diamond to collaborate on pan-diamond economic development issues.

2.2 THE DIAMONDS: COLLECTIVE SIGNIFICANCE

The diamonds have been identified at a time when the city-region agenda is high in profile in policymaking circles. Most well-known is the Northern Way agenda, the government's response to the north/south output gap, which also identifies eight city-regions. Although the Northern Way stretches across three regions (North West, North East and Yorkshire/Humber) and is therefore not directly comparable with the South East diamonds for growth agenda, a comparison between the identified city-regions highlights some important distinctions.

Broadly speaking, the Northern Way city-regions are much larger than the diamonds in employment terms.[7] With only two exceptions, all of the Northern Way city-regions account for over half a million jobs. On the other hand, none of the diamonds account for over half a million jobs. Therefore, purely in terms of ***size***, the Northern Way city-regions are of greater significance (individually and collectively) than the diamonds.

However, the story is very different in economic and employment ***growth*** terms. In the five years to 2004, the average annual change in the Northern Way's total employment was 1.0% Collectively over that same period, the diamonds achieved a rate of 1.5% with certain diamonds achieving even higher rates of over 2% (Reading and Thames Gateway Kent albeit the latter from a very low base) and almost 3% (Milton Keynes and Aylesbury Vale). Output growth has been even more impressive among the diamonds. Over the same time period, the Northern Way city-region's average annual change in GVA was 2.8% whereas the diamonds collectively grew by 3.7% with Reading, Basingstoke and Milton Keynes and Aylesbury Vale performing very strongly.

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[7] Northern Way city-regions are defined by groupings of local authorities as outlined in *Moving Forward: The Northern Way First Growth Strategy Report*, and represent the 3 regions of the North West, North East and Yorkshire/Humber; South East Diamonds are defined as detailed in Figure 1.2 above.

	Total employment, 2004 (000s)	Average annual change in total employment, 1999 to 2004 (%)	Average annual change in GVA, 1999 to 2004 (%)
Liverpool/Merseyside	653.0	1.5	3.0
Central Lancashire	573.7	0.6	2.7
Manchester	984.1	0.9	2.7
Sheffield	748.9	1.3	3.0
Leeds	1,443.6	1.2	2.8
Hull and the Humber Ports	291.0	1.3	2.2
Tees Valley	320.1	0.1	2.2
Tyne and Wear	524.4	0.7	3.1
Northern Way city-regions	**5,538.8**	**1.0**	**2.8**
Basingstoke	84.7	0.8	4.9
Brighton and Hove	215.2	1.9	3.9
Milton Keynes and Aylesbury Vale	230.1	2.8	5.0
Oxford / Central Oxfordshire	353.8	1.1	3.4
Reading	436.1	2.1	4.3
Thames Gateway Kent	237.4	2.1	3.7
The Gatwick Diamond	363.6	1.4	3.3
Urban South Hampshire	419.5	0.3	2.4
South East Diamonds	**2,340.4**	**1.5**	**3.7**
South East	4,250.56	1.3	3.5
England	25,616.61	1.0	3.0

Note: Northern Way city-regions are defined by groupings of local authorities as outlined in Moving Forward: The Northern Way First Growth Strategy Report*, and represent the 3 regions of the North West, North East and Yorkshire/Humber; South East Diamonds are defined in Figure 1.2 above.*
Source: Experian, 2006

Figure 2.1: Size and performance of South East diamonds and the Northern Way city-regions

This illustrates the collective significance of the diamonds in driving economic growth. This is the case at the regional and therefore also at the national level. The South East region is a fundamental driver of growth in the national economy. In 2004, the South East region accounted for 16-17% of England's total GVA and employment. In its own terms, this is significant. Moreover, average annual growth in England's employment in the five years leading up to 2004 was 1.0%. The South East averaged 1.3%. Over the same period, England's average annual growth in GVA was 3.0%. The South East averaged 3.5%. Therefore, the region is of fundamental importance to driving and indeed sustaining national economic growth, particularly in terms of output.

In turn, the diamonds are fundamental to the South East's growth. Collectively, they accounted for 61% of total regional GVA[8] in 2004, and 55% of total regional employment. In growth terms, diamonds are of even greater collective significance. In the five years to 2004, the region's average annual growth in employment grew faster than the national rate; collectively the diamonds grew at the even higher average annual rate of 1.5%. The diamonds' average annual growth in GVA was also, at 3.7%, higher than the region's. Therefore, there is a clear link between the strong growth of the diamonds and the continuing growth of both the South East region and the national economy.

[8] GVA at current, basic prices.

Although the diamonds are smaller in terms of employment and output than their northern counterparts, they are disproportionately significant drivers of regional and national growth. In particular, their contribution to output growth is disproportionately high, illustrating the key role of the diamonds in meeting the smart growth challenge.

2.3 SIMILARITIES AND DIFFERENCES: INDIVIDUAL DIAMONDS

Collectively, the diamonds are drivers of investment and growth which display certain similar characteristics to one another. However, within this similar picture there are differences between the diamonds including size, performance and structure.

The Reading diamond has the largest economy with GVA amounting to over £18 billion in 2004 – equivalent to 13% of the South East's total output and over 2% of England's. Oxford/Central Oxfordshire, The Gatwick Diamond and Urban South Hampshire also contribute a significant proportion of the region's GVA, and each account for around 9% of the workforce in the South East.

	Total employment (000s), 2004	Employment as a % of regional total	GVA (£mn, current prices), 2004	GVA as a % of total GVA in the region
Basingstoke	84.7	2%	3,238.0	2%
Brighton and Hove	215.2	5%	6,579.0	5%
Milton Keynes and Aylesbury Vale	230.1	5%	8,674.7	6%
Oxford / Central Oxfordshire	353.8	8%	13,186.8	9%
Reading	436.1	10%	18,423.0	13%
Thames Gateway Kent	237.4	6%	7,079.7	5%
The Gatwick Diamond	363.6	9%	13,178.4	9%
Urban South Hampshire	419.5	10%	13,764.1	10%
South East Diamonds	**2,340.4**	**55%**	**84,123.7**	**61%**

Experian, 2006

Figure 2.2: Differences in size of individual diamonds

Collectively, GVA per capita is higher in the diamonds than in England and the South East as a whole, while Gross Disposable Household Income (GDHI) per capita is in line with the regional average whilst exceeding the national. However, this pattern is not common across the diamonds. Reading and to a lesser extent the Gatwick Diamond stand out as the most prosperous of the diamonds, with GVA and GDHI per capita well in excess even of the South East average.

While Basingstoke, Milton Keynes and Aylesbury Vale and Oxford / Central Oxfordshire also tend exceed the regional average slightly and are well in excess of national trends, Urban South Hampshire, Brighton and Hove and Thames Gateway Kent lag behind somewhat. Indeed, in terms of wealth these diamonds do not demonstrate the high levels of prosperity evident in the South East and even fall behind the national average.[9] Therefore, current prosperity levels are a very different story among individual diamonds, although only Brighton and Hove and Thames Gateway Kent have higher income than GVA per capita.

[9] Brighton and Hove's high levels of GDHI per capita in comparison to GVA per capita is a likely reflection of the large base of wealthy individuals that live in Brighton and Hove itself but travel outside of the area to access employment (particularly in London) as illustrated by our analysis of linkages in Appendix A. Indeed, this analysis highlights a similar story for Thames Gateway Kent, where a substantial proportion of residents are employed in London.

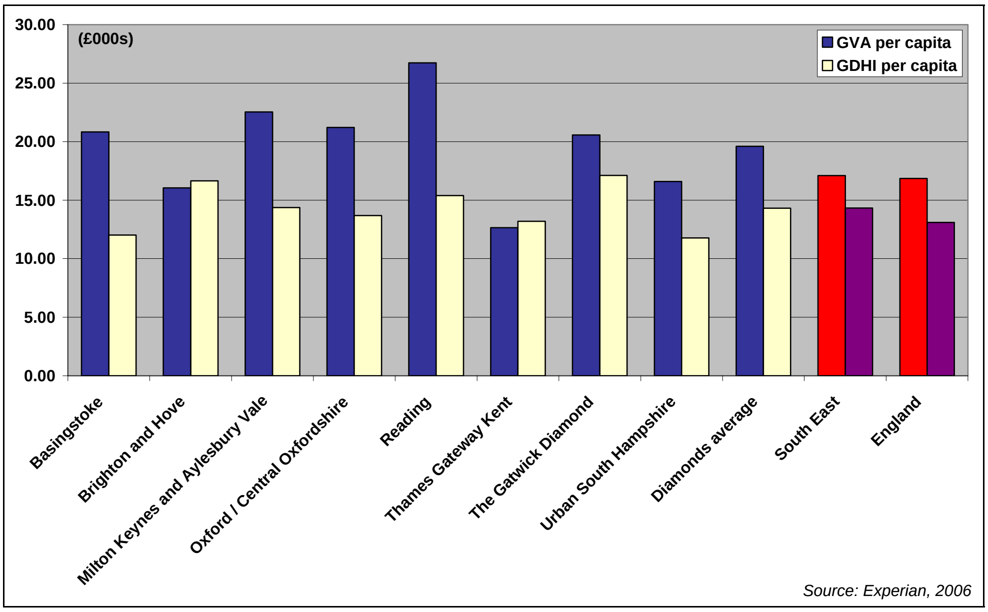

Figure 2.3: GVA/GDHI per capita (2004) in individual diamonds

Revealed indicators of competitive performance further demonstrate the strength of the diamonds. Collectively, labour productivity[10] is considerably higher in the diamonds than on average regionally and nationally. With 79% of the working-age resident population in the diamonds in employment, the employment rate also exceeds the national average, while economic inactivity rates are below national benchmarks.[11] This combination of factors reveals the diamonds' highly competitive performance. However, among the diamonds there are again significant differentials. Reading, The Gatwick Diamond, Oxford/Central Oxfordshire, Basingstoke and Milton Keynes and Aylesbury Vale perform extremely strongly compared to regional and national averages. On the other hand, the relatively poor performance of Thames Gateway Kent, Brighton and Hove and Urban South Hampshire provides some explanation for the lower levels of economic prosperity evident in these areas.

The poor performance of certain diamonds against competitiveness indicators can actually push the diamonds collectively below the regional average on some indicators. In part this reflects the poor performance of areas such as Thames Gateway Kent and Urban South Hampshire, in addition to the fact that certain prosperous and strongly performing South East areas such as Guildford/Aldershot are not included in our analysis.

Below, we provide a table which details the performance of each of the diamonds on a number of key indicators. This highlights those diamonds which tend to perform poorly in comparison to others (and to the region as a whole), and those which tend to perform well. It is important to note that this refers to the *past* or *current* performance of individual diamonds, not to their *future* growth potential, although the drivers identified are expected to remain important factors in competitive performance.

Broadly speaking, Reading performs consistently high. Basingstoke, Milton Keynes, Oxford/Central Oxfordshire and The Gatwick Diamond also perform well, albeit against slightly different indicators in each case. Growth in population/employment has fuelled recent growth in some cases whilst innovation/productivity gains have been comparatively more responsible in others. The role of individual diamonds is also very different. For example, Reading is a strategic centre for business services, being home to the European HQs of a

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[10] Measured as GVA per Full Time Equivalent (FTE) job.

[11] Sourced from the Annual Population Survey. Working age refers to females between the age of 16 and 59 and males aged between 16 and 64.

number of multi-national corporations and delivering services upon which London and the rest of the UK are highly dependent. However, The Gatwick Diamond is a transport hub with an international airport serving important destinations all over the globe (albeit of less importance than Heathrow) and, as part of the prosperous ‘stock broker belt’, the diamond plays an important supporting role for the Capital in a different way.

On the other hand, Brighton and Hove, Thames Gateway Kent and Urban South Hampshire have performed consistently below the diamonds’ collective performance across indicators, although Brighton and Hove’s highly qualified population does differentiate it somewhat. Nevertheless, each of these diamonds displays characteristics which suggest that they are not currently achieving their full potential and which should form the basis for much improved future performance. Moreover, whilst collectively the diamonds are drivers of the regional and national economy, the assets and opportunities for development are diverse.

2.4 SELECTED INDICATORS

	Basingstoke	Brighton and Hove	Milton Keynes and Aylesbury Vale	Oxford / Central Oxfordshire	Reading	Thames Gateway Kent	The Gatwick Diamond	Urban South Hampshire	Diamonds average	South East	England
Total population (000s)	155	410	385	622	689	560	641	830	4292	8131	50,099
Total employment (000s)	85	215	230	354	436	237	364	419	2340	4251	25,617
Total output (£000s)	3,238	6,579	8,675	13,187	18,423	7,080	13,178	13,764	84,124	139,004	844,183
Overall Performance											
GVA per capita (£000s)	21	16	23	21	27	13	21	17	20	17	17
GVA per job (£000s)	45	38	44	44	50	36	43	40	43	39	40
% of working age population in employment	84%	75%	81%	81%	81%	77%	80%	77%	79%	79%	75%
% of the working age population that are economically inactive	13%	20%	15%	17%	16%	20%	18%	20%	18%	18%	22%
Average weekly earnings (£s)	593	459	530	524	655	479	571	493	541	539	526
Average annual change in GVA, 1999 to 2004, %	4.9	3.9	5.0	3.4	4.3	3.7	3.3	2.4	3.7	3.5	3.0
Average annual change in GVA per capita, 1999 to 2004, %	4.2	3.5	4.0	2.8	4.0	3.2	2.9	2.1	3.2	3.0	3.0
Drivers of economic performance											
% of firms introducing new products/processes, 2002-2004	23%	18%	39%	38%	35%	29%	30%	34%	32%	32%	31%
Gross Fixed Capital Formation per Capita (£ per head)	2,560	2,655	4,141	4,141	4,141	2,005	2,655	2,560	2,895	2,895	2,576
% of the population with degree level qualifications	30%	34%	28%	31%	36%	19%	32%	24%	29%	29%	26%
% of employees in Knowledge Intensive Business Services	13%	6%	11%	11%	19%	4%	10%	6%	10%	10%	7%
Annual no. of VAT registrations per 10,000 adult population	43	39	55	46	51	33	48	32	43	43	39
Percentage of the population in Low Income Households	6%	13%	9%	7%	6%	12%	6%	11%	9%	9%	14%

Figure 2.4: The individual performance of the diamonds compared to regional and national benchmarks

2.5 STRATEGIC DECISION-MAKING CAPACITY

A snapshot of the strategic decision-making context in each diamond, whether in administrative or partnership terms, is provided in ***Appendix C***.

Professor Michael Parkinson makes the following observations on the general importance to city-regions of strategic decision-making capacity:

The appropriate relationship between cities and their economic hinterlands is an increasingly important issue internationally. The continuing debate about the significance of city-regions underlines the fact that the current relationships in many UK cities are sub-optimal. But the UK is not alone in these concerns. Despite the assumption that things work better on the continent, this is not the case. In fact there are a series of regional-urban difficulties that we find in the UK. These include, for example: local government fragmentation, economic competition between adjacent local authorities, worries about the environmental impact of residential and job decentralisation, fiscal exploitation of the central city by suburban service users, the segregation of excluded communities as municipalities contest to attract richer and repel poorer people and housing, failures to market the sub-region effectively, and concerns that the central city is too small to punch its weight in European and global markets. Few urban areas have yet devised a satisfactory set of arrangements that capture the wider economic territory.

Some trends are apparent. First, there is great awareness in continental Europe of the importance of the economic relationships between cities and regions. There is recognition that city administrative boundaries do not correspond with current economic realities and that the wider region or sub-region needs to be taken into account for long term policymaking. Second there are increased efforts to devise sub-regional institutional relationships so that cities and their surrounding sub-regions can work together more efficiently, partly to manage internal issues – economic development, physical infrastructure, human capital, environment, transport issues – and partly to market their areas externally. The nature of the relationships ranges from formal to informal. Both approaches have costs and benefits. Third, these urban-regional relationships are never simple with a range of economic and political tensions making it difficult to get easy solutions. Fourth, drawing boundaries and deciding who is in who is out – formally or informally – is not simple. Different cities have worked with different boundaries. Political realities and relationships are a key consideration. But in many urban areas there are efforts to build relationships between neighbouring local authorities, or occasionally between more distant towns and cities, which all emphasise the economic advantages derived from critical mass and increased collaboration. Working on as wide a scale upon which you can get political agreement is probably the best advice.

There are two kinds of solutions to collaborative working. The first is by creating formal hierarchical structures. The second is operating informal, non-institutional organisational structures. The most common view is that informal strategic alliances between willing partners which can be mobilised around agreed territories and powers and resources are better than the alternatives of acting only on a local basis or of spending a great deal of time and energy fighting un-winnable battles for formal change.

A review of city-regional affairs for the *State of the Cities Report* underlined a series of key points. First there are considerable ambiguities about the meaning of the idea but there is growing support at national and local level for it. Second there has been considerable progress in some areas, but others are still lagging behind. Third there is considerable willingness to explore the issues. Fourth the city-region idea is probably easier to say than it is to do. And the going will get tougher as places move from formal declarations of collaboration to working together and taking hard decisions about what and where will be the priorities for investment.

The evidence from Europe underlines some important themes. There is an agreement that cities drive regions. There is concern to get the right working relationships between cities and their sub regions. There are challenges of fragmentation and suburbanisation to overcome. There are frequent rivalries. There is no single model to deliver. And yet most places are going the informal route of networks, not structures, because the benefits outweigh the costs. The message is you start from where you are and do what you can where you can and how you can. The message is also that politics and leadership matters.

There are barriers to collaboration, of course:

- there is often a lack of vision;

- there is typically institutional fragmentation;
- there are historic rivalries;
- there are personal rivalries;
- there are place rivalries;
- there are party rivalries;
- there are economic rivalries;
- there is often complacency;
- there are overlapping institutional strategies; and
- there are urban-rural conflicts.

In the end, successful collaboration requires leadership from key partners. It requires political maturity and for the large cities not to bully the smaller places at the periphery. It requires trust, especially from the smaller places that their interests will be protected in development. It takes time to develop these relationships. Common projects, however small, are helpful. Bits of machinery can also help collaboration. National government can incentivise. Regional agencies need to promote and encourage sub-regional partnerships, they need to recognise the value of the city-region and they need to focus and align their strategies to support them. Local partners need to build vision, strategy, partnership, leadership and trust. They need to support the idea politically. They need to take small steps. They need to build organisational capacity. And they need to stick with it when the going gets tough because although it is not a quick fix, the gains are likely to be worth it.

3 South East diamonds: portraits

3.1 INTRODUCTION

Although the diamonds share common characteristics, individual diamonds are distinctive entities in their own right. They are located in different parts of the region, have different assets and have performed differently according to key indicators in the past. This section provides a brief portrait of each diamond, highlighting selected indicators of performance and identifying opportunities and constraints revealed by the evidence base.

3.2 BASINGSTOKE

Setting the scene

The ***Basingstoke*** diamond lies to the south west of London and south of Reading. It is the smallest of all the city-regions in the South East, being home to a little over 150,000 people. Just under 85,000 people are employed within the diamond, the overwhelming majority of whom are concentrated within the urban centre of Basingstoke. The diamond also incorporates the towns of Tadley to the north and Whitchurch to the west.

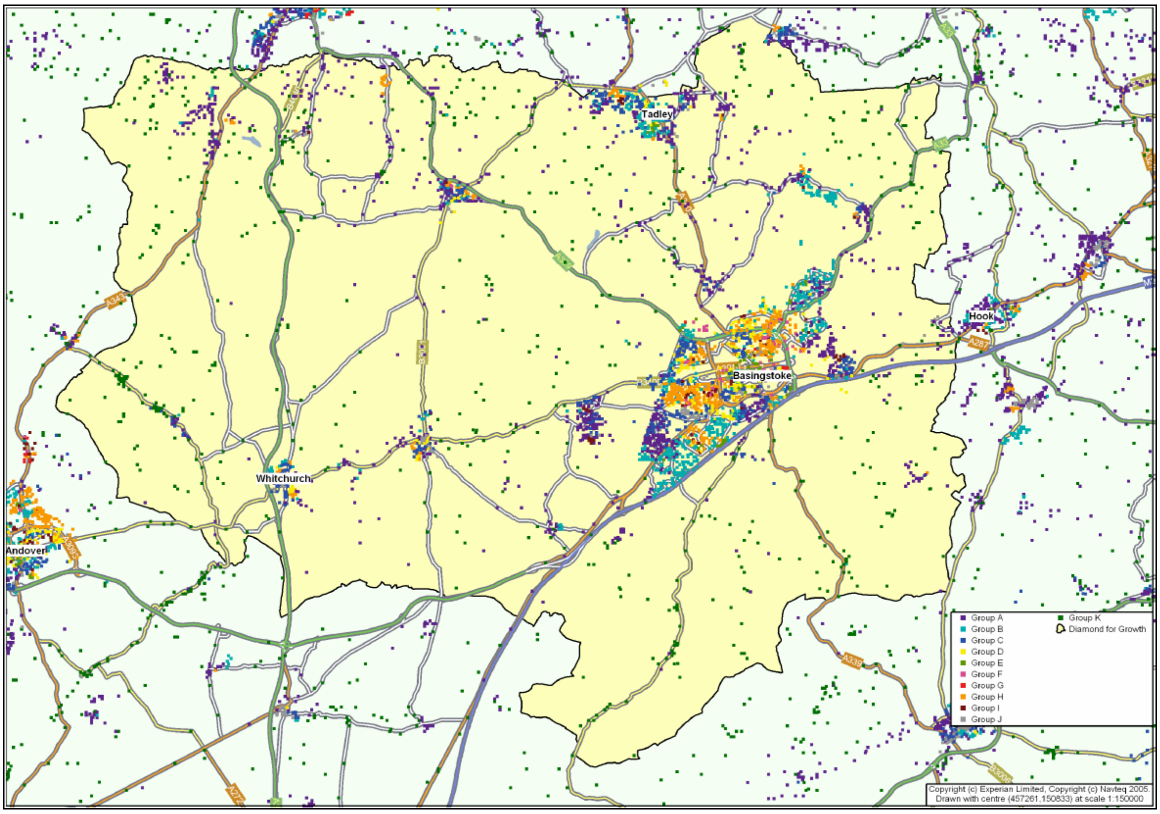


Figure 3.1: The analytical proxy area of the Basingstoke diamond

A	Career professionals living in sought after locations	G	Low income families living in estate based social housing
B	Younger families living in newer homes	H	Upwardly mobile families living in homes bought from social landlords
C	Older families living in suburbia	I	Older people living in social housing with high care needs
D	Close-knit, inner city and manufacturing town communities	J	Independent older people with relatively active lifestyles
E	Educated, young, single people living in areas of transient populations	K	People living in rural areas far from urbanisation
F	People living in social housing with uncertain employment in deprived areas		

For the purposes of this research, the analytical proxy area of the Basingstoke diamond is defined as the district of Basingstoke and Deane.

Selected indicators

Profile	Basingstoke	South East	England
Total population (000s)	155	8,131	50,099
Total employment (000s)	85	4,251	25,617
Total output (£mn)	3,238	139,004	844,183
Performance	**Basingstoke**	**South East**	**England**
GVA per capita (£000s)	21	17	17
GVA per FTE job (£000s)	45	39	40
% of working age population in employment	84%	79%	75%
% of working age population that are economically inactive	13%	18%	22%
Average weekly earnings (£s)	593	539	526
Average annual change in GVA, 1999 to 2004, %	4.9	3.5	3.0
Average annual change in GVA per capita, 1999 to 2004, %	4.2	3.0	3.0
Drivers	**Basingstoke**	**South East**	**England**
% of firms introducing new products/processes, 2002-2004	23%	32%	31%
Gross Fixed Capital Formation per Capita (£s)	2560	2895	2576
% of the population with degree level qualifications	30%	29%	26%
% of employees in Knowledge Intensive Business Services	13%	10%	7%
Annual no. of VAT registrations per 10,000 adult population	43	44	39
Rail journey time to London from largest rail station (mins)	45	n/a	n/a
Car journey time to Heathrow from largest urban area (mins)	51	n/a	n/a
Percentage of the population in Low Income Households	6%	9%	14%

The story so far

The Basingstoke diamond may be small but its significance to the South East and UK is disproportionate to its size. The diamond is consistently among the top performers in terms of competitive performance, with high rates of productivity and employment, and average weekly earnings second only to Reading. With the economy expanding at an average annual rate of 4.9% between 1999 and 2004, expansion of the Basingstoke diamond's economy has outstripped regional and national benchmarks, and exceeded all other diamonds with the exception of Milton Keynes and Aylesbury Vale.

Moreover, given the economic make-up of the city-region, the diamond is home to many multinational corporations such as Barclays Capital, Motorola and Sony as well as UK businesses operating in international markets and as such the diamond could be said to act as a virtual gateway to the global economy.

GVA per capita in the diamond significantly exceeds regional and national benchmarks and analysis of Experian's *Mosaic Public Sector* profiling tool suggests that there is a significant over-representation of high skilled, high earners in the diamond, particularly groups A and B. Conversely, there is an under-representation of almost all other groups but particularly low skilled, low income groups (groups F and G) and this is confirmed by the Indices of Multiple Deprivation (IMD) which suggest that just a little over 6% of the diamond's population reside in low income households – a smaller proportion than any other diamond with the exception of The Gatwick Diamond.

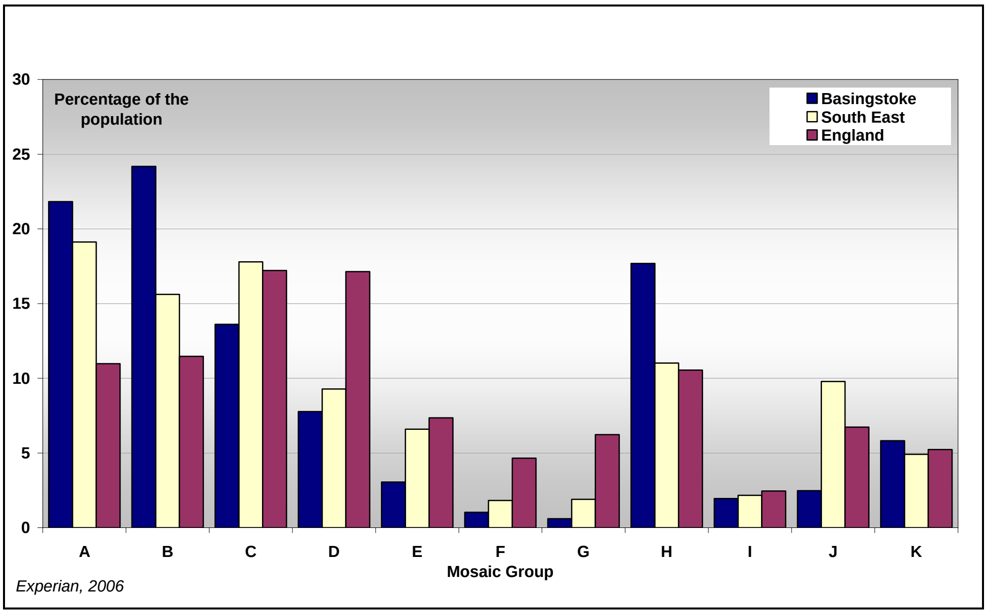


Figure 3.2: The Mosaic Public Sector Profile of the Basingstoke diamond

The success of Basingstoke has been largely driven by substantial productivity gains over the last five years. Between 1999 and 2004, GVA per full time equivalent worker in the city-region increased by 4.0% on average each year, faster than in any other diamond and almost double regional and national trends. To some degree this success is attributable to the diamond's strong base of knowledge intensive and creative industries. Indeed, growth of the diamond's economy over the last few years has been driven by expansion in its business service activities and its large and highly specialised manufacturing base including pharmaceuticals, publishing of periodicals and the manufacture of medical and computing equipment.

Related to this, the diamond also benefits from good connectivity, with high speed rail links making London just 45 minutes away by train and Heathrow Airport just 50 minutes by car. Moreover, indicators of its quality of life suggest that the diamond is a highly desirable place to live. The unemployment and infant mortality rates in the city-region are the lowest of all the diamonds with only a small fraction of the population constituting low income households.

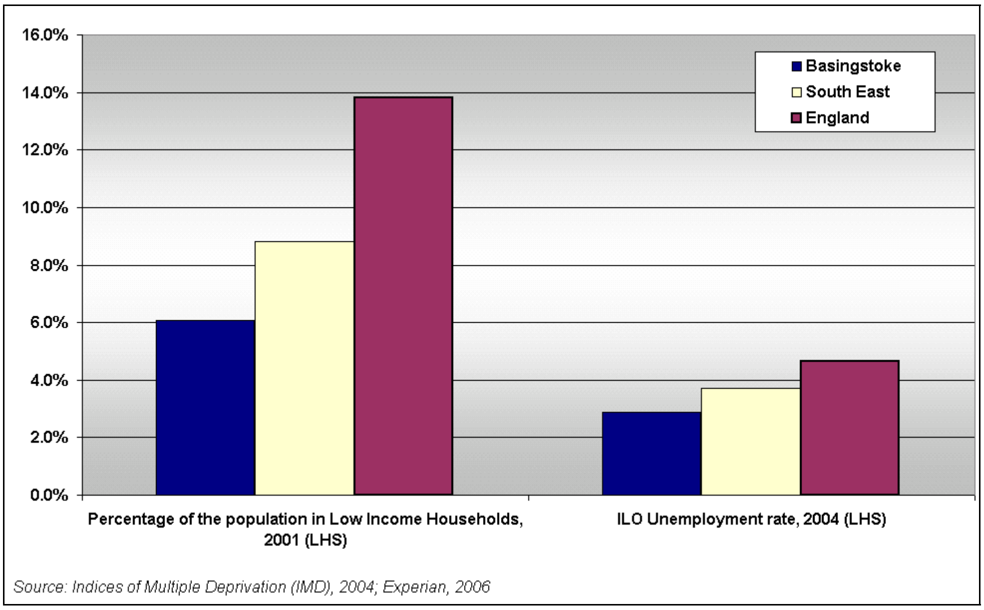


Figure 3.3: Indicators of the Basingstoke diamond's quality of life offer

Good connectivity coupled with a desirable living environment has meant that Basingstoke has been able to attract large numbers of businesses and residents alike. However, despite the success of the city-region's economy, the evidence suggests that the diamond's success has not been as heavily driven by private investment as in some other cases, possibly reflecting a lower dependence on capital intensive sectors than some. This appears to have had a knock on effect on innovation, with just 23% of companies introducing new products and services between 2002 and 2004, a smaller proportion than any other diamond with the exception of Brighton and Hove and significantly below both the regional and national average (over 30%).

This relatively low rate of innovation could potentially be a reflection of the absence of a higher education institution in the city-region – fewer than 5% of the resident population are engaged in further or higher education suggesting the diamond is home to fewer students than any other of the diamonds. While Reading University is close by and the diamond has a skills base on a par with regional benchmarks, it fails to display the high skills base that has been a key driving force behind Reading or Oxford/Central Oxfordshire for example. Altogether, therefore, there is perhaps a concern that insufficient business investment and innovation and only a moderate base of highly skilled workers may act as a constraint to future growth, and Experian's *Regional Planning Service* forecasts suggest a future slow down in the expansion of the diamond's economy.

Basingstoke comprises a single whole district but certain economic development responsibilities remain with the county council. Basingstoke is involved in wider sub-regional partnerships including the Hampshire Economic Partnership and the Thames Valley Economic Partnership.

Opportunities and constraints: an initial view

Basingstoke is capable of making a major and disproportionately high contribution to the growth of the regional economy, as a base for a good mix of high knowledge based manufacturing and business services. This is largely a result of large numbers of knowledge workers, a high quality of life offer and excellent connectivity to London, the rest of the South East and the rest of the world via Heathrow Airport.

Investment in residential and commercial property has been underway in Basingstoke (as well as its surrounding areas), further securing its future as a desirable place to live and work. Indeed, with excellent connectivity with London and Reading and a good supply of housing (in terms of quantity, quality and affordability), the diamond is likely to continue to prosper from the wealth of those who work outside it as well as those employed within the diamond itself.

One possible concern is that, in addition to its knowledge based and creative industries, the diamond is also home to the back office functions of a number of large corporations such as Fujitsu and Barclays. As such, the city-region could be at risk of the trend towards off-shoring. It will therefore be important for Basingstoke to continue to make the transition towards the growing high-tech and high service-value business base, to fill any gap that the possible loss of these business functions might make.

In this context, there may also be a concern that rates of business investment and innovation have not been as high as in some other areas. While that is likely to be partly a reflection of low-reliance on capital-intensive industries, it could in principle act as a constraint on the speed of transition. Perhaps more important is the fact that the city-region currently also lacks the large base of new graduates and other highly skilled workers that will be increasingly in demand among these companies. A plentiful supply of high skilled workers has played an integral role in the development of high tech industries and high value services in many other of the diamonds. Addressing this shortfall should be an urgent priority for the city-region.

3.3 BRIGHTON AND HOVE

Setting the scene

The ***Brighton and Hove*** diamond lies on the South Coast and is bordered by the South Downs to the west. Brighton is the largest urban centre in the diamond, although the city-region also incorporates the costal towns of Hove, Shoreham by Sea, Lancing and Worthing to the west. Brighton and Hove is home to 400,000 people and 200,000 are employed within the diamond.

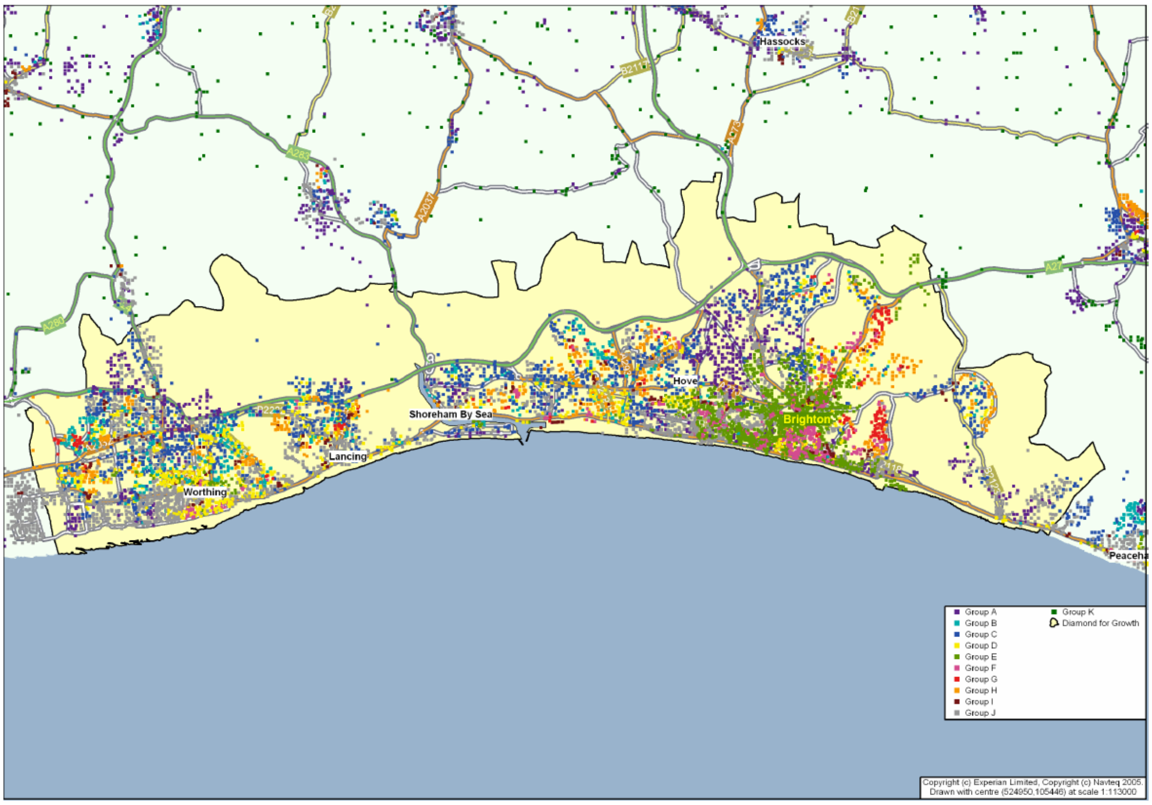


Figure 3.4: The analytical proxy area of the Brighton and Hove diamond

A	Career professionals living in sought after locations	**G**	Low income families living in estate based social housing
B	Younger families living in newer homes	**H**	Upwardly mobile families living in homes bought from social landlords
C	Older families living in suburbia	**I**	Older people living in social housing with high care needs
D	Close-knit, inner city and manufacturing town communities	**J**	Independent older people with relatively active lifestyles
E	Educated, young, single people living in areas of transient populations	**K**	People living in rural areas far from urbanisation
F	People living in social housing with uncertain employment in deprived areas		

For the purposes of this research, the analytical proxy area of the Brighton and Hove diamond is defined as the local authority districts of Adur, Brighton and Hove, and Worthing.

Selected indicators

Profile	**Brighton and Hove**	**South East**	**England**
Total population (000s)	410	8,131	50,099
Total employment (000s)	215	4,251	25,617
Total output (£mn)	6,579	139,004	844,183
Performance	**Brighton and Hove**	**South East**	**England**
GVA per capita (£000s)	16	17	17
GVA per FTE job (£000s)	38	39	40
% of working age population in employment	75%	79%	75%
% of working age population that are economically inactive	20%	18%	22%
Average weekly earnings (£s)	459	539	526
Average annual change in GVA, 1999 to 2004, %	3.9	3.5	3.0
Average annual change in GVA per capita, 1999 to 2004, %	3.5	3.0	3.0
Drivers	**Brighton and Hove**	**South East**	**England**
% of firms introducing new products/processes, 2002-2004	18%	32%	31%
Gross Fixed Capital Formation per Capita (£s)	2,655	2,895	2,576
% of the population with degree level qualifications	34%	29%	26%
% of employees in Knowledge Intensive Business Services	6%	10%	7%
Annual no. of VAT registrations per 10,000 adult population	39	43	39
Rail journey time to London from largest rail station (mins)	51	n/a	n/a
Car journey time to Heathrow from largest urban area (mins)	80	n/a	n/a
Percentage of the population in Low Income Households	13%	9%	14%

The story so far

Although the Brighton and Hove diamond has been expanding significantly in recent years in line with regional trends, the city-region largely under-performs on measures of competitive performance. Rates of labour productivity are among the lowest of all the diamonds, as are average weekly earnings. The city-region also has the lowest proportion of working age population in employment, perhaps reflecting the large numbers of students and retired people in addition to the lower availability of job opportunities.

Measures of wealth are mixed and while Brighton and Hove has GVA per capita below regional and national benchmarks, the city-region also has high household income per capita, perhaps reflecting the ownership of high value property of wealthy London commuters in Brighton and its surrounding areas and a large base of fairly wealthy retired people.

Analysis of Experian's *Mosaic Public Sector* suggests that the diamond is home to both a large base of educated young single people and older more wealthy families (groups E and C) as well as individuals living on the margins of subsistence (groups F and G). Indeed, according to the 2004 Indices of Multiple Deprivation, 13% of the diamond's population is resident in low income households – a greater proportion than is average across the region (9%) and more in line with the national average (also 13%).

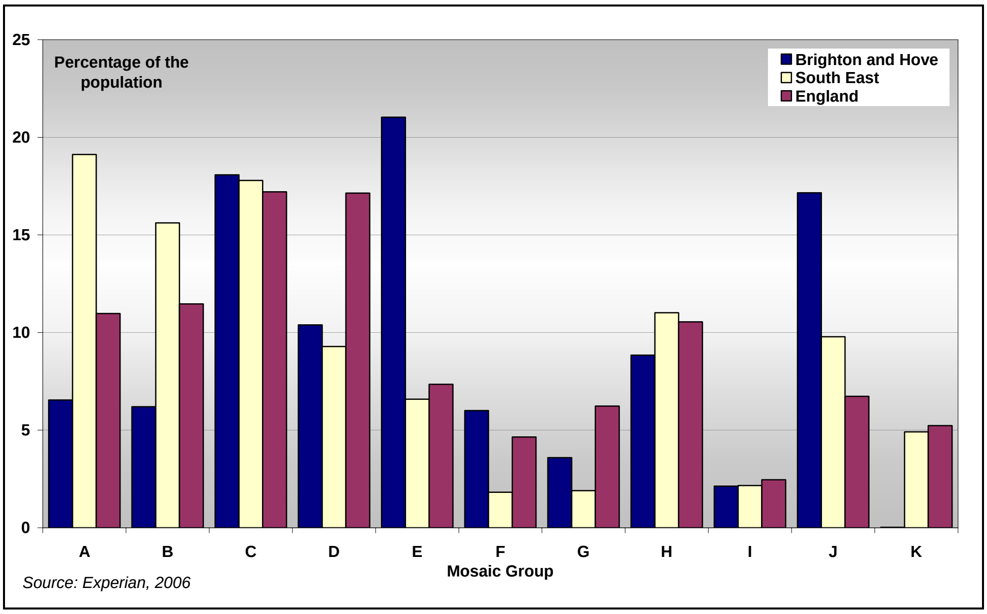


Figure 3.5: the Mosaic Public Sector profile of the Brighton and Hove diamond

The diamond has a significant financial and business service base, particularly consultancies, banks and insurance and credit organisations and it is these industries that have been driving growth in the diamond over the last five years. However, more important is the diamond's role as a centre of culture. Indeed, the diamond and particularly Brighton at its heart, is well-known for its 'café culture', offering a wealth of cultural capital – bars, restaurants, clubs, as well as retail and leisure facilities.

However, despite its strong hospitality base, the diamond currently fails to attract significant tourism from overseas, although with substantial regeneration work planned for Worthing, there is potential to strengthen the diamond's place as a holiday destination and kick-start a coastal renaissance.

Despite offering good leisure and retail facilities the diamond scores poorly on measures of quality of life compared to the other diamonds, with rates of income deprivation and infant mortality in excess of all other diamonds and with a significant proportion of the population unemployed. Moreover, while the region has good links to nearby Gatwick Airport, it is one of the diamonds furthest from Heathrow Airport, which is 1 hour and 20 minutes away by car. The diamond does, however, have good links to the capital with high speed rail links from Brighton meaning the capital is 50 minutes away by train.

Despite the recent strength of the city-region's economy, with gross fixed capital formation of £2,655 per capita, both business and government investment in Brighton and Hove has been far behind many other diamonds, and lags the regional average. Moreover, between 2002 and 2004 less than one in five businesses introduced new or novel products or processes, a lower proportion than any other diamond and significantly below both the regional and national averages (over 30%).

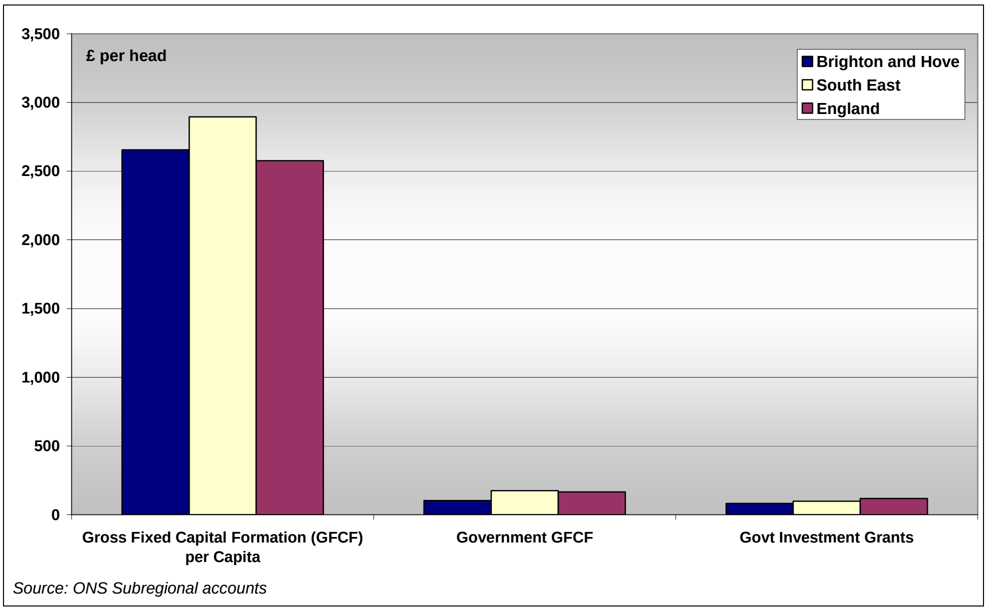


Figure 3.6: Investment in the Brighton and Hove diamond

However, the diamond does have a key strength in its skills base, developed through its universities which turn out large numbers of highly skilled graduates each year. Indeed, over one third of the diamond's resident working age population hold degree level qualifications compared to just 30% across the region and under 26% across England. Whether these residents are utilising their full skills potential (preferably within the diamond itself) is an issue for Brighton and Hove.

Experian's *Regional Planning Service* forecasts suggest that expansion of the diamond's economy will slow over the next five years, coming more in line with regional and national trends. Currently, the diamond appears to be in a less advanced state of readiness than others to collaborate on pan-diamond economic development issues.

Opportunities and constraints: an initial view

Although the future role of the creative industries as a driver of growth is often exaggerated, there is no denying that they have an important role going forward, especially when combined with an attractive tourism offer. In that context, Brighton and Hove's key contribution to the region, and especially to the other diamonds, is as a centre for these activities. The city-region's success in creative and cultural industries will be critical to the competitive offer of the South East as a location for investment. As such, the diamond has a key need to succeed as an important centre for culture, leisure, tourism and learning. This should be helped by the favourable demographics in the diamond, skewed towards a younger age profile. Indeed, Brighton and Hove is the only diamond in the South East forecast to experience positive demographic changes, with the proportion of the population of working age increasing over the next decade.

Moreover, a large base of highly skilled individuals, coupled with the area's substantial cultural capital and high-income earners suggests that the diamond is a desirable location in its own right for businesses to locate. The diamond has the opportunity to foster the development of small high tech, creative firms from (for example) the media and advertising industries who might not consider other less idiosyncratic places in the region. However, this sector is currently very under-developed, so in order to realise this potential, it will be important to address a number of factors which could act to constrain economic and social prosperity in the diamond.

In order to attract significant investment, the diamond will need to offer a good living environment and quality of life. Currently the rate of unemployment in the diamond is much higher than other diamonds, and a significant proportion of the population live in low income households. While meeting the needs of all members of society is always a priority, the extent to which the city-region is carrying an unusually large burden in this regard needs to be kept under review, especially given the importance of tourism to the diamond.

Moreover, some aspects of the business environment may also be a matter of concern. For example, with under 39 VAT registrations per 10,000 residents each year, the diamond's business start-up rate falls well behind all the diamonds except for Thames Gateway Kent and Urban South Hampshire and is well below the regional average (44 VAT registrations per 10,000 population). Patent applications per 10,000 population in Brighton and Hove also lag regional and national benchmarks, while the diamond also suffers poor rates of business survival. Investigation of the reasons for this would seem to be a priority.

3.4 MILTON KEYNES AND AYLESBURY VALE

Setting the scene

The Milton Keynes and Aylesbury Vale diamond lies to the north west of London and incorporates Milton Keynes and Newport Pagnell to the north, Buckingham to the west and Aylesbury to the south.

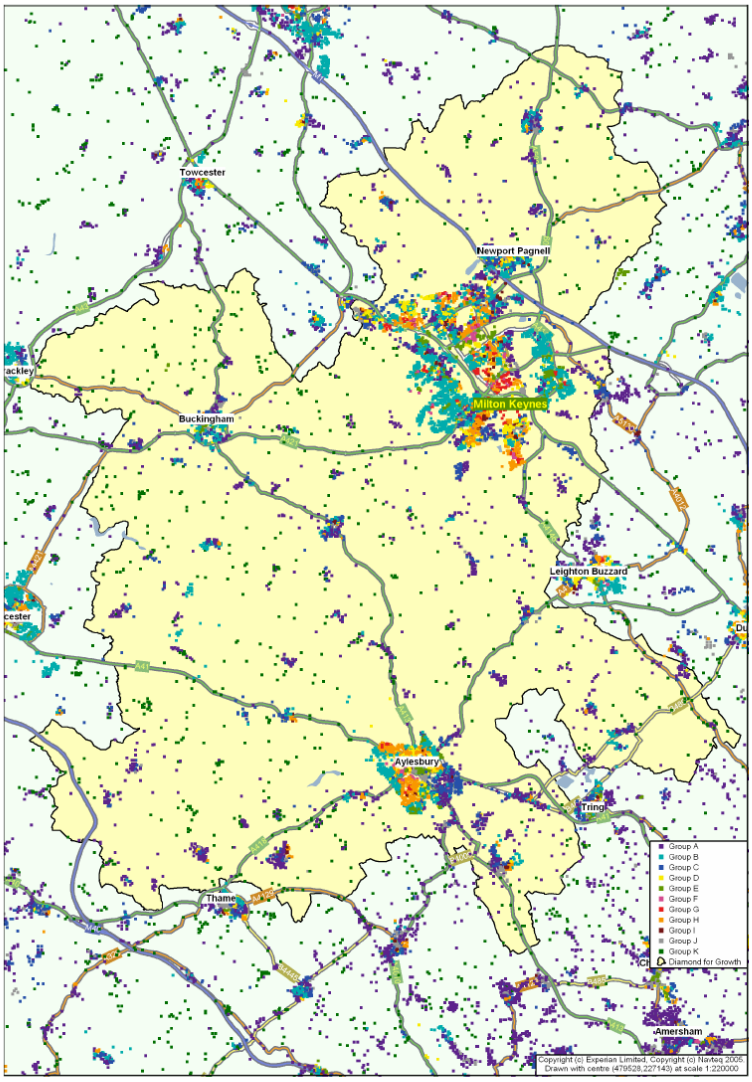


Figure 3.7: The analytical proxy area of Milton Keynes and Aylesbury Vale

A	Career professionals living in sought after locations	**G**	Low income families living in estate based social housing
B	Younger families living in newer homes	**H**	Upwardly mobile families living in homes bought from social landlords
C	Older families living in suburbia	**I**	Older people living in social housing with high care needs
D	Close-knit, inner city and manufacturing town communities	**J**	Independent older people with relatively active lifestyles
E	Educated, young, single people living in areas of transient populations	**K**	People living in rural areas far from urbanisation
F	People living in social housing with uncertain employment in deprived areas		

For the purposes of this research, the Milton Keynes and Aylesbury Vale analytical proxy area is defined as the local authority districts of Milton Keynes and Aylesbury Vale.

Selected indicators

Profile	Milton Keynes and Aylesbury Vale	South East	England
Total population (000s)	385	8,131	50,099
Total employment (000s)	230	4,251	25,617
Total output (£mn)	8,675	139,004	844,183
Performance	**Milton Keynes and Aylesbury Vale**	**South East**	**England**
GVA per capita (£000s)	23	17	17
GVA per FTE job (£000s)	44	39	40
% of working age population in employment	81%	79%	75%
% of working age population that are economically inactive	15%	18%	22%
Average weekly earnings (£s)	530	539	526
Average annual change in GVA, 1999 to 2004, %	5.0	3.5	3.0
Average annual change in GVA per capita, 1999 to 2004, %	4.0	3.0	3.0
Drivers	**Milton Keynes and Aylesbury Vale**	**South East**	**England**
% of firms introducing new products/processes, 2002-2004	39%	32%	31%
Gross Fixed Capital Formation per Capita (£s)	4,141	2,895	2,576
% of the population with degree level qualifications	28%	29%	26%
% of employees in Knowledge Intensive Business Services	11%	10%	7%
Annual no. of VAT registrations per 10,000 adult population	55	43	39
Rail journey time to London from largest rail station (mins)	36	n/a	n/a
Car journey time to Heathrow from largest urban area (mins)	73	n/a	n/a
Percentage of the population in Low Income Households	9%	9%	14%

The story so far

The Milton Keynes and Aylesbury Vale diamond has performed extremely strongly across a range of indicators over recent years. In the five years to 2004, the diamond saw substantial economic growth with GVA increasing by 5.0% on average per annum, outperforming every other diamond and outstripping both national and regional growth. This growth has been driven by significant expansion of the population, a phenomenon likely to persist in the future given the diamond's inclusion in one of the UK Government's Greater South East Growth Areas. In addition, the diamond has among the highest rates of employment and labour productivity, both key drivers of economic success.

Moreover, although the diamond has amongst the highest GVA per capita, gross disposable household income and average weekly earnings in the diamond are lower than in other successful diamonds such as Reading and The Gatwick Diamond, perhaps reflecting the lower skills base in the diamond. Indeed, a more detailed analysis of the profile of the population in the diamond using Experian's *Mosaic Public Sector* suggests that while the city-region has large numbers of younger, fairly wealthy families (group B), it also has a slight overrepresentation of people living on the margins of subsistence (group F and G).

That said, evidence from the Indices of Multiple Deprivation suggests that the proportion of the diamond's population that live in low income households is in line with the average across the region (9%) and below the English average of 14%.

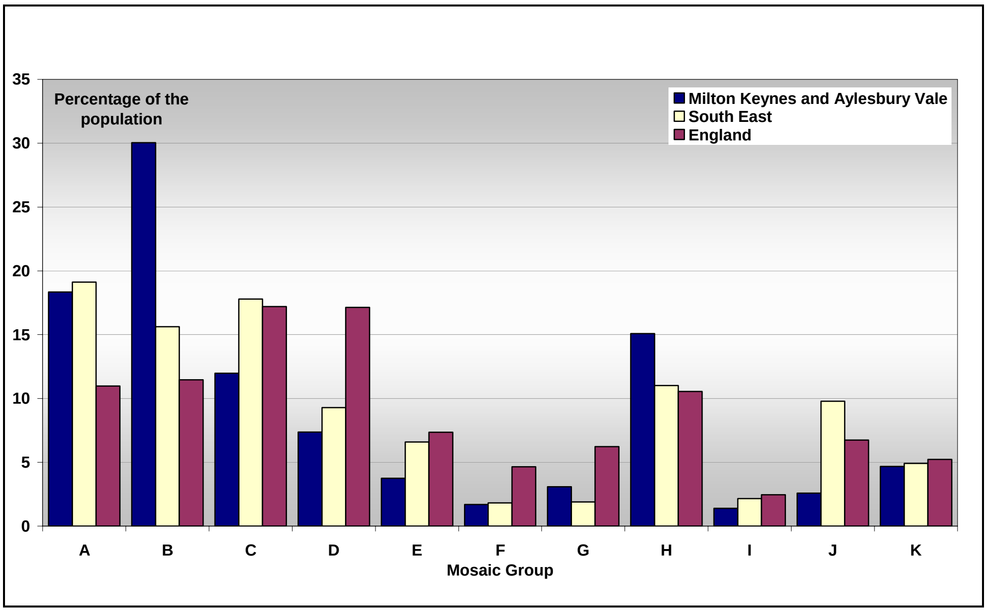
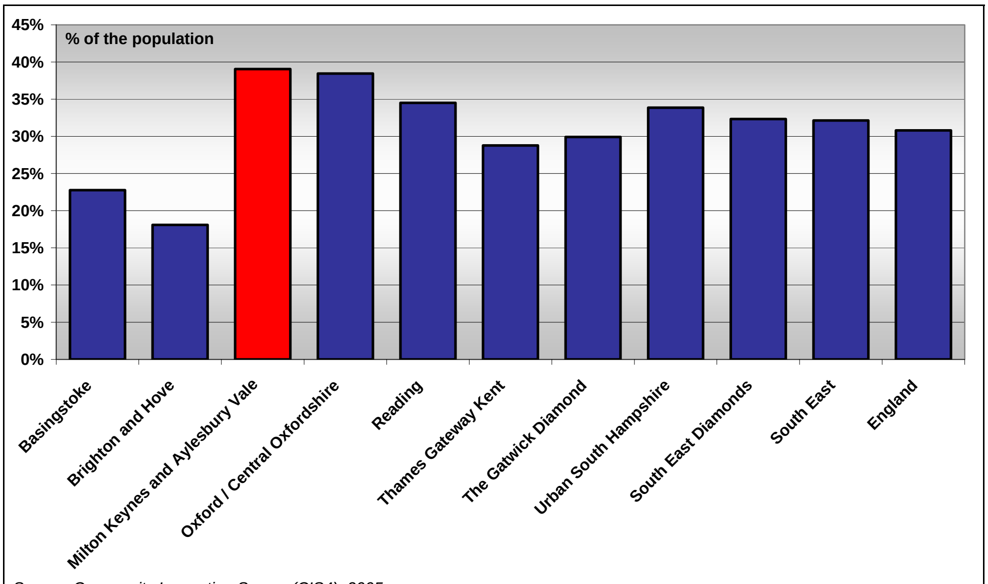


Figure 3.8: the Mosaic Public Sector profile of Milton Keynes and Aylesbury Vale

The diamond has seen substantial expansion over the last few years driven largely by its large base of financial and business services, particularly consultancy, accounting and banking. The diamond also benefits from good connectivity, with the capital just 35 minutes away by train. The city-region is fairly close to Heathrow Airport (approximately 73 minutes by car) and also benefits from nearby Luton Airport, indeed its transport and freight industry has also seen substantial expansion over the last few years.

Substantial investment is also likely to have acted as a key contributor to economic prosperity in the diamond and appears to have had a knock on effect on innovation in the city-region. Indeed, nearly 40% of businesses in the diamond introduced new products or processes between 2002 and 2004, a greater proportion than any other diamond and well in excess of both the national and regional averages (just above 30%).



Source: Community Innovation Survey (CIS4), 2005

Figure 3.9: Percentage of businesses reporting having introduced new products or processes between 2002 and 2004

However, despite benefiting from a good industrial mix and having seen substantial investment and innovation over the past few years, the diamond does not perform as well on measures of human capital. Indeed, just 28% of the population possess degree level qualifications, lower than many other successful diamonds, and 10% hold no qualifications at all suggesting a poor skills base in comparison to some of the other diamonds.

Indeed, Milton Keynes and Aylesbury Vale needs to attract and retain more highly skilled workers to support its large base of knowledge intensive industries. That said, the diamond does not score as highly on quality of life indicators as many of the other successful diamonds. Indeed rates of infant mortality in Milton Keynes and Aylesbury Vale exceed both the national and regional average, while rates of unemployment and income deprivation are only broadly in line with regional benchmarks.

Experian's *Regional Planning Service* forecasts suggest that the diamond's economy will expand faster than any other diamond and well in excess of regional and national trends. Moreover, although the diamond is comprised of one unitary authority and one district, together the area forms part of the Greater South East Growth Area and is therefore set to be a focus for considerable investment and growth in the future.

Opportunities and constraints: an initial view

The Milton Keynes and Aylesbury Vale diamond performs strongly on measures of competitive economic performance, with high rates of employment and labour productivity. Location on one of the UK's major motorways connecting London and the south to the midlands and the north, plentiful land and a development-minded planning regime have contributed to a sound industrial mix, coupled with a dynamic business environment. Significant investment and innovation has enabled the diamond to outperform other diamonds and it has the potential to do so further in the future.

However, there are factors that could potentially inhibit or limit this growth, particularly the lack of a large base of highly skilled workers. Future expansion of the diamond is likely to be increasingly dependent on knowledge based industries, so much investment in skills, as well as continued private investment and innovation, may be required to ensure businesses can source the skills they need from the local labour market.

Moreover, while the business environment has fostered substantial business expansion, the Milton Keynes and Aylesbury Vale diamond does not perform as strongly on quality of life measures. Although this may affect only a minority of the population, there may be scope for considering policies to build social and cultural capital and to continue to improve the attractiveness of the living environment within the diamond. It will be important to ensure that the diamond can offer a high standard of living and wages comparable to other parts of the South East if it is to attract the high quality workers from elsewhere in the UK and overseas to support further growth. While the diamond offers good retail and leisure facilities, investment in the diamond's cultural capital, to instil a sense of identity, is likely to generate strong returns.

3.5 OXFORD / CENTRAL OXFORDSHIRE

Setting the scene

The diamond is home to a population of 620,000 and over 350,000 are employed within Oxford/Central Oxfordshire. While the city of Oxford lies at the heart of the diamond, the diamond also incorporates the towns of Bicester and Banbury to the north and Abingdon and Didcot to the South.

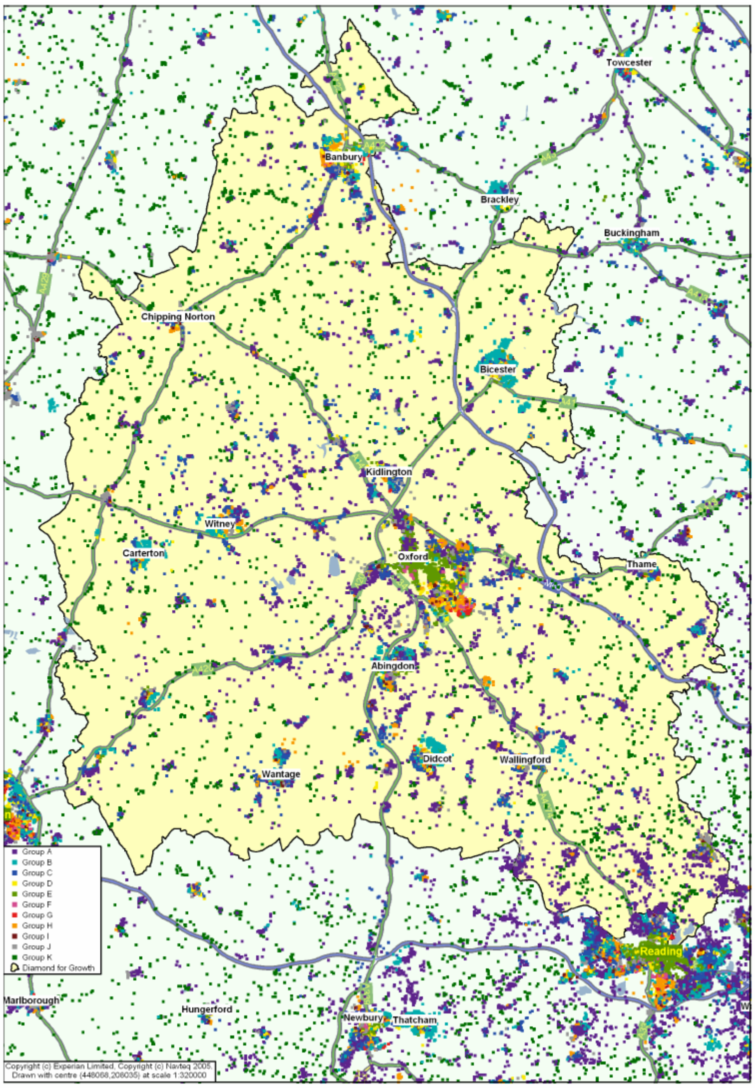


Figure 3.10: The analytical proxy area of Oxford / Central Oxfordshire

A	Career professionals living in sought after locations	**G**	Low income families living in estate based social housing
B	Younger families living in newer homes	**H**	Upwardly mobile families living in homes bought from social landlords
C	Older families living in suburbia	**I**	Older people living in social housing with high care needs
D	Close-knit, inner city and manufacturing town communities	**J**	Independent older people with relatively active lifestyles
E	Educated, young, single people living in areas of transient populations	**K**	People living in rural areas far from urbanisation
F	People living in social housing with uncertain employment in deprived areas		

For the purposes of this research, the analytical proxy area of the Oxford/Central Oxfordshire diamond is defined as the local authority districts of Cherwell, Oxford City, South Oxfordshire, Vale of White Horse and West Oxfordshire.

Selected indicators

Profile	Oxford / Central Oxfordshire	South East	England
Total population (000s)	622	8,131	50,099
Total employment (000s)	354	4,251	25,617
Total output (£mn)	13,187	139,004	844,183
Performance	**Oxford / Central Oxfordshire**	**South East**	**England**
GVA per capita (£000s)	21	17	17
GVA per FTE job (£000s)	44	39	40
% of working age population in employment	81%	79%	75%
% of working age population that are economically inactive	17%	18%	22%
Average weekly earnings (£s)	524	539	526
Average annual change in GVA, 1999 to 2004, %	3.4	3.5	3.0
Average annual change in GVA per capita, 1999 to 2004, %	2.8	3.0	3.0
Drivers	**Oxford / Central Oxfordshire**	**South East**	**England**
% of firms introducing new products/processes, 2002-2004	38%	32%	31%
Gross Fixed Capital Formation per Capita (£s)	4,141	2,895	2,576
% of the population with degree level qualifications	31%	29%	26%
% of employees in Knowledge Intensive Business Services	11%	10%	7%
Annual no. of VAT registrations per 10,000 adult population	46	43	39
Rail journey time to London from largest rail station (mins)	55	n/a	n/a
Car journey time to Heathrow from largest urban area (mins)	65	n/a	n/a
Percentage of the population in Low Income Households	7%	9%	14%

The story so far

Oxford/Central Oxfordshire is one of the most important centres of education and research and development in the UK. With GVA per FTE worker of over £44,000, labour productivity in the diamond is among the highest of them all. Despite the large student base, with 81% of the working age population in employment, the diamond also has an employment rate on a par with regional benchmarks.

However, with full-time employees in the Oxford/Central Oxfordshire earning £524 on average per week, earnings in the diamond are below the regional average and many other diamonds. Indeed, although GVA per capita is higher in the diamond than in many other of the South East's city-regions, gross disposable household income falls below the regional average, again reflecting the large student base in the diamond.

Analysis of the *Mosaic Public Sector* profile of the Oxford/Central Oxfordshire population suggests that other than the over-representation of students (group E), there are large concentrations of wealthier families and highly skilled professionals (groups A and B) located in the diamond, whereas relatively deprived individuals (groups F and G) are under-represented. This is also confirmed by the Indices of Multiple Deprivation which suggest just 7% of the diamond's population reside in low income households – a smaller proportion than both nationally and regionally.

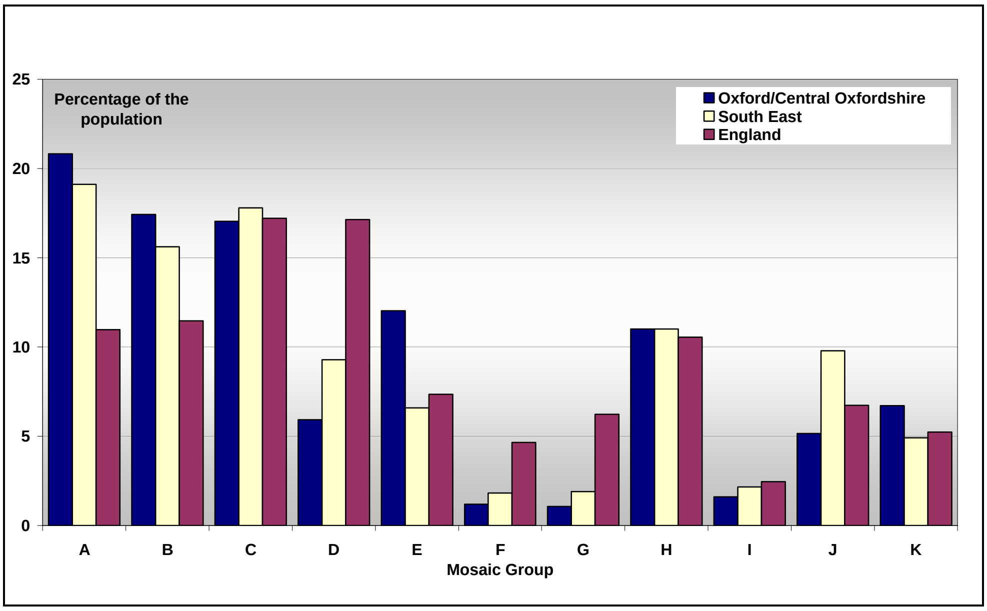
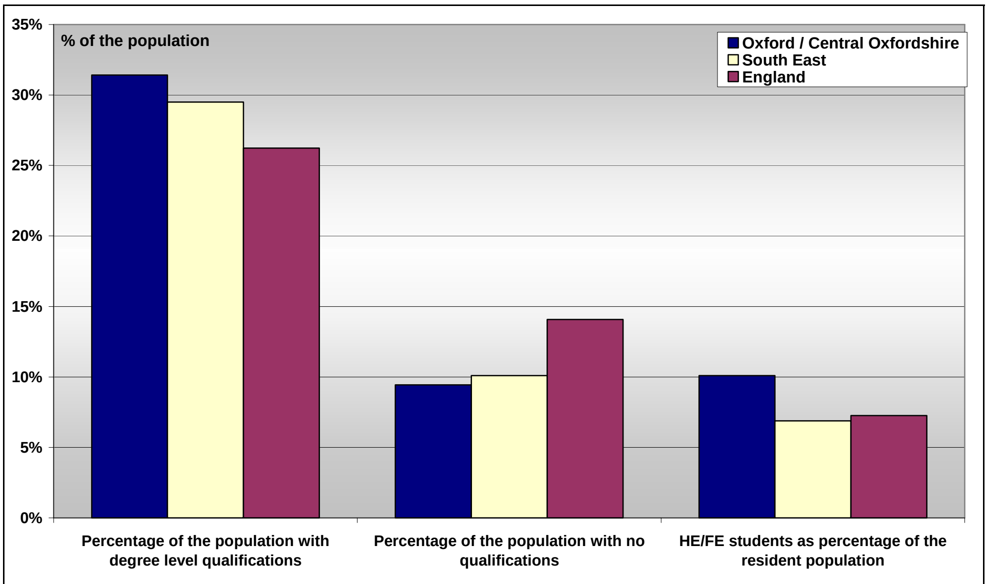


Figure 3.11: The Mosaic Public Sector profile of the Oxford/Central Oxfordshire diamond

In the five years to 2004, the Oxford/Central Oxfordshire diamond experienced significant economic growth with GVA increasing annually by an average of 3.4% in line with regional trends (3.5%) and in excess of the national level (3.0%). This has been largely driven by further expansion of the education sector, the diamond's hospitality industry and the sizable base of business services, particularly consultancy and R&D. The diamond's manufacturing base has also fared well over the last few years, although the degree of concentration within the industry, which is heavily focused on publishing and printing and motor vehicles could potentially be a concern, putting the diamond at risk to shocks to these industries.

In addition to a favourable economic mix, the diamond benefits from a number of key strengths, most notably its base of human capital and its highly prestigious higher education offer. Currently, 31% of its working age population hold degree level qualifications – a higher proportion than in many other diamonds. Moreover, just 9% hold no qualifications, significantly below regional and national benchmarks.



Source: Annual Population Survey, Jan to Dec 2005; Census 2001

Figure 3.12: Oxford/Central Oxfordshire's human capital and education base

The diamond's strong knowledge base is also reflected in its supply of high-value research parks, including the Oxford Science Park, Begbroke Science Park and the Culham Science Park in Abingdon for example. Between 2002 and 2004, 38% of the diamond's businesses reported introducing new products or processes, a higher proportion than every other diamond with the exception of Milton Keynes. Investment is also likely to have played a key role in the innovation and economic success of the diamond, with gross fixed capital formation per head of the population higher in the diamond than is average across the South East and England.

Another key strength of the diamond is its quality of life offer, with low rates of unemployment (just 3.3%) and of income deprivation. The favourable living environment coupled and reasonable connectivity to London (55 minutes away by train), Heathrow Airport (a little over an hour away by car) and the rest of the UK is fundamental to its ability to attract businesses and labour. Indeed, given the diamond performs so strongly on most indicators, Experian's *Regional Planning Service* forecasts suggest that expansion of the diamond's economy over the next five years will exceed regional and national benchmarks. Working collaboratively across the diamond will be important to its chances of achieving this.

Opportunities and constraints: an initial view

Oxford/Central Oxfordshire has a number of key strengths which together offer the opportunity to secure substantial economic growth and prosperity. The city-region has a very strong skills base, largely because of the universities, but also because it is one of the few places in the UK that has been able to retain a car manufacturing capacity through investment in excellent plant and world-beating products. This, together with significant business investment and innovation, and excellent transport links (especially proximity to Heathrow Airport), has supported the development of knowledge intensive business services and a high tech manufacturing base.

In particular, the diamond has a science base that few other city-regions can match. This is entirely desirable. It is true that the degree of concentration of the diamond's service and manufacturing industries could potentially mean that it is over-dependent on a few select industries and thus is vulnerable to any structural changes to these sectors. However, it is more likely that the diamond will be able to adapt to change in the future, just as it has done in the past.

Oxford/Central Oxfordshire is a diamond within which it is easier to identify opportunities than it is to identify constraints, a key sign of the relative competitiveness of a city-region. Offering as it does a high quality of life and sound business environment, the diamond is likely to continue to play an integral role in attracting investment to both the South East and UK.

3.6 READING

Setting the scene

The Reading diamond lies to the west of London and in addition to the urban centre of Reading at the heart of the diamond, the analytical proxy area extends to the east to incorporate other large towns of Wokingham, Bracknell and Maidenhead and to the west, Newbury. The diamond is home to nearly 700,000 people and has the largest labour market of all the diamonds with 435,000 people employed the area.

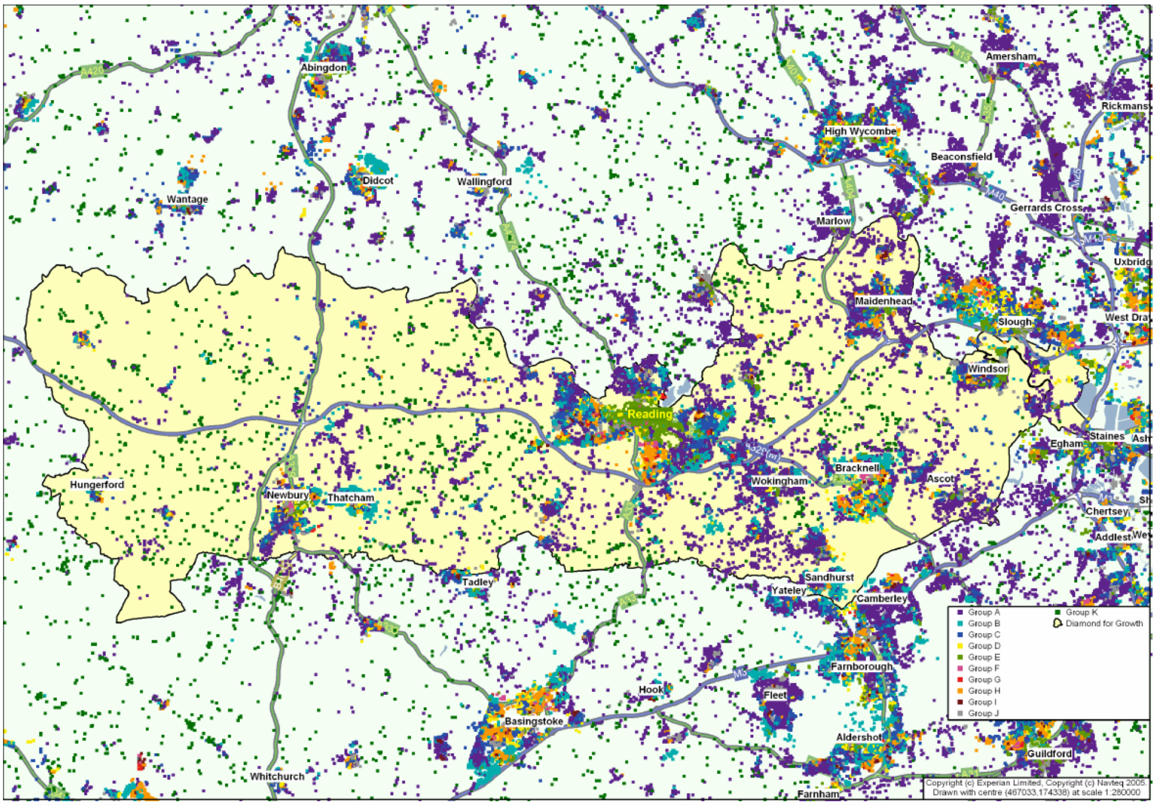


Figure 3.13: The analytical proxy area of Reading

A	Career professionals living in sought after locations	**G**	Low income families living in estate based social housing
B	Younger families living in newer homes	**H**	Upwardly mobile families living in homes bought from social landlords
C	Older families living in suburbia	**I**	Older people living in social housing with high care needs
D	Close-knit, inner city and manufacturing town communities	**J**	Independent older people with relatively active lifestyles
E	Educated, young, single people living in areas of transient populations	**K**	People living in rural areas far from urbanisation
F	People living in social housing with uncertain employment in deprived areas		

For the purposes of this research, the analytical proxy area of the Reading diamond is defined as the local authority districts of Bracknell Forest, Reading, West Berkshire, Windsor and Maidenhead and Wokingham.

Selected indicators

Profile	Reading	South East	England
Total population (000s)	689	8,131	50,099
Total employment (000s)	436	4,251	25,617
Total output (£mn)	18,423	139,004	844,183
Performance	**Reading**	**South East**	**England**
GVA per capita (£000s)	27	17	17
GVA per FTE job (£000s)	50	39	40
% of working age population in employment	81%	79%	75%
% of working age population that are economically inactive	16%	18%	22%
Average weekly earnings (£s)	655	539	526
Average annual change in GVA, 1999 to 2004, %	4.3	3.5	3.0
Average annual change in GVA per capita, 1999 to 2004, %	4.0	3.0	3.0
Drivers	**Reading**	**South East**	**England**
% of firms introducing new products/processes, 2002-2004	35%	32%	31%
Gross Fixed Capital Formation per Capita (£s)	4,141	2,895	2,576
% of the population with degree level qualifications	36%	29%	26%
% of employees in Knowledge Intensive Business Services	19%	10%	7%
Annual no. of VAT registrations per 10,000 adult population	51	43	39
Rail journey time to London from largest rail station (mins)	27	n/a	n/a
Car journey time to Heathrow from largest urban area (mins)	46	n/a	n/a
Percentage of the population in Low Income Households	6%	9%	14%

The story so far

Despite the recent setback following the dot.com bust, Reading has seen economic expansion at a rate well in excess of many other diamonds. Indeed by measures of competitive economic performance the diamond is amongst the top performers, with the highest rate of labour productivity of all the diamonds and an employment rate well in excess of both the national and regional average.

The diamond is also one of the most prosperous areas of the South East, with GVA per capita and gross disposable household income in excess of all other diamonds and significantly higher than national and regional benchmarks. Indeed, analysis of Experian's *Mosaic Public Sector* segmentation tool highlights the large base of highly skilled, highly paid individuals (groups A and B), while low skilled, low paid individuals suffering relative deprivation are under-represented (groups F and G). This is also illustrated by the Indices of Multiple Deprivation, which suggest just 6% of the population live in low income households.

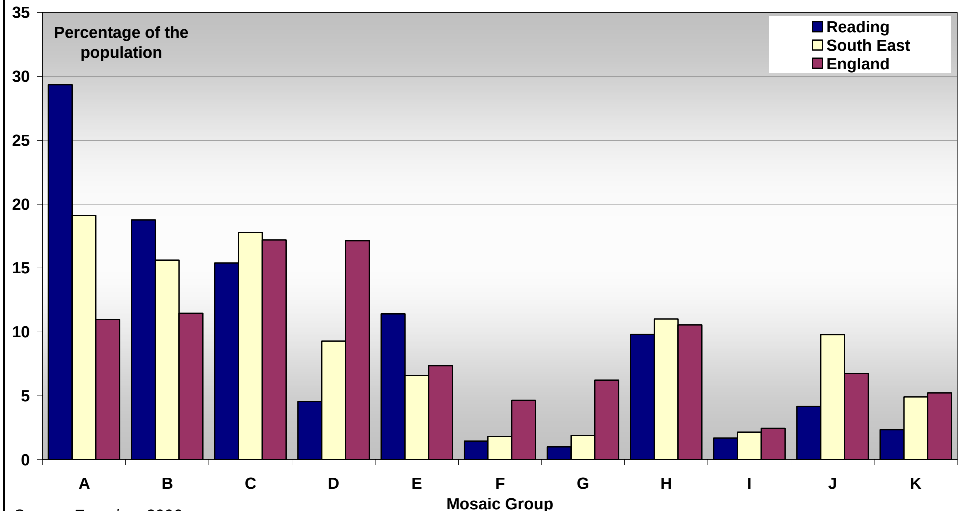


Figure 3.14: the Mosaic Public Sector profile of the Reading diamond

The diamond is a key centre for businesses in the UK and as such is vitally important for economic success and prosperity in the UK going forward. It is also critically important for the London economy as a number of business services located in the region are used by businesses in London, the South East and more widely across the UK. Indeed, business services have been a key driver behind economic expansion of the diamond's economy over the past few years. Since the diamond is within close proximity of Heathrow Airport, the transport sector has also seen substantial expansion. The diamond also benefits from high speed rail links to London (the Capital is under half an hour away by train).

In addition to good connectivity, with gross fixed capital formation of £4,414 per capita, the diamond benefits from high levels of business investment, which has had knock on effects on innovation and supports the knowledge intensive business base in the city-region. Moreover, the knowledge driven economy of the city-region is able to utilise its extensive human capital. Indeed, the city-region is home to the University of Reading and as a consequence there is a large base of individuals qualified to degree level in the diamond – more so than in any other diamond. Moreover, just 8% of the resident adult population hold no qualifications at all – fewer than in many other of the diamonds and significantly below regional and national benchmarks.

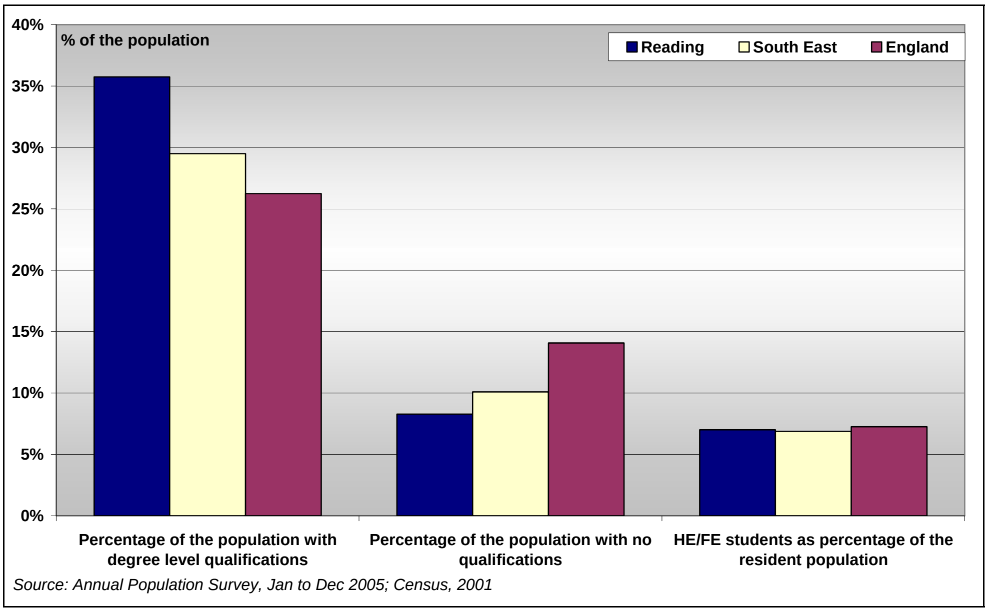


Figure 3.15: Reading's human capital and education base

However, in order to continue to retain graduates and attract highly skilled workers from elsewhere in the UK, it will be important to ensure the living environment is able to compete with other parts of the South East. While the city-region offers extensive retail and leisure facilities and only a small fraction of the population suffer income deprivation, the unemployment rate in the diamond has been edging up in recent years and now lies above many of the other diamonds for growth.

Experian's *Regional Planning Service* forecasts suggest that the diamond's economy will continue to expand although slightly below the trend across the region. However, given the diamonds performs strongly on most indicators, there is significant scope to perform even stronger yet. It will be important, however, to ensure sufficient attention is given to the diamond as an economic entity.

Opportunities and constraints: an initial view

Like Oxford/Central Oxfordshire, Reading is competitive enough for opportunities to be more easily identifiable than constraints. The diamond plays a key role as a business services hub, supporting the London, South East and UK economies. Close to Heathrow Airport, it acts as a gateway to the global economy. In particular, Maidenhead, Reading and Newbury act as key sites for European HQs of global multinationals.

Therefore, the diamond has the potential to remain a fundamental driver of the economic growth of the South East, with a strong base of knowledge intensive industries coupled with business investment and human capital to support these businesses. Its strength in creative industries and hi-tech services is a key opportunity for the diamond, given the projected growth of these sectors.

However, in order to exploit this potential it will be important to ensure that the diamond continues to offer a living and business environment that will attract businesses and individuals. Space management, the renewal of the built environment, easing of congestion and the enhancement of the public realm are all likely to be important future challenges for the diamond.

3.7 THAMES GATEWAY KENT

Setting the scene

The Thames Gateway Kent diamond is home to over 560,000 people. The diamond incorporates the Medway towns of Chatham, Gillingham and Rochester, Gravesend and Dartford to the west of the diamond and Faversham and Sittingborne to the east. It is part of the largest of the UK Government's Greater South East Growth Areas and one of Europe's largest regeneration initiatives, the Thames Gateway.

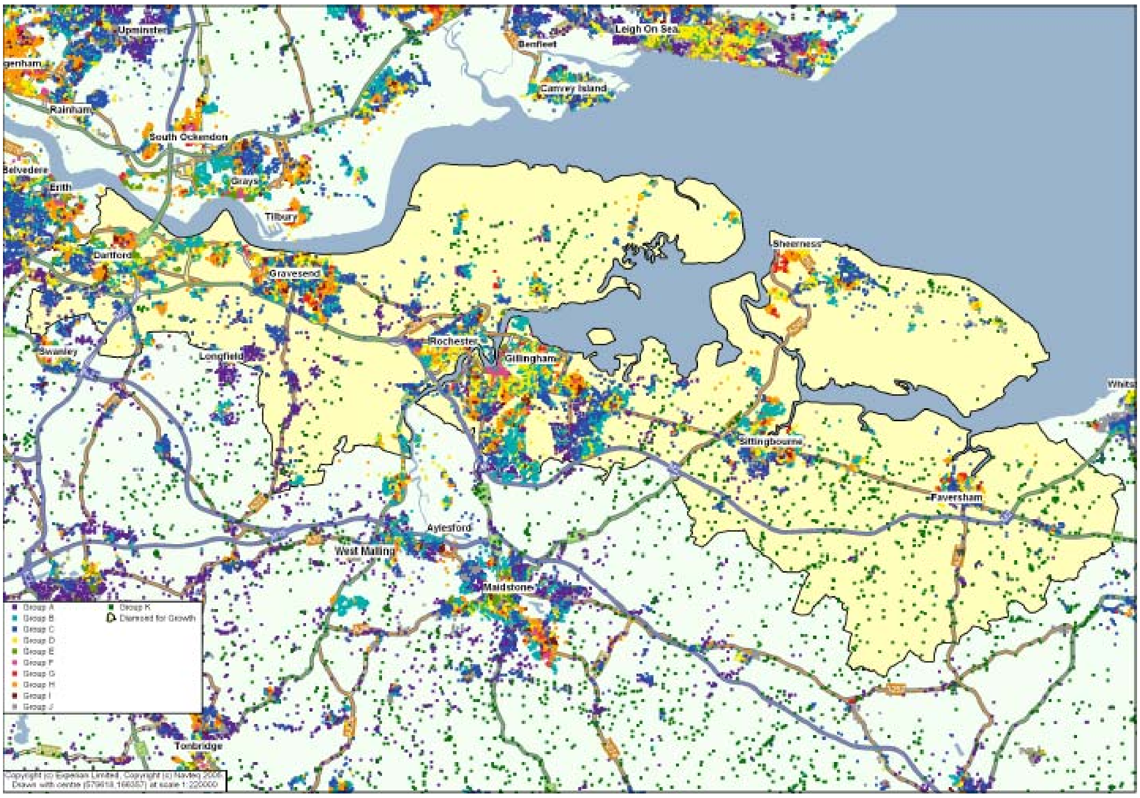


Figure 3.16: The analytical proxy area of Thames Gateway Kent

A	Career professionals living in sought after locations	**G**	Low income families living in estate based social housing
B	Younger families living in newer homes	**H**	Upwardly mobile families living in homes bought from social landlords
C	Older families living in suburbia	**I**	Older people living in social housing with high care needs
D	Close-knit, inner city and manufacturing town communities	**J**	Independent older people with relatively active lifestyles
E	Educated, young, single people living in areas of transient populations	**K**	People living in rural areas far from urbanisation
F	People living in social housing with uncertain employment in deprived areas		

For the purposes of this research, the analytical proxy area of the Thames Gateway Kent diamond is defined as the local authority districts of Dartford, Gravesham, Medway and Swale.

Selected indicators

Profile	Thames Gateway Kent	South East	England
Total population (000s)	560	8,131	50,099
Total employment (000s)	237	4,251	25,617
Total output (£mn)	7,080	139,004	844,183
Performance	**Thames Gateway Kent**	**South East**	**England**
GVA per capita (£000s)	13	17	17
GVA per FTE job (£000s)	36	39	40
% of working age population in employment	77%	79%	75%
% of working age population that are economically inactive	20%	18%	22%
Average weekly earnings (£s)	479	539	526
Average annual change in GVA, 1999 to 2004, %	3.7	3.5	3.0
Average annual change in GVA per capita, 1999 to 2004, %	3.2	3.0	3.0
Drivers	**Thames Gateway Kent**	**South East**	**England**
% of firms introducing new products/processes, 2002-2004	29%	32%	31%
Gross Fixed Capital Formation per Capita (£s)	2,005	2,895	2,576
% of the population with degree level qualifications	19%	29%	26%
% of employees in Knowledge Intensive Business Services	4%	10%	7%
Annual no. of VAT registrations per 10,000 adult population	33	43	39
Rail journey time to London from largest rail station (mins)	44	n/a	n/a
Car journey time to Heathrow from largest urban area (mins)	90	n/a	n/a
Percentage of the population in Low Income Households	12%	9%	14%

The story so far

The Thames Gateway Kent diamond performs less well in comparison with the strong competitive performance of the other diamonds. Labour productivity within the diamond falls significantly behind regional and national benchmarks and is lower than in all other of the diamonds. The proportion of its working age population in employment and average weekly earnings on offer in the diamond also compare poorly to other parts of the South East. However, in the five years to 2004, the diamond's annual average GVA growth rates were in excess of regional trends, albeit starting from a lower base.

On measures of income and wealth, the diamond performs poorly with GVA per capita lower than any other diamond and gross disposable household income amongst the lowest. A detailed analysis of the population using Experian's *Mosaic Public Sector* system suggests that while highly skilled individuals (group A) as well as students (group E) are much less prevalent in the diamond, deprived groups (groups F and G) are over-represented. Indeed, the Indices of Multiple Deprivation indicate that 12% of the diamond's population reside in low income households compared to just 9% regionally and not far off the English average of 14%.

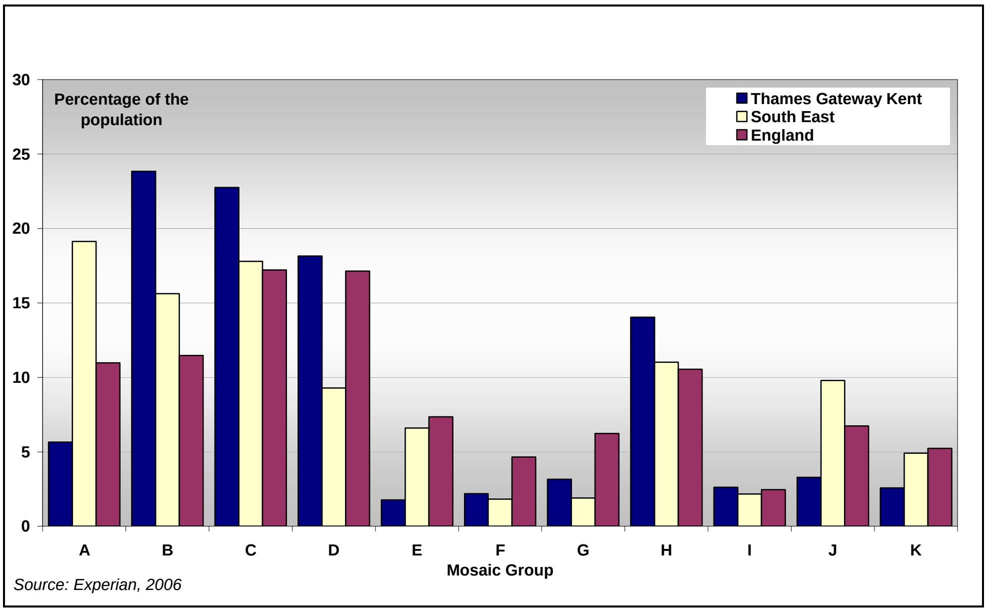


Figure 3.17: the Mosaic Public Sector profile of the Thames Gateway Kent diamond

In the five years to 2004, the diamond's economic growth did not reach the levels of the higher-performing diamonds. In part this is attributable to the city-region's industrial mix, having suffered from a decline in its large manufacturing base. However, expansion of the economy has been driven by growth in the diamond's service industries, particularly hospitality and business services. The transport industry has also expanded over the last few years although the diamond has been somewhat geographically isolated in the past. Indeed the city-region scores poorly on measures of connectivity, being the furthest diamond from Heathrow, around 90 minutes away by road. However, it does benefit from closer proximity to the continent, especially with the forthcoming high-speed rail link.

Perhaps the biggest constraint to the economic prosperity of the city-region is its very low skills base. Only 19% of the diamond's population hold degree level qualification, a far smaller proportion than in any other diamond and significantly below both the regional and national average. Moreover, 13% hold no qualifications at all – a higher proportion than in any other diamond. This is perhaps linked to the diamond's poor business environment and low entrepreneurial activity. Business start-ups and survival rates are poor in Thames Gateway Kent.

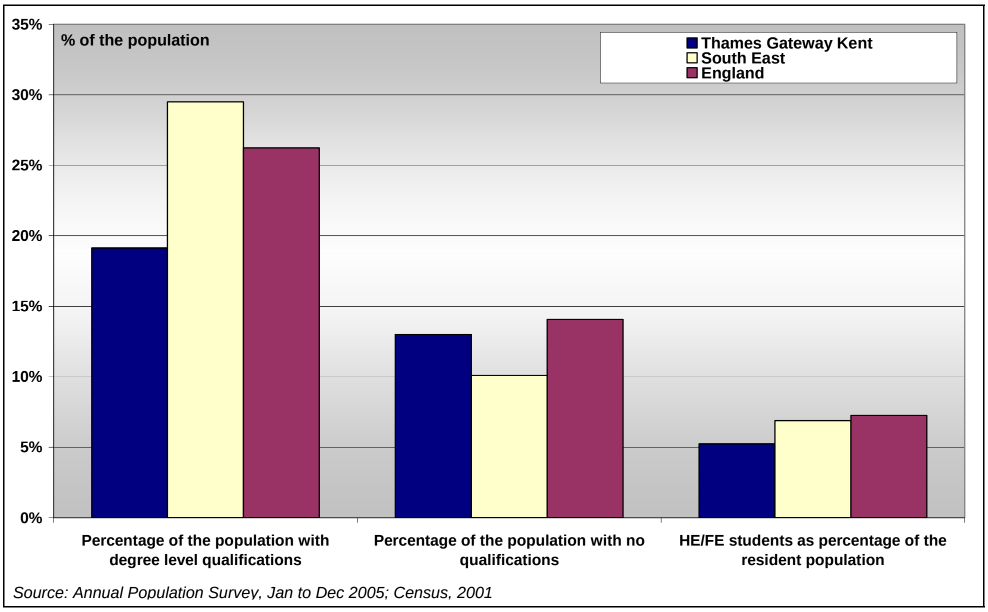


Figure 3.18: Thames Gateway Kent's human capital and educational base

In addition to human capital, investment and innovation will be integral to supporting the diamond's small but growing base of business services. Currently, despite significant government investment in the diamond, gross fixed capital formation remains below that in all other diamonds and below both the regional and national average. This appears to have had a knock on effect on innovation, with only 29% of companies in the diamond reporting having introduced new products or processes between 2002 and 2004, compared to almost a third regionally and nationally.

Experian's *Regional Planning Service* forecasts suggest that the diamond will continue to under-perform in comparison to other diamonds, and indeed in comparison to regional and national trends. However, its status within the Thames Gateway, existing and emerging partnership structures and the attention being paid to the diamond should mean that it is in a reasonable state of readiness to ensure collaboration on the development of its economy.

Opportunities and constraints: an initial view

Although currently under-performing, the diamond potentially has the greatest capacity for substantial growth, and could potentially act as a driving force for the growth of the South East as a whole. Indeed, with significant investment already underway in the diamond, it offers significant future growth potential. It is already a major focus for policymakers at the regional and national level.

The new Channel Tunnel Rail Link (CTRL) terminal at Ebbsfleet is likely to have a large impact on the attractiveness of the diamond. Providing rapid access both to London (with an estimated travel time to London St Pancreas of 15 minutes), the CTRL could act as a catalyst for growth, attracting large numbers of those looking to commute to London but unable to bear the high cost of living elsewhere in the region. The diamond is also an interesting place to locate for a wide range of industries, and offers the capacity to absorb economic growth, where other parts of the South East would struggle.

Indeed, parts of the north of the diamond have been pinpointed as a location for significant house building and regeneration activity as part of the Thames Gateway Growth Area. In particular, the Department for Communities and Local Government has earmarked significant funds to support the Thames Gateway zones of changes in Thameside, Medway and Grain and Sittingborne and Sheerness.

However, it will also be important to ensure the business environment itself is optimal to support the growth of the knowledge economy in the city-region, as residential development will not achieve this alone. An historic lack of private investment and business innovation in the diamond has constrained its growth to date, and has tended to be self-reinforcing via lowered entrepreneurial expectations. Addressing poor rates of business start-up and survival, and the lack of an entrepreneurial culture, will therefore be integral to harnessing the growth potential of the diamond.

Another important constraint is the lack of a highly skilled workforce, which will be a key factor in the diamond's ability to attract businesses to locate in the area and support the growth of knowledge intensive businesses. Currently, the diamond performs poorly on measures of human capital and much must be done to address basic skills issues and to secure a base of more highly skilled workers. Continued expansion of the University of Kent campus at Medway should act to bring more graduates to the diamond, but this alone is unlikely to be enough. On the plus side, the diamond offers a potentially attractive location for new graduates to locate, with comparatively affordable house prices and good access to leisure and retail services. Imaginative approaches to enhancing cultural capital and the skills base simultaneously are likely to be important to developing the diamond over the longer term.

3.8 THE GATWICK DIAMOND

Setting the scene

The Gatwick Diamond lies to the south of London and is home to over 640,000 people and employs 360,000. The diamond is centred around the key urban area of Crawley but also includes East Grinstead to the east, Haywards Heath and Burgess Hill to the south, Horsham to the west and Leatherhead, Dorking, Reigate and Oxted to the north.

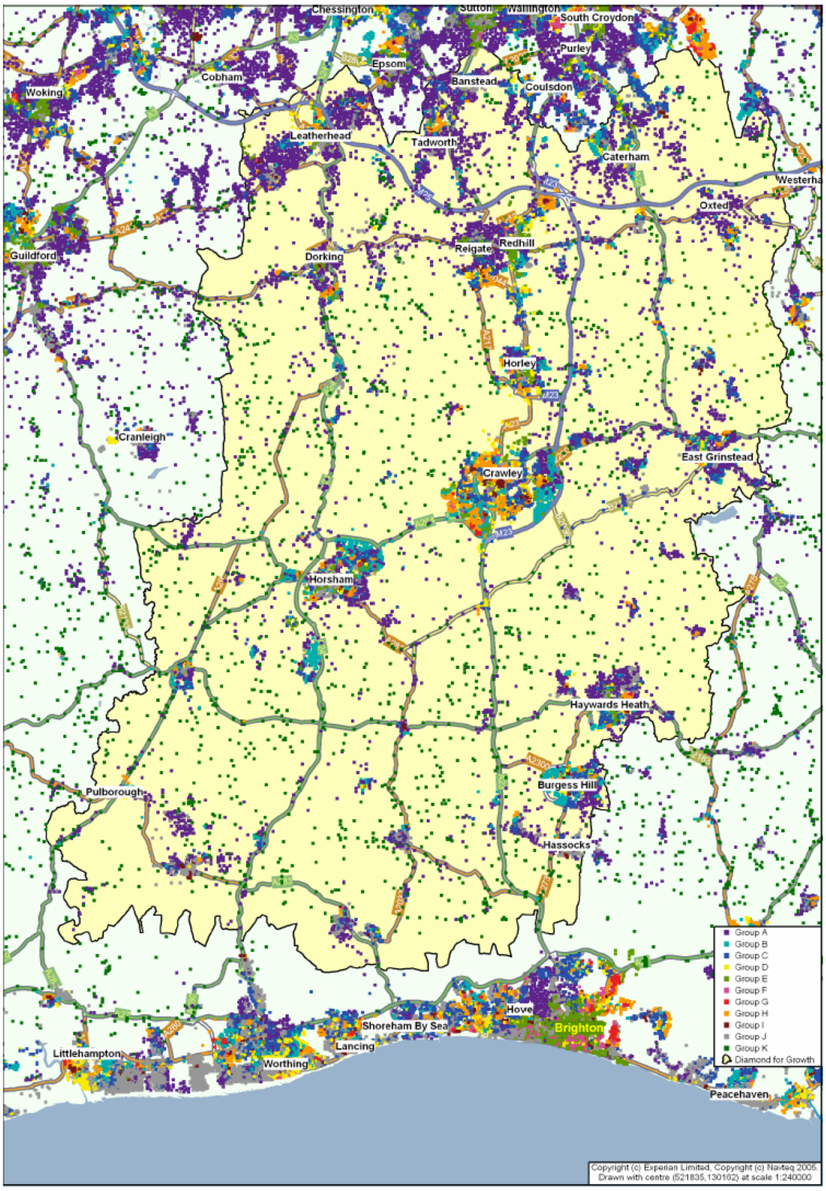


Figure 3.19: The analytical proxy area of The Gatwick Diamond

A	Career professionals living in sought after locations	**G**	Low income families living in estate based social housing
B	Younger families living in newer homes	**H**	Upwardly mobile families living in homes bought from social landlords
C	Older families living in suburbia	**I**	Older people living in social housing with high care needs
D	Close-knit, inner city and manufacturing town communities	**J**	Independent older people with relatively active lifestyles
E	Educated, young, single people living in areas of transient populations	**K**	People living in rural areas far from urbanisation
F	People living in social housing with uncertain employment in deprived areas		

For the purposes of this research, the analytical proxy area of The Gatwick Diamond is defined as the local authority districts of Crawley, Horsham, Mid Sussex, Mole Valley, Reigate and Banstead and Tandridge.

Selected indicators

Profile	The Gatwick Diamond	South East	England
Total population (000s)	641	8,131	50,099
Total employment (000s)	364	4,251	25,617
Total output (£mn)	13,178	139,004	844,183
Performance	**The Gatwick Diamond**	**South East**	**England**
GVA per capita (£000s)	21	17	17
GVA per FTE job (£000s)	43	39	40
% of working age population in employment	80%	79%	75%
% of working age population that are economically inactive	17%	18%	22%
Average weekly earnings (£s)	571	539	526
Average annual change in GVA, 1999 to 2004, %	3.3	3.5	3.0
Average annual change in GVA per capita, 1999 to 2004, %	2.9	3.0	3.0
Drivers	**The Gatwick Diamond**	**South East**	**England**
% of firms introducing new products/processes, 2002-2004	30%	32%	31%
Gross Fixed Capital Formation per Capita (£s)	2,655	2,895	2,576
% of the population with degree level qualifications	32%	29%	26%
% of employees in Knowledge Intensive Business Services	10%	10%	7%
Annual no. of VAT registrations per 10,000 adult population	48	43	39
Rail journey time to London from largest rail station (mins)	33	n/a	n/a
Car journey time to Heathrow from largest urban area (mins)	58	n/a	n/a
Percentage of the population in Low Income Households	6%	9%	14%

The story so far

In the five years to 2004, the diamond's economy expanded by 3.3% on average per annum, slightly below both the national and regional average. The diamond benefits from a fairly strong competitive position, with rates of employment and labour productivity in excess of regional and national trends, though behind the strongest performing diamonds. That said, the average weekly earnings of those working in the diamond are significantly above regional and national benchmarks: given its close proximity to London, the diamond is also home to significant numbers of the Capital's high earners.

Indeed analysis of Experian's *Mosaic Public Sector* highlights the massive over-representation of high earning leaders of industry, likely to be employed in global business located in London. Conversely, deprived groups (F and G) are under-represented in the diamond and just 6% of the population reside in low income households, well below national and regional benchmarks.

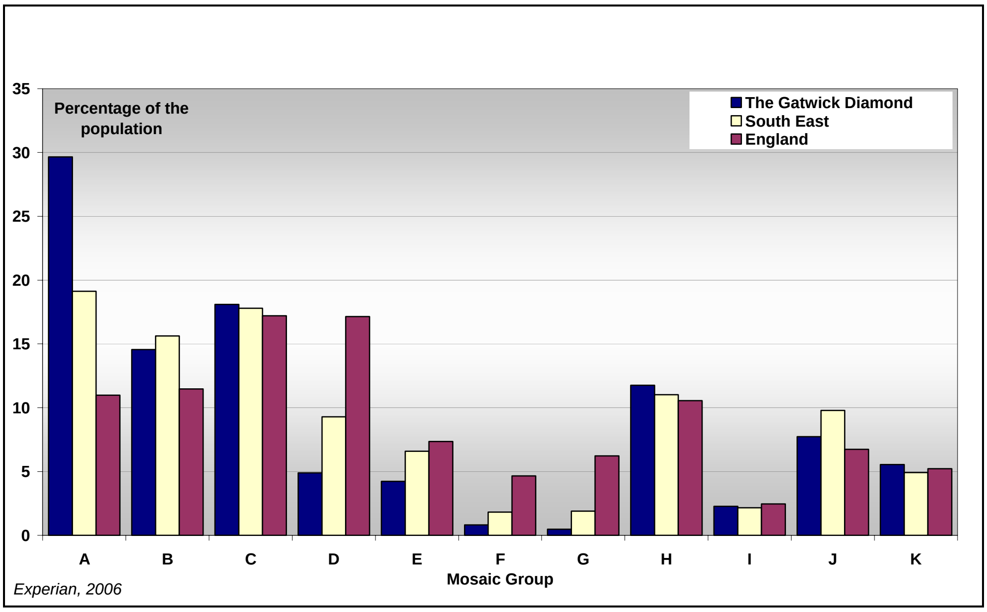


Figure 3.20: the Mosaic Public Sector profile of the Gatwick Diamond

While Crawley is the largest urban centre in the diamond, its real driving force is its linkages with London and its strong international connectivity via Gatwick Airport. The city-region offers a good quality of life, with low rates of unemployment and infant mortality, and just a fraction of the population live in low income households. Therefore, the diamond is a highly desirable place to live and with high speed rails to the Capital (just over 30 minutes away by rail) is home to many of those employed in London, ensuring it is well placed to benefit from strong expansion of the London economy.

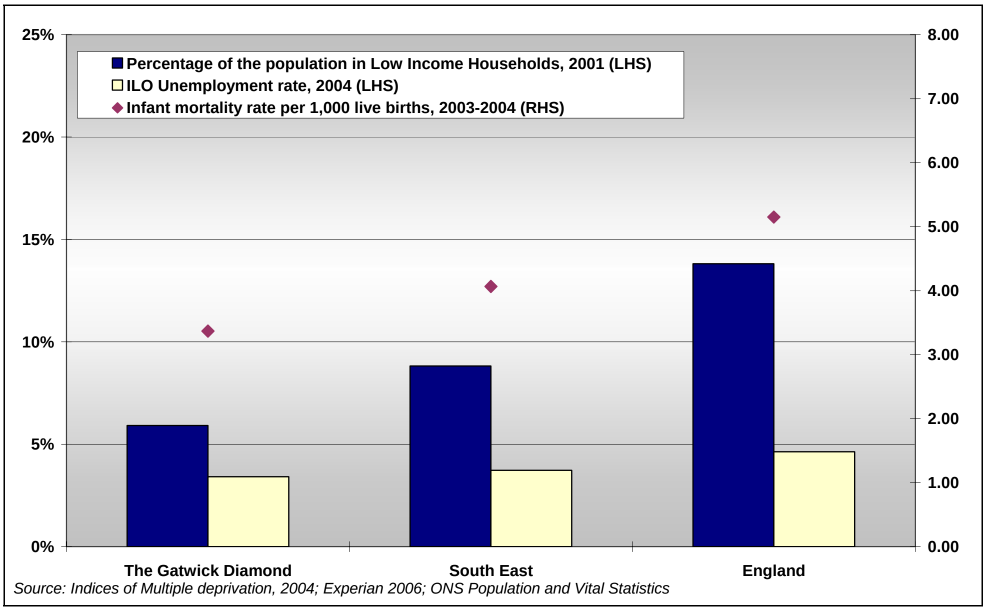


Figure 3.21: The Gatwick Diamond's quality of life offer

Moreover, in addition to being home to one of the UK's largest airports, the diamond's strong road network ensures that Heathrow Airport is also under an hour away, and the diamond has a key role to play as a truly global transport hub for the 21st Century. Indeed, the diamond's strong international connectivity has meant the transport sector, particularly wholesale, warehousing and logistics, has seen significant expansion recently and acted as a driver of the diamond's economy as a whole. Parts of the diamond, particularly Crawley, have also benefited from growth in financial services although its small manufacturing sector has continued to decline.

Experian's *Regional Planning Service* forecasts that transport will continue to play a key role in the city-region's economy although expansion of business services will also be integral to its success. These knowledge intensive businesses will need to draw on a large base of highly skilled workers. Despite being home to significant numbers of highly skilled individuals who work in the London, the diamond does not have the extensive skills base that has proved integral to the success of Reading, although still above the national average.

However, the diamond is in a heightened state of readiness to collaborate on pan-diamond economic development issues. There is already recognition of its economic functionality and existing partnership structures have already undertaken work together to promote the concept of the diamond.

Opportunities and constraints: an initial view

A key driver of the diamond's economic growth and prosperity will continue to be the airport, of huge importance across the Greater South East. As such, The Gatwick Diamond will continue to play an integral role as a transport hub and a favoured place for businesses to locate, acting as an important gateway to the global economy. Moreover, the ICT skills base involved in maintaining and enhancing airport activities provides a significant opportunity for innovation diffusion more widely across the diamond.

The diamond also offers a high quality of rural or semi-rural life, across a wide area. Indeed, in general, this is another important contribution to the South East's overall competitive offer. The Gatwick Diamond's proximity to London, and attractive living environment, will mean that it continues to be a highly desirable place to live and will provide residential opportunities for high wealth households, tied into the economies of the South East and London alike.

A potential constraint is that the diamond tends to fair better on these quality of life, residence-based indicators than it does on workplace-based ones. Compared to the highest-performing diamonds, The Gatwick Diamond has a lower proportion of employees in Knowledge Based Intensive Services and the creative industries as well as fewer HE/FE students. Boosting the job offer in the diamond is key. Harnessing its high levels of income and good quality of life offer, and building on its strong connectivity, will be fundamental to achieving this.

3.9 URBAN SOUTH HAMPSHIRE

Setting the scene

Urban South Hampshire's analytical proxy area has the highest population density of all the diamonds, being home to over 800,000 people and a workforce of 420,000.

The analytical proxy area of the diamond incorporates the two urban centres of Southampton and Portsmouth, along with a number of towns along the M27 including Fareham, Gosport and Havant. To the south it is bordered by the coastline and just outside of the diamond to the west lies the New Forest.

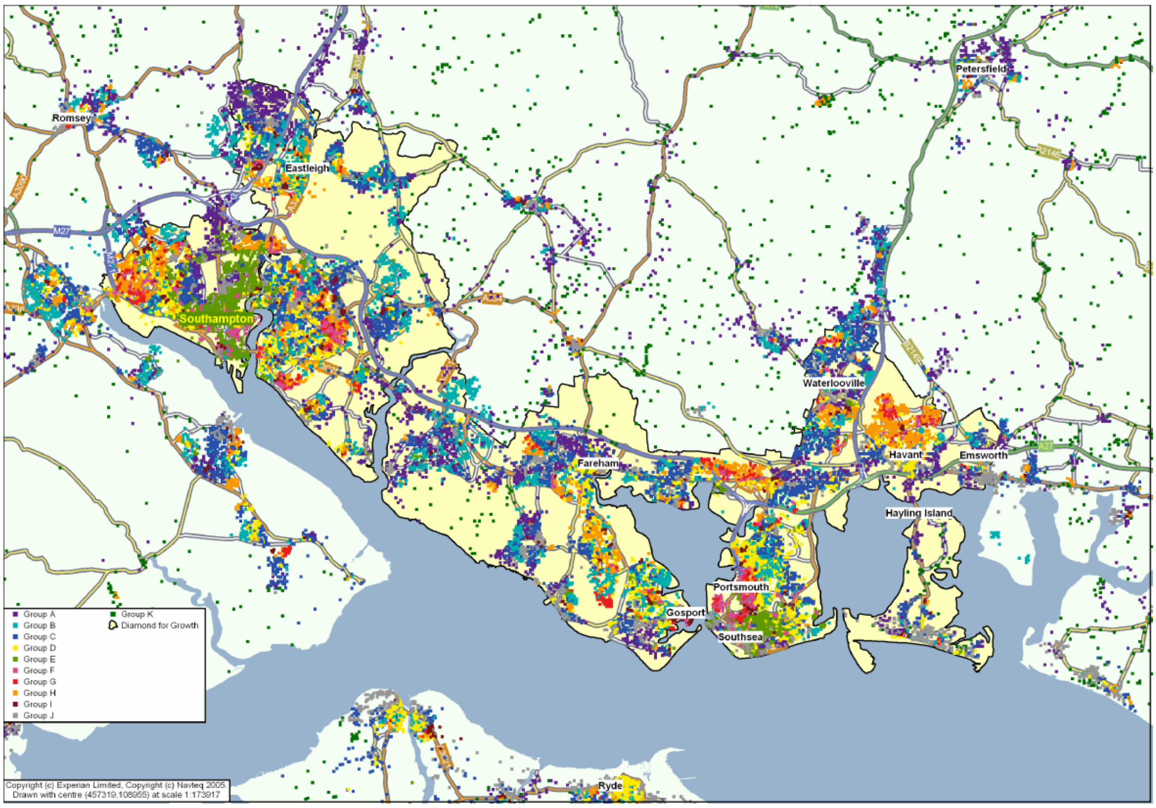


Figure 3.22: The analytical proxy area of Urban South Hampshire

A	Career professionals living in sought after locations	**G**	Low income families living in estate based social housing
B	Younger families living in newer homes	**H**	Upwardly mobile families living in homes bought from social landlords
C	Older families living in suburbia	**I**	Older people living in social housing with high care needs
D	Close-knit, inner city and manufacturing town communities	**J**	Independent older people with relatively active lifestyles
E	Educated, young, single people living in areas of transient populations	**K**	People living in rural areas far from urbanisation
F	People living in social housing with uncertain employment in deprived areas		

For the purposes of this research, the analytical proxy area of Urban South Hampshire is defined as the local authority districts of Eastleigh, Fareham, Gosport, Havant, Portsmouth, and Southampton.

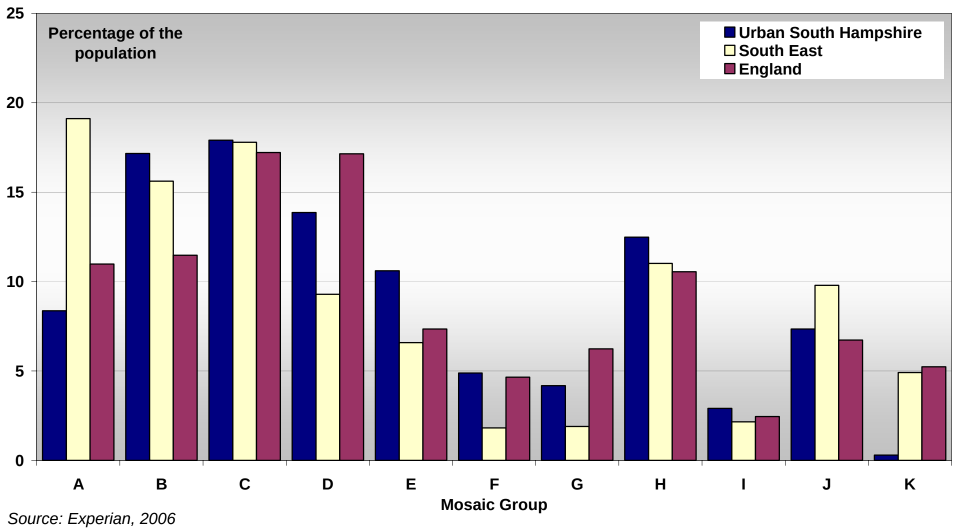
Selected indicators

Profile	USH	South East	England
Total population (000s)	830	8,131	50,099
Total employment (000s)	419	4,251	25,617
Total output (£mn)	13,764	139,004	844,183
Performance	**USH**	**South East**	**England**
GVA per capital (£000s)	17	17	17
GVA per FTE job (£000s)	40	39	40
% of working age population in employment	77%	79%	75%
% of working age population that are economically inactive	20%	18%	22%
Average weekly earnings (£s)	493	539	526
Average annual change in GVA, 1999 to 2004, %	2.4	3.5	3.0
Average annual change in GVA per capita, 1999 to 2004, %	2.1	3.0	3.0
Drivers	**USH**	**South East**	**England**
% of firms introducing new products/processes, 2002-2004	34%	32%	31%
Gross Fixed Capital Formation per Capita (£s)	2,560	2,895	2,576
% of the population with degree level qualifications	24%	29%	26%
% of employees in Knowledge Intensive Business Services	6%	10%	7%
Annual no. of VAT registrations per 10,000 adult population	32	43	39
Rail journey time to London from largest rail station (mins)	80	n/a	n/a
Car journey time to Heathrow from largest urban area (mins)	80	n/a	n/a
Percentage of the population in Low Income Households	11%	9%	14%

The story so far

Despite the clearly identifiable strengths of what is the most internally diverse diamond, Urban South Hampshire underperforms compared to most of the other diamonds. Though its productivity is in line with regional and national benchmarks, it lags most other diamonds. With an employment rate of just 77% and average weekly earnings of under £500, Urban South Hampshire performs comparatively poorly. Expansion of the Urban South Hampshire economy in the five years to 2004 was also muted, with growth in GVA amounting to an annual average of 2.4%, lower than any other diamond and below the regional and national trend (3.5% and 3.0% respectively).

In terms of income and wealth, the target outcomes for economic prosperity, Urban South Hampshire again falls behind regional and national benchmarks. However, more detailed analysis of the profile of the diamond's population using Experian's *Mosaic Public Sector* suggests the picture to be more complex. The diamond does in fact have significant numbers of fairly wealthy groups (groups B and C in particular) but there are also pockets of relative deprivation (groups F and G). Indeed, the Indices of Multiple Deprivation confirm this, with a greater proportion of the diamond's population reported to live in low income households than is average across the region.



Source: Experian, 2006

Figure 3.23: Mosaic profile of the Urban South Hampshire diamond

To some extent, the underperformance of Urban South Hampshire is attributable to the sectoral make-up of its economy. Historically, Urban South Hampshire has been an area of great importance to the UK with its strong naval and defence presence. However, these industries have suffered somewhat over the past few years, undermining growth in other sectors. To some degree, the diamond has also experienced similar problems to towns in the Midlands, with a declining manufacturing base, particularly consumer durables and some heavy industry.

Moreover, while Southampton is beginning to build a base of business services and retail, investment in the area has been slow in coming. Indeed, knowledge based industries are under-represented in Urban South Hampshire, accounting for just 6% of the workforce compared to one in ten across the South East generally. However, the underperformance of Urban South Hampshire cannot be wholly attributed to the industrial makeup of the economy. Indeed, despite high levels of government investment in the area, gross fixed capital formation in the diamond (£2,560 per capita) remains below both the regional and national average (£2,895 and £2,575 respectively), suggesting insufficient investment by private companies.

Moreover, despite being home to three universities and having a large base of HE and FE students among the resident population, Urban South Hampshire has problems with graduate retention and its population is also comparatively less skilled than other diamonds with just 24% of the population possessing degree-level qualifications and 12% having no qualifications at all.

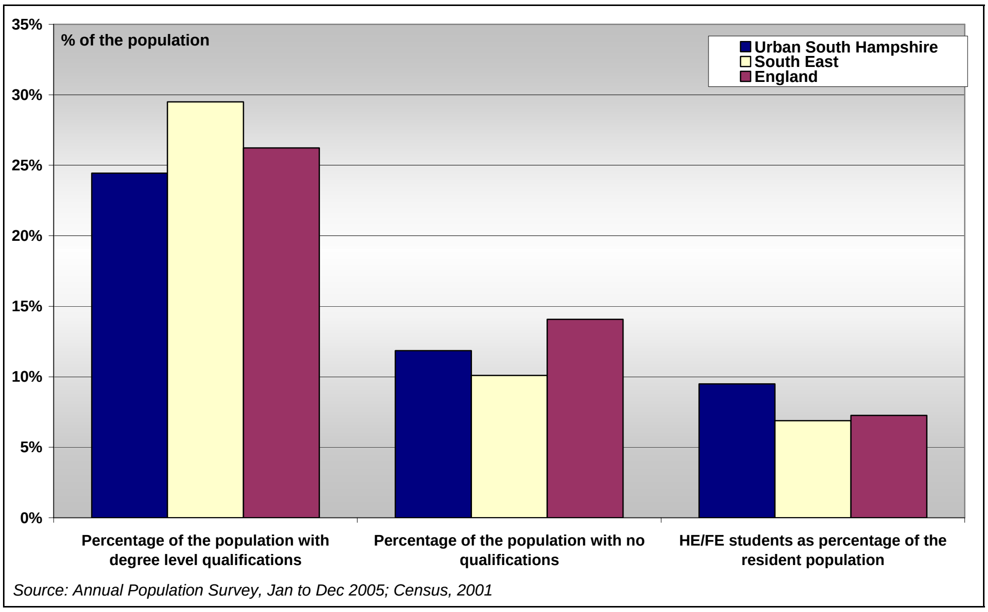


Figure 3.24: Human capital and the educational base in the Urban South Hampshire diamond

The connectivity of Urban South Hampshire also acts as a weakness, with the diamond being further from Heathrow Airport by car and London by train than any other diamond (journey time to both approximately 1 hour and 20 minutes). That said, Urban South Hampshire has strengths that other diamonds do not – namely its ports which are among the largest in the country. Indeed, the transport industry as a whole, including supporting engineering activity and technical consultancy, has been expanding strongly recently and is likely to continue to do so in the future.

Indicators of quality of life are also mixed. The ILO rate of unemployment in the diamond stood at 3.6% in 2004, lower than in the South East and nationally. That said, with one in five of the population economically inactive, the inactivity rate in Urban South Hampshire exceeds regional benchmarks. Moreover, a greater proportion of the diamond's population live in low income households than is average across the South East as a whole. There have, however, been significant improvements in the living environment in Urban South Hampshire over the last few years. A number of the diamond's key centres – Portsmouth and Southampton – are beginning to establish themselves as leisure and tourism destinations, attracting large numbers of visitors each year. Southampton in particular has also seen significant investment, with the opening of the West Quay shopping centre marking the City as an important retail destination.

Indeed, Experian's *Regional Planning Service* forecasts expect the economic performance of Urban South Hampshire to pick up and the diamond is expected to slightly out-perform the South East as a whole, as well as many other diamonds. Moreover, although Urban South Hampshire spans a number of districts, the diamond has a well established partnership structure in the form of the Partnership for Urban South Hampshire (PUSH). As such, the diamond is in a particularly advanced state of readiness to collaborate on pan-diamond economic development issues.

Opportunities and constraints: an initial view

Given the strengths identifiable within the diverse diamond, there should be strong potential for it to enhance its performance above current levels. With good access to international markets via its ports coupled with an increasingly attractive living environment including its coast, key heritage sites and good leisure and retail services, the diamond seems a good location for investment. Given its size (in terms of population and employment) and related potential agglomeration benefits, and the universities through which highly skilled people progress each year, the diamond might be expected to perform much better. However, in order to realise its potential, there are constraints that need to be addressed.

Most importantly, a lack of human capital could potentially significantly undermine the development of knowledge based industries in Urban South Hampshire. While the naval and defence base in the diamond may mean that the area has a strong base of highly skilled technical workers such as engineers whose skills could be transferable to the high tech manufacturing industries, other service based industries may struggle to recruit the highly skilled workers they require.

Fortunately the diamond is home to three higher education institutions and therefore by promoting graduate retention in the diamond, there is scope to drive up the skills base of the local workforce. However, it will also be important to consider the other end of the skills spectrum in addressing the high number of individuals who lack even the most basic of skills.

The other key priority must be to enhance the business environment in Urban South Hampshire, to drive up investment – crucial in supporting the development of knowledge based industries. Currently, business start-up rates in the diamond fall well below regional and national benchmarks, as does R&D activity despite the significant potential to exploit the universities located within the diamond as centres of knowledge, promoting spillovers of innovation and knowledge to industry.

4 Lessons from abroad? the international dimension

4.1 INTRODUCTION

In this section we provide an international perspective of the economic performance and contribution to regional economic development of the diamonds by benchmarking them against international urban areas demonstrating similar characteristics. We identify the drivers behind the performance of these international areas, in order to inform future policymaking for the diamonds. Our analysis is detailed in full at ***Appendix B***. Further data on the European comparators is available separately.

4.2 EUROPEAN COMPARATOR AREAS

Europe provides the most useful comparator areas for the diamonds, so we focused our international comparative analysis on the continent. In particular, we answered three questions.

1. How should we identify which European towns or cities are suitable comparator urban areas to the south east diamonds?

2. How well have the economies of selected comparator urban areas performed in relation to their own national economies, what contribution have they made to regional economic development, and how does this compare to the south east diamonds?

3. What factors have supported GDP growth in these comparator urban areas, and how do these compare to the south east diamonds?

To identify suitable comparator areas for the diamonds, we used a number of indicators to examine the size and structure of each town or city. For size, we considered measures such as population, to give a view of how big an area is in terms of it being a place to live and GDP and employment, to give a view of how large the local economy is. For a structural perspective, we examined the industrial mix of local economic activity. We also took account of GDP per head differentials, adjusted for purchasing power, to ensure that comparator urban areas are at a similar stage of economic development and prosperity to the diamonds.

A final list of five comparator urban areas was constructed for each diamond. Where possible, comparator urban areas for each diamond were drawn from a variety of countries and any English towns and cities were excluded from the list of comparators to allow an international dimension to the analysis.

Figure 4.1 provides full listings of the comparator areas used for each diamond. While our methodology ensures that comparator urban areas are of similar size and structure to the diamonds, that is not to say that each is exactly the same as the diamond to which it has been allocated – indeed, all local economies are in some way unique.

Comparator areas for the diamonds

Milton Keynes and Aylesbury Vale
1. Genève (Switzerland)
2. Wiesbaden, Kreisfreie Stadt (Germany)
3. Oslo (Norway)
4. Københavns Amt (Denmark)
5. Arr. Antwerpen (Belgium)

Reading
1. Arr. Antwerpen (Belgium)
2. Oslo (Norway)
3. Groot-Amsterdam (Netherlands)
4. Dublin (Ireland)
5. Københavns Amt (Denmark)

Brighton and Hove
1. Midden-Noord-Brabant (Netherlands)
2. Offenbach, Landkreis (Germany)
3. Cardiff And Vale Of Glamorgan (UK)
4. Genève (Switzerland)
5. Rimini (Italy)

The Gatwick Diamond
1. Utrecht (Netherlands)
2. Arr. Antwerpen (Belgium)
3. Firenze (Italy)
4. Yvelines (France)
5. Region Hannover (Germany)

Urban South Hampshire
1. Genova (Italy)
2. Region Hannover (Germany)
3. Zuid-Limburg (Netherlands)
4. Arr. Antwerpen (Belgium)
5. Rhône (France)

Thames Gateway Kent
1. Erftkreis (Germany)
2. Midden-Noord-Brabant (Netherlands)
3. Arr. Liège (Belgium)
4. Península De Setúbal (Portugal)
5. Lecce (Italy)

Oxford / Central Oxfordshire
1. Arr. Halle-Vilvoorde (Belgium)
2. West-Noord-Brabant (Netherlands)
3. Haute-Garonne (France)
4. Firenze (Italy)
5. Region Hannover (Germany)

Basingstoke
1. Zug (Switzerland)
2. Freising (Germany)
3. La Spezia (Italy)
4. Arr. Sint-Niklaas (Belgium)
5. Zuidwest-Gelderland (Netherlands)

Source: Experian Ltd.

Figure 4.1: Comparator European urban areas for the diamonds

The South East of England has enjoyed robust rates of economic growth in recent years, whether compared to most other UK regions or those found in western Europe. The diamonds have been at the forefront of this regional success story, evidence of which can be found in a number of areas:-

- All but one of the diamonds achieved GDP growth well in excess of the UK average between 1999 and 2004. All but two of diamonds grew faster than the South East region over this period.
- GDP growth rates in all the diamonds exceeded the western European average, and the strongest growing diamonds have been among the best performing towns and cities in Europe.
- The diamonds have tended to grow faster than western European towns and cities that share similar economic characteristics with the diamonds.

The relatively strong performance of the diamonds is best illustrated in comparisons of GDP growth. This is due largely to strong gains in productivity, where growth in all of the diamonds has exceeded the western European average. The diamonds have also, with one or two exceptions, created jobs at a relatively healthy pace, though the extent to which they outperform their European neighbours is less so than for GDP. This in itself is not particularly surprising as employment rates in the South East are generally much higher than in much of Europe, and as such, the scope for employment growth is constrained by the size of the available workforce.

There are three core structural factors that explain why the diamonds have tended to grow faster than the UK and western European averages, and why we believe the strong performance of the diamonds will be sustained over the next decade.

Demographics play an important role in economic development through the impact they have on the labour market. Employment in a town or city can only grow if there is an expansion in the available workforce or an increase in the employment rate (the proportion of the workforce who are in employment). There are many reasons why the workforce might grow in the short term, such as increased labour market participation or changes in commuting patterns. But in the longer term, workforce growth will only be sustained if there is an expansion in the working age population.

About half of Europe's towns and cities suffer from contracting working age populations, and this places significant constraints on their ability to generate employment growth. Furthermore, the working age population for all of western Europe is expected to contract over next decade. By contrast, the diamonds enjoyed sustained increases in their working age populations in recent years, not least due to the significant in migration. Further population growth is expected in each of the diamonds over the next decade, and they are therefore well placed in this regard compared with many of their western European neighbours.

The diamonds also benefit from having a relatively favourable mix of local **industries**. The main impetus for growth in western Europe, particularly for employment, is from the service sector, spanning a range of industries from business services, transport, communications and recreational, cultural and leisure activities. By contract, employment in manufacturing and agriculture has fallen markedly in recent years and losses are likely to persist over the medium to long term. All things else being equal, towns and cities in Europe that have a high concentration of activity in the expanding industries, such as the diamonds, will benefit from strong demand for these activities. But those areas that are reliant on agriculture or manufacturing are less well placed to generate employment growth.

The diamonds also benefit from being able to draw on a workforce that is relatively **highly skilled**. Highly skilled workers are more likely to secure employment and tend to be more productive than those with fewer skills. But equally important is that access to a skilled workforce is one of the key factors that business consider when making their location decisions. Businesses also demand easy access to global markets, where again the diamonds score well relative to many other European areas.

4.3 THE NORTH CAROLINA RESEARCH TRIANGLE

Given the international dimension of this aspect of our research, we also considered the comparability of the "North Carolina Research Triangle" and the drivers behind its success. Often simply called "The Triangle", it is a large metropolitan region in the State of North Carolina in the south-eastern United States. The Triangle is so called because it is supposedly anchored geographically by three urban centres with major research universities.

There are up to 1.5 million people who live in the Triangle area, equivalent to 17% of all the population of North Carolina. Given the size of the US, this represents around 0.5% of people in the country. There are up to 570,000 employees in the Triangle area, equivalent to 18% of all jobs in North Carolina and 0.5% of jobs in the US.

The sectoral structure of employment in the Triangle area is quite distinctive from that North Carolina as a whole. The Triangle area has advantages in certain sectors:

- Information services with up to 9% of jobs. This includes activities such as software, telecommunications, internet services as well as publishing and broadcasting.

- Professional services with up to 4% of jobs. This includes services in law, consulting, engineering, architecture, computing as well as in scientific research and testing.
- Manufacturing with up to 15% of jobs. The area has particular concentrations of jobs in manufacturing of computers and electronic products. Many of these manufacturing jobs are in research, design and administration rather than simply production.

The Triangle area has experienced rapid growth in the population, which has increased from around 960,000 people in 1990 to almost 1.47 million by 2004. This represents a total increase of over 50%. Population growth in the Triangle has been persistently higher than in North Carolina as a whole, which is itself a State where the number of people has grown at a faster rate than the national average.

The Triangle area has also enjoyed rapid employment growth from a little over 500,000 employee jobs in 1990 to over 700,000 jobs by 2004. This represents a total increase of over 40%. The growth in the Triangle's employee jobs is higher than for North Carolina which is itself a State growing faster than the national average. Throughout most of the 1990s, employment growth in the Triangle outperformed both state and nation although the area experienced a small downturn during 2001 and 2002.

The growth of the Triangle area is also represented by the rise in average wages in the area. In 1990, the area's average annual salary of $22,300 was 4% less than the US average. Within ten years, the area's average had $36,400, a figure which was 5% more than the US average.

In 2004, the US Bureau of Economic Analysis recorded the average wage per job in the area as almost $40,100. This was the 18th highest out of 122 Central Statistical Areas in the US and the second highest in the south east region of the US after Atlanta, highlighting the relatively successful economic performance of the Triangle.

Of key interest are the factors that have been driving this success and we have identified three distinct drivers of change that have been important in the recent growth of the Triangle area:

- The Research Triangle Park which has helped shape the nature of business and enterprise in the area.
- The three universities which provide a research base and develop a pool of educated graduate workers.
- The wider growth of the State of North Carolina, in particular the city of Charlotte, which illustrates that the growth of the Triangle is not isolated.

There are some key caveats in comparing the Triangle with the diamonds:

- The area of land – The area defined as the Triangle covers some 12,000 square kilometres. This is over 60% of the entire 19,000 square kilometres that form the South East region of England. Therefore the Triangle is much larger than any comparable Diamond.
- The size of population – The size of the Triangle in terms of people is approximately 1.5 million residents and a little under 600,000 jobs. This is somewhat larger than the South East's Diamonds and, of course, the population of the Triangle is spread over a much wider area.

It should also be recognised that there are important general differences between the behaviour of the US/North Carolina economy and the UK/South East economy; for example in macro-economic change, labour mobility or the size of the domestic market.

However, what is important in terms of this case study is to draw out and learn from some of those similarities between the growth drivers of North Carolina's Triangle and the diamonds:

1. Economic structure and economic change

North Carolina's economy and the Triangle in particular have been characterised by growing population and employment and a strong performance in modern growing sectors, notably in information technology and telecommunications, in professional services and in research. This is an economic story clearly identifiable with that of many parts of South East England.

2. A centre for business investment in research

The large Research Triangle Park is itself not something that is replicated in the South East, nor given the thirty year history of the Park is it something that could or should be replicated. However, the Park's record in attracting investment from major multinational companies and also in sustaining growth of smaller related enterprises is again recognisable with trends in some of the South East's Diamonds.

3. The presence of major universities

The Triangle area has an established reputation as home to three major universities which are among its countries oldest and most respected with a track record in research and teaching. These help provide an educated pool of graduates, many of which become the Triangle's workforce. Many of the South East's Diamonds are also home to one or more successful universities.

4. A growing neighbour

The growth of the Triangle has not happened separately from its neighbouring areas. The State of North Carolina as a whole has been among the most economically successful in the US. In particular, the city of Charlotte has experienced rapid growth as a business and financial centre. We have not explored the linkages between Charlotte and the Triangle but for the diamonds of South East England, this echoes as the linkages with the growth of London and of the diamonds with each other.

4.4 IMPLICATIONS FOR THE DIAMONDS

Our analysis provides useful comparators for the individual diamonds, laying the foundation for SEEDA or diamonds to undertake detailed comparator policy analysis. Further, the analysis provides insight into the how the diamonds are performing in an international context, what is driving international urban areas with similar characteristics, and what lessons can be taken from this. It should be noted that there are consistent themes arising from both the European and UK comparator analysis – the importance of a growing working-age population and a favourable industrial structure. However, given the singular circumstances under which the Triangle has arisen, there are further drivers identifiable there which are to a greater or lesser extent shared by diamonds in the South East.

Taken altogether, key factors in economic performance and growth of relevance to the diamonds identified by our international comparator work are:

- Growth in working age population.
- A skilled workforce.
- A favourable industrial mix, concentrated in high-value activities.
- Strong university presence.
- A collaborative culture between business and research institutes.
- Proximity to a very large, well-performing urban area.

Analysis of the diamonds relative to urban comparator areas in western Europe suggests that the diamonds (for the most part) have not only been highly successful in a domestic context, but have also outperformed similar urban areas elsewhere in Western Europe.

Population projections indicate that the working age population of the diamonds will expand faster than that of European comparator areas, laying the foundation for sustained growth. However, while the success of the diamonds is somewhat attributable to their favourable sectoral make-up, they have outperformed areas with similar industry mix suggesting that local conditions have been integral to the success of the diamonds. Strong drivers of economic growth at a local level will therefore be key to ensuring the diamonds perform as well going forward.

The highly skilled workforce and a large research base in the South East has in particular acted as a key strength in the past, and lessons from the North Carolina Research Triangle highlights how strong links between higher education institutions and industry can act to support the development of knowledge based industries and can help to develop an international reputation in these sectors.

Indeed, it will be important to ensure local conditions are right in order to realise this growth potential and to attract investment from the right industries. In a global economy, effective connectivity both internationally and between the diamonds and key transport hubs and London will be essential to the diamonds’ future growth prospects. Indeed the challenge for the diamonds will not be to pick the businesses that will offer significant growth potential but, rather, to encourage businesses to pick the diamonds as places to locate and invest in.

5 Towards an agenda for action

5.1 THE EVIDENCE

Interest in city-regions is gathering pace. At the heart of this interest is the idea that, in economic terms at least, cities and surrounding areas interact closely. Together, they are the concentrated locations for most economic activities. Therefore, policymakers are turning their attention to economic development and regeneration issues that can be dealt with more effectively across economic functional areas, namely at the city-region level. Intervention at this level is considered key to the competitiveness and future growth of urban economies.

There are clear differences between the city-regions identified as diamonds in the South East of England and city-regions elsewhere, particularly those situated in the northern regions of England. Collectively, the diamonds are distinctive because:

- they are generally smaller than the Core Cities and the city-regions of the Northern Way, albeit still accounting for over four million residents and over two million jobs;
- they are better performing, with employment and output growth rates out-stripping the Northern Way city-regions and the national average;
- they are generally already good examples of what 21st Century economies might be expected to look like, unlike most of the Core Cities and city-regions of the Northern Way which are still dealing with the legacies of their industrial past;
- they score highly on key competitiveness indicators – innovation and R&D, creative and knowledge based employment, skills and quality of life;
- their relationship with London is closely intertwined, with the hugely successful London economy acting as the hub for the three regions of the Greater South East; and
- no diamond or diamonds dominate the region, reflecting a polycentricity that is a feature of the South East.

The diamonds are of strategic importance to the South East region. One in every two people in the region live in the diamonds. The diamonds' growth rates are above the regional average. And for every £1 of regional output, around 60p of it is produced in the diamonds. Since the high-performing South East region accounts for a significant chunk (16/17%) of England's total employment and GVA, the diamonds are demonstrably important to national economic prosperity.

Collectively, therefore, the diamonds are disproportionately significant drivers of regional and national economic growth. They have the characteristics to not only support but drive the region's response to the challenges outlined in the draft RES:

- global competitiveness – the diamonds have close ties with the global economy due to their proximity to London and the UK's major airports of Heathrow and Gatwick; moreover their concentration of knowledge sectors and workers provides them with the requisite assets to compete on a global scale;
- smart growth – the diamonds are more productive than the regional and national average, and high scores on innovation and creativity indicators are evidence that the diamonds have the potential to continue growing smartly;
- sustainable prosperity – the quality of life and environment offered by the diamonds is and will remain an important factor in their economic success as it acts as a magnet for businesses and individuals wishing to locate in them.

To meet these regional challenges, diamonds must face their own opportunities and constraints. Some of these are collective, such as maintaining their competitiveness in an increasingly global economy, achieving smart, productivity-led growth in the face of relatively tight labour markets and ensuring that intra- and inter-regional infrastructure supports this. Some of these are diamond-specific, because individual diamonds are distinctive areas with their own characteristics:

- **Basingstoke** is a key location for knowledge and cultural industries, with little legacy from previous industrial periods and good links to the rest of the region, London and the global economy.
- **Brighton and Hove** is a centre for education, culture, creativity, leisure and tourism, and an asset of regional significance because its singular character is able to attract the types of creative and knowledge workers important for a 21st Century economy.
- **Milton Keynes and Aylesbury Vale** is part of a designated Growth Area, is well situated between London/the South and the Midlands/the North, and has good airport as well as motorway and rail links. It offers a prime location for businesses with national and international reach.
- **Oxford / Central Oxfordshire** has a science and research base with few rivals, but also a high technology manufacturing base, and a helpful location near to Heathrow, London, the Midlands and the West.
- **Reading** has a strong location near Heathrow, and as a global gateway is an important base for head offices and high-value, high-growth business services.
- **Thames Gateway Kent** provides huge development opportunities as part of Europe's largest regeneration initiative, and is soon to acquire high speed rail links to London and mainland Europe.
- **The Gatwick Diamond** is an air transport hub of global importance, but also provides high quality residential opportunities linked into the regional and London economies.
- **Urban South Hampshire** is a major conurbation which, on the face of it, is the diamond most similar to northern city-regions but with two important seaports, a mixed industrial base and good educational assets.

In broad terms, Basingstoke, Milton Keynes, Oxford/Central Oxfordshire, Reading and The Gatwick Diamond are all performing well in economic terms, but they face challenges, not least as a result of globalisation. Brighton and Hove, Thames Gateway Kent and Urban South Hampshire are performing less well against key indicators but have the characteristics and assets requisite for future growth if action is taken to unlock their potential. Given the assets at their disposal, there is good reason to believe that all of the diamonds can in future be key drivers of the regional and national economy.

5.2 UNLOCKING POTENTIAL: INVESTMENT AND GROWTH

Diamonds for Investment and Growth – given the challenges facing diamonds, individually and collectively, a combination of investment and growth is required to unlock their potential.

In the diamonds collectively, relatively small amounts of policy support are likely to have noticeable impacts at the national scale. Also, because they are relatively small, those interventions should only marginally reduce the resources available for investment in the many areas of the UK that have deeply entrenched problems, requiring large capital outlays. A balanced approach, which takes account of the needs of the diamonds as well as other areas, therefore represents a more effective policy set than one which focuses only on areas with large problems of structural adjustment.

As policymakers move towards an agenda for action to unlock the potential of the diamonds, the evidence suggests the following considerations should be taken into account.

5.2.1 A common agenda

- Collectively, the diamonds have characteristics which distinguish them from other city-regions in England, particularly those situated in the northern regions, including their location within one of the more successful regions in Europe, close links with London, high growth rates, 21st Century industrial structure and polycentric features. It is the distinctive traits of the diamonds that make them what they are, and these distinctive traits should be at the heart of a common agenda for action to unlock their growth potential.

- Strategic decision-making capacity is a core enabler of growth at the city-region level. This is the capacity to make strategic decisions on issues which require intra-diamond agreement. As important as this is the willingness and ability to collaborate between diamonds and with other partners at the regional level. Currently, some diamonds are in a greater state of readiness to collaborate on intra-diamond issues than others.

- Individual diamonds themselves have their own distinctive assets and traits. A common agenda will help to unlock the growth potential of diamonds at the collective, pan-South East level. But intra-diamond challenges are sometimes different, requiring greater or lesser amounts of attention being paid to the fundamentals of the business environment, educational base, physical infrastructure, social/cultural infrastructure/networks and strategic decision-making capacity. Therefore, there should also be individually tailored strategies for the diamonds.

- Some diamonds are performing extremely well already, better than the regional and national average and even comparator areas in Europe. For these diamonds, policy intervention should be focused on maximising identifiable opportunities rather than focusing on constraints.

- Other diamonds are performing less well, a result of considerable barriers to their long-term development. For example, some individual diamonds have localised problems of industrial legacy, lack of skilled labour, poor entrepreneurship and low business birth/survival rates, problems that are easily overlooked in blanket assumptions about South East prosperity. For these diamonds, focus should be on addressing constraints.

5.2.2 Focus on drivers and fundamentals

- Viewed collectively, there is strong evidence in the diamonds of the existence of the drivers and fundamentals required for sustainable economic competitiveness. These are stronger and/or weaker in individual diamonds, and focus should be paid to them accordingly.

- In many ways, the diamonds have more common features with international comparator areas (particularly in Europe) than they do with city-regions in England, particularly those English city-regions situated in the North. Therefore, examples from abroad should be drawn on to inform an agenda for action for the diamonds. In broad terms, key factors in the economic performance and growth of international comparators have included, to a greater or lesser extent, growth in working age population, a skilled workforce, a favourable industrial mix, a strong university presence, a collaborative culture between business and research institutes and proximity to a very large, well-performing area. More research is required on individual diamond comparator areas to understand the greater or lesser extent of these factors on the ground.

- Access to London and to international markets is essential for the diamonds, because businesses located within them will increasingly be competing on the global stage. Their close links to the capital, to Heathrow and Gatwick have been a fundamental factor in their comparatively strong historic performance. Investment in intra- and inter-regional infrastructure, particularly transport, should therefore be an important aspect of a common agenda to unlock the diamonds' growth potential.

- Collectively, the diamonds are forerunners of the growing knowledge-based economy. High levels of innovation, R&D, creativity and education are one of the main distinguishing traits of the diamonds. But this needs to be exploited further. On the one hand, some of the diamonds are at a much less advanced state than others and need to being catching up quickly. On the other hand, even those diamonds that are advanced will find that their businesses and universities are competing increasingly on a global scale as city-regions around the world improve their own locational offer. The diamonds must ensure they sustain their competitive position.

5.2.3 Raising awareness

- The diamonds have the characteristics to not only support but drive the region's response to the challenges outlined in the draft RES, and the degree of success of the diamonds will have clear ramifications for economic development in the region. This needs to be acknowledged and exploited in regional policymaking, and further work needs to be undertaken to articulate the objectives and targets of the South East Diamonds for Investment and Growth.

- Consequently, the diamonds are important to the economic well-being of the national economy. With government interest increasing in the concept of city-regions, the distinctive role and importance of the diamonds in boosting national economic growth needs to be communicated to national policymakers. Central to this message should be the disproportionately high contribution that diamonds have made to growth, particularly in terms of output and productivity – key tenets of the smart growth concept – and the potential for all diamonds to be future drivers of the regional and national economy, given sufficient investment and attention.

- Finally, the individual distinctiveness of diamonds should not be lost in the process of raising awareness of their collective significance. The distinctiveness of each diamond is key to their collective strength. As such, it demonstrates why individually tailored strategies (under the banner of *South East Diamonds for Investment and Growth*) are integral to unlocking the growth potential of the diamonds.

Appendix A

Analytical proxy areas and an analysis of linkages and flows

Analytical proxy areas for the diamonds

The RES identified eight diamonds for investment and growth. Official datasets are largely available at the local authority district level and for the purposes of analysis, we have used the following whole districts as analytical proxy areas for the diamonds throughout this report.

Diamond	Local Authority Districts
Basingstoke	Basingstoke and Deane
Brighton and Hove	Brighton and Hove Adur Worthing
Milton Keynes and Aylesbury Vale	Milton Keynes Aylesbury Vale
Oxford / Central Oxfordshire	Oxford South Oxfordshire Vale of White Horse Cherwell West Oxfordshire
Reading	Reading Windsor and Maidenhead Bracknell Forest Wokingham West Berkshire
Thames Gateway Kent	Medway Gravesham Swale Dartford
The Gatwick Diamond	Reigate and Banstead Tandridge Crawley Horsham Mid Sussex Mole Valley
Urban South Hampshire	Portsmouth Fareham Gosport Havant Southampton Eastleigh

Identifying major urban centres

Professor Mike Coombes of the Centre for Urban and Regional Development Studies developed an alternative method for analysing the diamonds using Travel To Work Areas, in line with the method used for the *State of the Cities Report*. It should be noted that, even when using Travel To Work Areas, much official data is still only available at the local authority district level. Professor Coombes' methodology and analysis is presented here.

The empirical analysis of the diamonds and their potential and linkages requires a prior decision on their 'footprints' in terms of boundaries on the ground. In part, this is a purely technical issue which is necessary to allow sub-regional data to be collated for the subsequent analyses. At the same time, the definition process will identify whether there are other 'potential' diamonds in the region which meet the same geographical criteria as the eight which have been selected as the focus for this research. (It should perhaps be stressed that this exercise is purely to create a set of analytical areas, and that the boundaries thus identified carry absolutely no implications for administrative structures.)

Any set of boundary definitions needs to start by stating the ***principles*** which drive the process. In this case, two geographical guide-lines were established in the draft "South East Diamonds for Growth Areas Evidence Paper" which made clear that:

- the diamonds are not limited to 'core' cities but cover whole built-up areas, and also
- the diamonds provide an economic focus for the areas around them.

The second guide-line suggests that to make the boundaries defined here 'fit for purpose' then they will need to identify sub-regions which are comparable in an economic sense. The only official boundaries which meet that criterion are Britain's local labour market areas, the TTWAs (Travel-to-Work Areas).

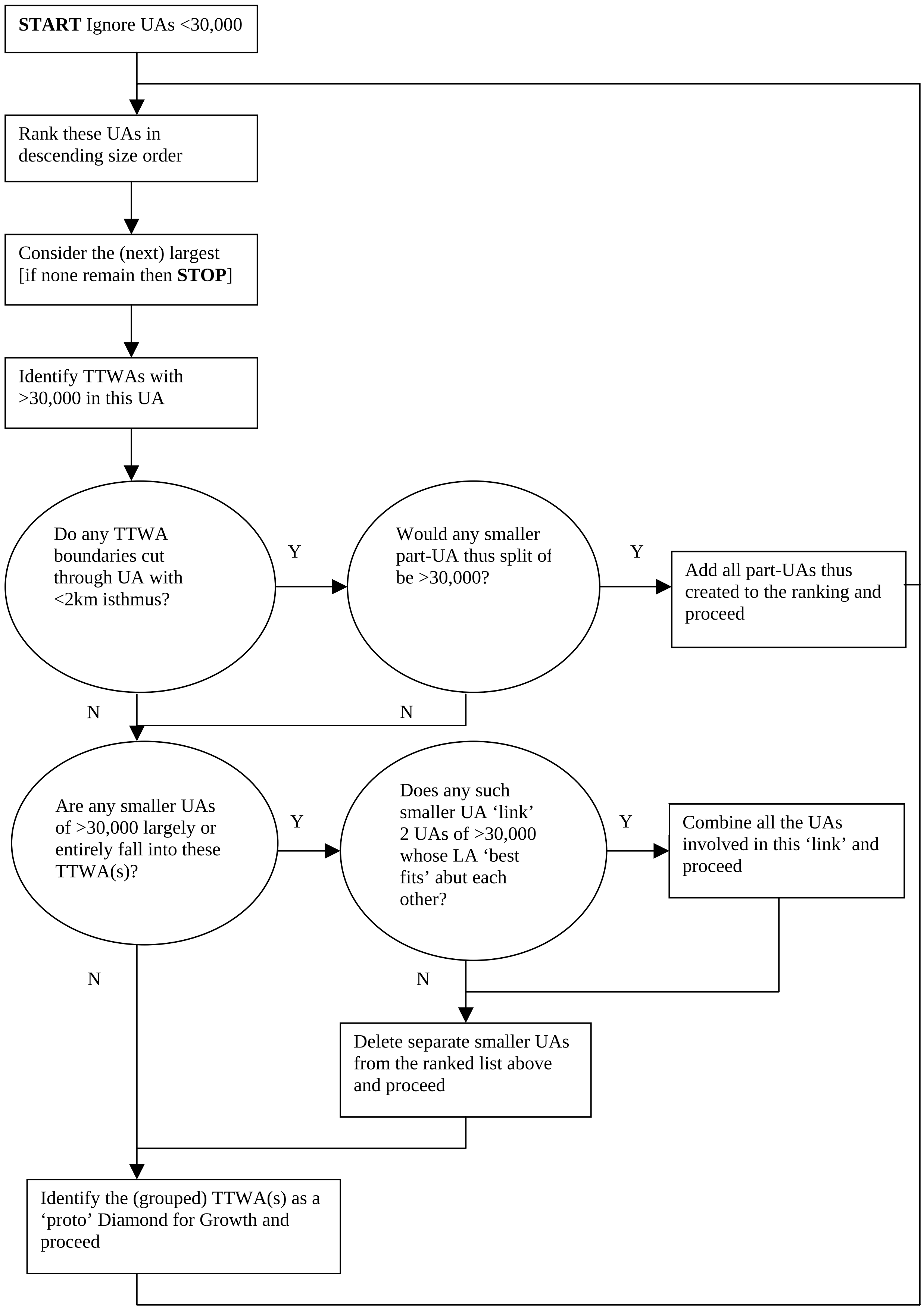
To summarise: the definition of diamonds are to be rooted in whole built up areas but finalised in the form of TTWAs (nb. some diamonds may encompass more than one TTWA). It should be noted that these definitions take little account of local authority areas (LAs); at the end of this document there is a description of how the definitions will be used for the research and at that stage the production of a 'best fit' of the diamond boundaries to LAs will be discussed.

It has been necessary to devise a customised boundary definition ***process*** so that the diamonds identified here do meet the needs of the research, and the policy-making it informs, by respecting the principles set out above. In particular, this means rooting the definitions within whole built-up areas, and subsequently matching them to TTWA boundaries. Both these concerns were also relevant to the State of the English Cities research which defined each Primary Urban Area in terms of its continuously built-up area and then identified the TTWA(s) embracing it, before using the TTWA level for all economic analyses. Following that precedent, the customised boundary definition process here is based on the State of the Cities definitions, but with some necessary adjustments. The main reason for the adjustments is the requirement that all the previously recognised diamonds should be identified, and not all of these pass the Primary Urban Area population size threshold (125,000). One additional but important constraint is that Portsmouth and Southampton are to be a single joint diamond in the final definitions.

The process of definition is set out in the diagram below but its key features can be listed first.

1. The basic Urban Area (UA) definitions used are the 'upper tier' set (based on physically built-up areas) defined by central government for reporting the 2001 Population Census in particular; UAs with 2001 populations of under 30,000 are ignored altogether here.

2. The set of TTWAs referred to – as with the State of the Cities research – are those identified in 1998 on the basis the 1991 Census commuting data (nb. it is not likely that there will be new TTWA definitions based on 2001 commuting data before 2007).



3. The primacy of economic considerations led to the "isthmus" step in the definitions which in effect 'over-rules' the grouping into a single UA of two largely distinct urbanised areas if these separable urbanised areas are also part of different TTWAs: this step was also in the Primary

Urban Area process and leads to Worthing and Brighton being separated; it is necessary in this process to avoid Medway becoming grouped with London via the Gravesend area (which is in the London UA but also in the Medway TTWA).

4. The step which allows a small UA to 'link' two closely adjacent large UAs was not in the Primary Urban Area definition process but has been introduced to this process to link Portsmouth with Southampton: it does not impact elsewhere in the region in practice.

The overall process leads to a set of 'proto' diamond definitions which include all TTWAs in the South East except for the Isle of Wight where no UA passes the 30,000 minimum threshold.

The matrix below shows the 'proto' diamonds that ***result*** from the above process. For simplicity, the largest UA name is used in the matrix but of course the definitions are TTWAs in practice. All these 'proto' diamonds are single TTWAs except for the combination of Portsmouth and Southampton and the grouping of Slough and Heathrow with London and other adjacent areas. Notable groupings of UAs which these definitions represent include:

- Maidstone and Gravesend with Medway towns
- Guildford with Aldershot (plus Frimley and Farnham etc)
- Horsham and others with Crawley (and Redhill)
- Aylesbury with Wycombe
- Chichester with Bognor.

Those of the 'proto' diamonds which are among the 8 currently identified for the policy are shown in **bold** in the matrix below. The draft Evidence Base document stresses that several different factors led to the identification of the 8 diamonds currently in the policy framework.

UA size:	<30000	30000-62499	62500-124999	125000-250000	>250000
TTWA size : >250000			Wycombe	**Medway** Aldershot **Crawley** **Oxford** **M.Keynes**	London+Slough **Portsmouth+Southampton** **Reading**
125000-250000	[IoW]	Tunbridge Bognor Canterbury	**Basingstoke** Eastbourne	**Brighton** Worthing Hastings	
62500-124999		Thanet Banbury Newbury Ashford Folkestone Dover Andover			
	Urban Area too small to be in SotEC			UA included in State of the English Cities	

The matrix illustrates how the purely geographical criteria applied in this boundary definition process identify 'proto' diamonds such as the Aldershot area which stand comparison on this basis with Basingstoke and others among the 8 diamonds but cannot have met some of the other criteria relevant to the policy framework. For completeness, the matrix includes reference to the Isle of Wight TTWA although in fact there is no UA of 30,000 people within it so it could not emerge from the present definition process. The matrix also lists, in its second data column, the 10 TTWAs which include at least one UA housing over 30,000 people but with a population of less than 62,500 (nb. this somewhat arbitrary population threshold was chosen for illustrative purposes here, because it is half the value set for the Primary Urban Areas in the State of the Cities research, but not very much less than the size of Basingstoke which has been identified in advance as a Diamond). It is hoped that the completeness of the information in the matrix will be of potential value if there were further discussions over the possibility of including more diamonds in the policy framework.

The final part of this document considers the ***implementation*** of the definitions in the research. Here again, the State of the Cities research provides a template which can usefully be followed. Several sets of definitions are always needed, each using a different set of 'building block' areas in order for data to be collated from different sources. The extent to which any set of definitions deviates from the original is effectively determined by the size of these building block areas: larger areas will inevitably have a poorer 'best fit' in some parts. Three sets of definitions are produced.

Gold Standard	these are the original boundaries, based on TTWAs and thus, like them, constructed from 1991 wards
Silver Standard	these are a 'best fit' to the original boundaries, constructed from 2001 Census wards (ie. end-2002 ward boundaries)
Bronze standard	these are a 'best fit' to the original boundaries from whole LAs.

This document is accompanied by Excel listings of the first two sets of definitions. The table below presents the Bronze standard definitions of the 8 diamonds which had been identified prior to the process described here. It also provides a very strict measure of the quality of the 'best fit' involved here (the calculation is the population living in *both* the gold and bronze standard definitions, as a percentage of the population that lives in any part of either of them).

Diamond	'best fit' %	LA(s)	
Milton Keynes and Aylesbury Vale	71.7	Milton Keynes	
Reading	76.6	Reading	Bracknell Forest
		Windsor and Maidenhead	Wokingham
Brighton and Hove	77.7	Brighton and Hove	Adur
		Lewes	
The Gatwick Diamond	63.5	Reigate and Banstead	Horsham
		Tandridge	Mid Sussex
		Crawley	
Urban South Hampshire	86.5	Portsmouth	Southampton
		Fareham	Eastleigh
		Gosport	New Forest
		Havant	Winchester
Thames Gateway Kent	92.2	Medway	Swale
		Gravesham	Tonbridge and Malling
		Maidstone	
Oxford / Central Oxfordshire	72.4	Oxford	Vale of White Horse
		South Oxfordshire	West Oxfordshire
Basingstoke	64.6	Basingstoke and Deane	

Analysis of linkages and flows

The following analyses of inter-diamond links use 2001 Census commuting flow data and are based on the Travel to Work Areas described above. As set out above, data on economic processes such as commuting flows identify the diamonds in terms of current Travel-to-Work Areas (TTWAs). In practice, this means that the diamonds are defined as in the following table.

Diamonds	TTWAs
Basingstoke	Basingstoke
Brighton and Hove	Brighton
Milton Keynes and Aylesbury Vale	Milton Keynes
Oxford / Central Oxfordshire	Oxford
Reading	Reading
Thames Gateway Kent	Maidstone & North Kent
The Gatwick Diamond	Crawley
Urban South Hampshire	Southampton & Winchester + Portsmouth (2 TTWAs)

In the Census data it is possible to break down the commuting flows by the type of job of the commuter and here tabulations are provided both for the total workforce and also for the workers whose jobs fall into the strategically important categories defined as Professional & Managerial (P&M).

The first table simply shows the number of all 2001 commuters who lived in and also worked in one of the diamonds (whether or not it was the same one that they lived in). For each cell in the table, the name on the left of the row indicates where those commuters live whereas the name at the top of the column shows where they worked. The highest values are found in 'the diagonal' cells ranging from the top-left cell to the bottom-right cell: these are the counts of people who both live and work in the same diamond and this pattern in the data shows that inter-diamond commuting is not all that common. Two large exceptions to this generalisation involve flows to the strong local economy of Reading which drew in over 7,000 commuters from the Oxford area and over 5,000 from Basingstoke (with substantially smaller numbers commuting in the opposite direction).

Given its very large resident workforce, the numbers commuting from Urban South Hampshire are relatively modest but it is notable that the 6,650 who commuted to Basingstoke was getting on for twice the number commuting the other way. In most cases it would be expected that the net flow would be from the smaller to the larger urban area, but here the opposite pattern applies; the reason probably lies in the fact that Basingstoke is nearer London and it is not unusual for commuting flows between areas which are near a major metropolis to echo the overall tendency for the net flow to be towards the metropolitan centre. The same pattern can be seen in the very large commuting flow from Brighton and Hove to The Gatwick Diamond far out-numbering the reverse flow.

The second table shows the equivalent analysis for the P&M workforce separately. Broadly speaking, the observations made about the total workforce apply here too.

All flows	Basingstoke	B&H	MK	Ox/COx	Reading	TGK	The GD	USH
Basingstoke	65151	24	30	222	5403	24	186	3467
B&H	66	143115	39	42	192	270	18953	501
MK	60	12	114193	982	324	30	84	81
Ox/COx	303	36	787	196445	7288	39	177	294
Reading	3441	36	162	3710	218920	60	625	645
TGK	100	156	87	60	321	236561	2002	243
The GD	186	7108	66	45	596	609	179765	378
USH	6650	418	99	471	1904	189	993	481100

P&M flows	Basingstoke	B&H	MK	Ox/COx	Reading	TGK	The GD	USH
Basingstoke	23764	15	21	171	3485	21	144	2032
B&H	39	53851	18	36	126	189	10332	366
The GD	150	3704	57	39	488	465	66825	285
TGK	54	87	60	33	219	71572	1138	150
MK	45	12	41110	561	258	15	54	45
Ox/COx	210	12	566	81427	4949	21	108	201
Reading	2577	18	141	2328	94628	42	451	477
USH	4330	240	69	321	1333	105	510	176746

Put simply, the reason is that P&M workers tend to be paid relatively well and this means that they can afford the longer-distance commuting that is involved when living in one diamond but working in another. Whereas the P&M category tend to cover only 30 to 40% of the shorter-distance commuters – those who are both living and working within the same diamond – for the major inter-diamond commuting flows between half and three-quarters of all the commuters have professional or managerial jobs.

The next table puts these flow measures in perspective by calculating how significant they are in terms of all workers – or all P&M workers – living in the diamond where the commuting flow started. For example, the top-right cell shows the P&M flow from Basingstoke to Reading to include over 8% of all P&M workers living in Basingstoke: due to the greater tendency of P&M workers to commute longer-distances which has already been stressed, there are higher values in the P&M column than the total one. Flows accounting for less than 5% of the relevant resident workforce are not shown.

Diamond lived in	Diamond worked in (total)	Diamond worked in (P&M)
Basingstoke	Reading (5.7%)	Reading (8.2%)
B&H	Gatwick (10.0%)	Gatwick (12.5%)
MK	*none over 5%*	*none over 5%*
Ox/COx	*none over 5%*	*none over 5%*
Reading	*none over 5%*	*none over 5%*
TGK	*none over 5%*	*none over 5%*
The GD	*none over 5%*	Brighton (5.3%)
USH	*none over 5%*	*none over 5%*

The following table assesses the significance of the inter-diamond flows from the point of view of providing the labour needed at the workplace end of the commuting flows. Most of the major commuting flows in the previous table re-appear here, but with some differences in relation to Basingstoke in particular. The key reason for these differences is that Basingstoke is far smaller than both Reading and Urban South Hampshire which are linked to it by significant flows. The result is that the commuters who live within Urban South Hampshire and work in Basingstoke do not make up 5% of Urban South Hampshire's resident workforce (and so this flow does not feature in the previous table) but do take nearly 7% of the jobs in Basingstoke and so this flow does feature in the following table.

Diamond worked in	Diamond lived in (total)	Diamond lived in (P&M)
Basingstoke	S.Hants (6.9%)	S.Hants (9.8%), Reading (5.8%)
B&H	*none over 5%*	Gatwick (5.3%)
MK	*none over 5%*	*none over 5%*
Ox/COx	*none over 5%*	*none over 5%*
Reading	*none over 5%*	*none over 5%*
TGK	*none over 5%*	*none over 5%*
The GD	Brighton (7.4%)	Brighton (9.5%)
USH	*none over 5%*	*none over 5%*

In general, the picture which is emerging here seems to be that – with the possible exception of Basingstoke and to a lesser extent The Gatwick Diamond – the diamonds are fairly self-contained with respect to each other. It is still possible that they are rather closely integrated with other areas: for example, Basingstoke also has notable links with the Aldershot and Guildford area which is not recognised as a diamond in these analyses. The last element of the analyses which have been carried out is to look at the flows between the diamonds and London (nb. the London TTWA is used for the following analyses and it should be remembered that there is another TTWA which includes Heathrow and some other parts of West London). The table below shows the values for both the total workforce and the P&M category, representing each commuting outflow as a proportion of that diamond's resident workforce, and each inflow in terms of the proportion of the diamond's workplace job count which is made up by commuters from the London TTWA (in 2001). One final point of clarification about this table: there are also values for four TTWAs in the East of England to provide some comparison for the diamonds in this analysis of 'dependence' upon London at the super-regional labour market scale.

As would have been expected due to strong net flows towards London of commuters, the "% outflow" values on the left-hand side of the table are consistently higher than the "% inflow" values here. Another pattern which would have been anticipated is that the values are lower for areas further from the capital and this too is broadly affirmed, although Brighton and Hove and Milton Keynes both rely more on London to provide jobs for their residents than does Reading which is less far away. Although the comparisons with the areas in the East of England can never be more than indicative, it is notable that this evidence suggests that Milton Keynes is rather more closely integrated with London than is Bedford whereas Oxford/Central Oxfordshire is slightly less linked than Cambridge is; Thames Gateway Kent is certainly less integrated with the capital up the Thames corridor than Southend whilst Stevenage is perhaps quite a close comparator to The Gatwick Diamond (in that the two TTWAs are not only similar distances from the capital but both are areas which feature 'constellations' of medium-sized towns).

	flow to London as % of the diamond's resident workers		flow from London as % of the diamond's workplace jobs	
	total	P&M	total	P&M
Basingstoke	3.6	6.5	1.7	2.8
B&H	5.9	10.5	0.7	1.3
MK	6.9	11.7	1.9	3.3
Ox/COx	2.3	4.2	0.7	1.2
Reading	5.0	8.1	2.8	4.6
TGK	18.2	26.3	3.7	5.8
The GD	16.0	25.0	8.2	10.5
USH	1.5	2.8	0.3	0.6
Southend	26.3	37.2	8.1	12.4
Stevenage	16.0	24.0	9.0	13.2
Bedford	5.5	9.9	1.0	1.8
Cambridge	2.8	4.9	0.9	1.5

Appendix B

International comparisons - methodology and analysis

Introduction

In this chapter we provide an international perspective to the economic performance and contribution to regional economic development of the diamonds by benchmarking them against urban areas in Europe. In particular, we answer three questions.

- How should we identify which European towns or cities are suitable comparator urban areas to the diamonds?
- How well have the economies of selected comparator urban areas performed in relation to their own national economies, what contribution have they made to regional economic development, and how does this compare to the diamonds?
- What factors have supported GDP growth in these comparator urban areas, and how do these compare to the diamonds?

To gain real value from this benchmarking exercise it is important that relevant and appropriate towns or cities are selected as comparator urban areas for the diamonds. For the purposes of this exercise, we adopted a quantitative approach to identify the comparator urban areas, using our own in-house databases of local area economic information. There are two guiding principles that underpin our approach:

1. We should begin with an open mind. All towns and cities should be considered as potentially being a suitable comparator urban area to one or more of the diamonds.

2. Any town or city that is proposed as a comparator urban area should share similar economic characteristics, and be of similar size and density, to the diamonds to which it is being compared.

Identifying comparator urban areas

The guiding principles outlined above required us to consider all towns and cities as being a potentially suitable comparator urban area for one or a number of the diamonds. We restricted our research to cover approximately 1,100 urban areas in western Europe, as this provided a sufficiently large sample to find a suitable range of comparator urban areas, and, importantly, is a sample for which detailed structural information and performance indicators are available.[12] We considered extending the analysis eastwards to cover all towns and cities in the enlarged European Union. However, the recent enlargement process has initiated a marked transformation in the structure and development of economies in central and eastern Europe, and it is therefore inappropriate to compare the diamonds to these places during this transitional stage.

We used our in-house databases and models to identify which towns or cities are suitable comparators to each of the diamonds.[13] By 'suitable', we mean comparator urban areas should have similar structural characteristics and be of similar size to the diamonds. But as the size and characteristics of the diamonds varies significantly between each of them, some urban areas are suitable comparators for some diamonds but not for others.

We used a number of indicators to examine the size and structure of each town or city. For size, we considered measures such as population (to give a view of how big an area is in terms of it being a place to live), GDP and employment (to give a view of how large the local economy is).

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[12] Western Europe is defined as the EU15, Norway and Switzerland.
[13] Experian's European Regional Forecasting Service provides structural indicators, data and economic forecasts for all towns, cities and regions for countries in the European Union, Norway, Switzerland, Bulgaria and Romania. Experian have developed a number of models that compares which towns, cities and regions share similar traits and characteristics to one another.

For a structural perspective, we examined the industrial mix of local economic activity. We also took account of GDP per head differentials, adjusted for purchasing power, to ensure that comparator urban areas are at a similar stage of economic development and prosperity to the diamonds.

Using this combination of indicators required us to weight each of these variables in our models to reflect its importance in guiding us to whether an urban area is comparable to one or more south east diamond. The weights adopted for the model are set out in the table below. We applied a 40 % weighting to the industrial mix of local economic activity, and within this, considered both the general industry mix as well as identifying whether potential comparators have a particularly high concentration of financial and business services activity. A weighting of 30 % was applied to scale, with each of GDP, workplace based employment and population allocated an equal measure, and a further 30 % to GDP per head.

Table 6.1: Weights applied to model

Scale	**30%**
GDP	10%
Workplace employment	10%
Total population	10%
Industrial mix	**40%**
Composite industrial mix indicator	20%
Concentration of service sector employment	20%
GDP per head	**30%**

Source: Experian Ltd.

The models were run for each diamond. This provided us with a good indication of which urban areas are most suitable comparators for each. We then examined the initial lists of potential comparators and excluded any that were significantly different to the diamonds in terms of geographic footprint. For example, the size and structure of the Liverpool economy is statistically very similar to the Brighton and Hove diamond. But these two areas are very different in terms of population and employment densities, with the economic activity and population of Liverpool significantly more heavily concentrated than in the Brighton and Hove diamond.

A final list of five comparator urban areas was constructed for each diamond. Where possible, comparator urban areas for each diamond were drawn from a variety of countries and any English towns and cities were excluded from the list of comparators to allow an international dimension to the analysis. The full listings are provided in the table below. Our methodology ensured the comparator urban areas are of similar size and structure to the diamonds. This is not to say that each is exactly the same as the diamond to which it has been allocated - indeed, all local economies are in some way unique. Full details of the size and structure of each comparator urban area is available separately.

Table 6.2: Comparator areas for the diamonds

Milton Keynes and Aylesbury Vale 1. Genève (Switzerland) 2. Wiesbaden, Kreisfreie Stadt (Germany) 3. Oslo (Norway) 4. Københavns Amt (Denmark) 5. Arr. Antwerpen (Belgium)	**Urban South Hampshire** 1. Genova (Italy) 2. Region Hannover (Germany) 3. Zuid-Limburg (Netherlands) 4. Arr. Antwerpen (Belgium) 5. Rhône (France)
Reading 1. Arr. Antwerpen (Belgium) 2. Oslo (Norway) 3. Groot-Amsterdam (Netherlands) 4. Dublin (Ireland) 5. Københavns Amt (Denmark)	**Thames Gateway Kent** 1. Erftkreis (Germany) 2. Midden-Noord-Brabant (Netherlands) 3. Arr. Liège (Belgium) 4. Península De Setúbal (Portugal) 5. Lecce (Italy)
Brighton and Hove 1. Midden-Noord-Brabant (Netherlands) 2. Offenbach, Landkreis (Germany) 3. Cardiff And Vale Of Glamorgan (UK) 4. Genève (Switzerland) 5. Rimini (Italy)	**Oxford / Central Oxfordshire** 1. Arr. Halle-Vilvoorde (Belgium) 2. West-Noord-Brabant (Netherlands) 3. Haute-Garonne (France) 4. Firenze (Italy) 5. Region Hannover (Germany)
The Gatwick Diamond 1. Utrecht (Netherlands) 2. Arr. Antwerpen (Belgium) 3. Firenze (Italy) 4. Yvelines (France) 5. Region Hannover (Germany)	**Basingstoke** 1. Zug (Switzerland) 2. Freising (Germany) 3. La Spezia (Italy) 4. Arr. Sint-Niklaas (Belgium) 5. Zuidwest-Gelderland (Netherlands)
Source: Experian Ltd.	

Growth in the south east diamonds and Europe

The diamonds in a western European context

Before turning our attention to the economic performance of the diamonds relative to the comparator urban areas, it is worthwhile re-emphasising the impressive growth performance achieved by the diamonds in recent years. We have previously noted that the diamonds have been among the fastest growing economies in the UK in recent years, and to that we can now add favourable comparisons with the rest of western Europe.

GDP growth in western Europe averaged 2% per year between 1999 and 2004. Each of the diamonds grew faster than this, and some did so by a considerable margin. For example, GDP is estimated to have grown by approximately 5% per year in Milton Keynes and Aylesbury Vale and Basingstoke over this period, and at more than 3% per year in most of the other diamonds.

The diamond's relative performance for employment growth is more mixed. Half the diamonds have achieved rates of job creation well ahead of the western European average. In Milton Keynes and Aylesbury Vale for example, employment grew on average by 3.0% per year between 1999 and 2004, three times the mean for western Europe. Employment growth was also well above average in Reading, Thames Gateway Kent and Brighton and Hove. The remaining diamonds, with one exception, posted employment growth at around the western European average. The outlier is Urban South Hampshire, where employment remained relatively flat over this period.

Table 6.3: Economic growth 1999-2004
(average annual % change)

% annual average change	GDP	FTE employment
Milton Keynes and Aylesbury Vale	5.0	3.0
Reading	4.3	2.1
Brighton and Hove	3.8	1.6
The Gatwick Diamond	3.3	1.3
Urban South Hampshire	2.3	0.1
Thames Gateway Kent	3.7	2.0
Oxford / Central Oxfordshire	3.4	1.0
Basingstoke	4.9	0.8
Urban South Hampshire	3.4	1.2
UK	2.8	0.9
Western European average	2.0	0.9

Source: Experian Ltd.

An alternative way of rating the diamond's recent economic performance is to rank their growth rates alongside all other western European towns and cities. Of the 1,122 western European areas covered by our analysis, the diamonds consistently come out towards the top of the GDP growth rankings. Indeed, each of the diamonds is among the best performing third of towns and cities, with two – Basingstoke and Milton Keynes and Aylesbury Vale – towards the very top of the rankings. The rankings for employment are more mixed, with Milton Keynes and Aylesbury Vale again at the top end of the table and Urban South Hampshire in the lower half.

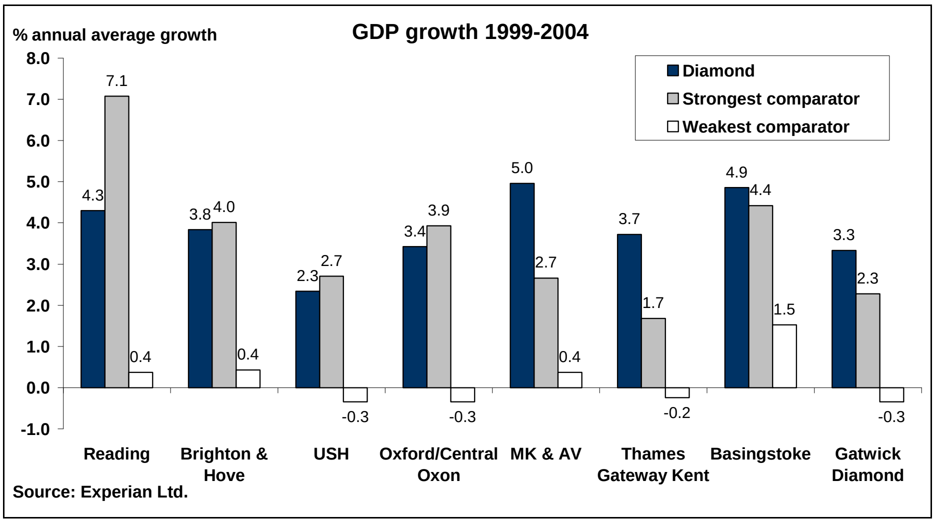
Table 6.4: Economic growth 1999-2004
(rank among western European towns and cities)

Rank of 1,122 western European towns and cities	GDP	FTE employment	Productivity
Milton Keynes and Aylesbury Vale	27	42	393
Reading	69	107	318
Brighton and Hove	106	162	308
The Gatwick Diamond	189	230	355
Urban South Hampshire	422	696	306
Thames Gateway Kent	124	115	465
Oxford / Central Oxfordshire	173	308	268
Basingstoke	35	374	48

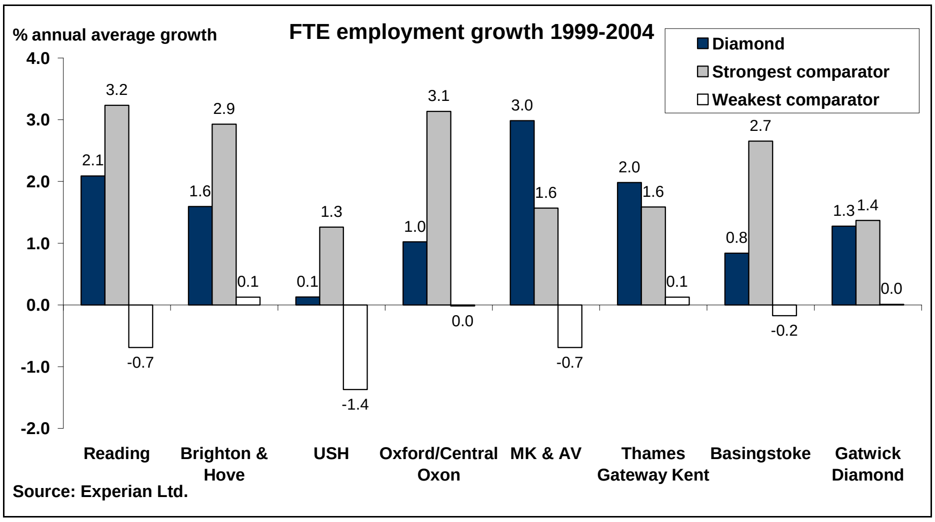
Source: Experian Ltd.

The diamonds and the urban comparator areas

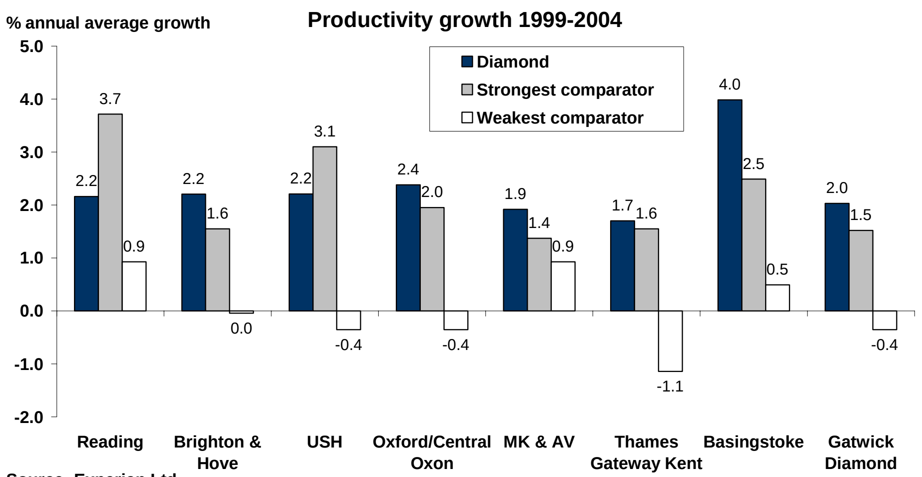
The relatively buoyant economic performance of the diamonds is reflected in comparisons with the comparator urban areas. Since 1999, GDP growth in all but two of the diamonds has broadly matched or exceeded that achieved by each of their five comparator urban areas, (table 6.2 shows the GDP growth rate for each diamond compared with the fastest and slowest growing of their five comparator urban areas). The exceptions were Reading and Oxford/Central Oxfordshire, but growth in each of these diamonds exceeded an annual average rate of 3%, so was by no means sluggish.



The analysis for employment for the same period shows growth in most of the diamonds fell short of the strongest outturn from their respective comparator urban areas. But it would be wrong to paint too dull a picture. Employment expanded in each of the diamonds over the period, a feat not achieved by all of the comparator urban areas. Indeed, at least one comparator for each diamond failed to record any notable job creation at all, with sharp reductions endured in many. Milton Keynes and Aylesbury Vale is the only diamond to have achieved employment growth at rates well in excess of all its comparator urban areas, with job creation at a very strong average of 3.0% each year.



The combination of relatively strong GDP growth but less robust job creation in the diamonds means comparisons on productivity growth place the diamonds in a relatively bright light. All the diamonds have enjoyed above average productivity growth in recent years, with most exceeding that achieved by many of their respective comparator urban areas. Productivity levels in the diamonds are generally below that of their comparators, and since productivity gains in the diamonds have, in the vast majority of cases, outpaced the gains witnessed in their comparators, the productivity gap has narrowed.



Source: Experian Ltd.

Table 6.5: Recent growth in the diamonds and comparator areas

% annual average growth 1999-2004	GDP	FTE employment	Productivity
Milton Keynes and Aylesbury Vale	**5.0**	**3.0**	**1.9**
Genève	2.7	1.6	1.1
Wiesbaden, Kreisfreie Stadt	1.7	0.3	1.4
Oslo	0.4	-0.7	1.1
Københavns Amt	1.9	0.5	1.4
Arr. Antwerpen	1.3	0.4	0.9
Reading	**4.3**	**2.1**	**2.2**
Arr. Antwerpen	1.3	0.4	0.9
Oslo	0.4	-0.7	1.1
Groot-Amsterdam	2.6	-0.3	2.9
Dublin	7.1	3.2	3.7
Københavns Amt	1.9	0.5	1.4
Brighton and Hove	**3.8**	**1.6**	**2.2**
Midden-Noord-Brabant	1.7	0.1	1.6
Offenbach, Landkreis	0.4	0.5	0.0
Cardiff And Vale Of Glamorgan	4.0	2.9	1.1
Genève	2.7	1.6	1.1
Rimini	1.9	1.6	0.3
The Gatwick Diamond	**3.3**	**1.3**	**2.0**
Utrecht	1.6	0.1	1.5
Arr. Antwerpen	1.3	0.4	0.9
Firenze	2.3	1.4	0.9
Yvelines	2.0	1.2	0.8
Region Hannover	-0.3	0.0	-0.4
Urban South Hampshire	**2.3**	**0.1**	**2.2**
Genova	1.2	0.4	0.9
Region Hannover	-0.3	0.0	-0.4
Zuid-Limburg	1.7	-1.4	3.1
Arr. Antwerpen	1.3	0.4	0.9
Rhône	2.7	1.3	1.4
Thames Gateway Kent	**3.7**	**2.0**	**1.7**
Erftkreis	0.2	1.1	-0.9
Midden-Noord-Brabant	1.7	0.1	1.6
Arr. Liège	0.9	0.7	0.2
Península De Setúbal	-0.2	0.9	-1.1
Lecce	1.4	1.6	-0.2
Oxford / Central Oxfordshire	**3.4**	**1.0**	**2.4**
Arr. Halle-Vilvoorde	1.9	0.8	1.0
West-Noord-Brabant	1.9	0.0	2.0
Haute-Garonne	3.9	3.1	0.8
Firenze	2.3	1.4	0.9
Region Hannover	-0.3	0.0	-0.4
Basingstoke	**4.9**	**0.8**	**4.0**
Zug	2.6	1.9	0.7
Freising	4.4	2.7	1.7
La Spezia	1.5	1.0	0.5
Arr. Sint-Niklaas	3.6	1.1	2.5
Zuidwest-Gelderland	1.7	-0.2	1.9
UK	**2.8**	**0.9**	**1.9**
Western Europe	**2.0**	**0.9**	**1.1**

Source: Experian Ltd.

The pace and composition of national economic growth provide useful context for growth dynamics in the diamonds and comparator urban areas. The table below shows the recent growth figures for the UK and countries from which most of the comparator urban areas are drawn. The fact that the UK has grown significantly faster than other countries is in itself an important factor. It would be easy to suggest that diamonds have performed well in recently years relative to their comparator urban areas simply because the UK economy has been strong. But a strong national outturn can only be achieved by fast growing towns and cities within that country, so the fact that the UK has prospered is as much the result of fast growing cities and towns, such as the diamonds, than it is a reason for towns and cities in the UK to do well.

The composition of growth in these countries, particularly the blend between employment and productivity growth, reflects the patterns seen in the diamonds and the comparator urban areas. For example, the UK and Norway have both achieved GDP growth above many of their European neighbours since 1999, but in Norway employment has remained relatively flat, yet it has grown by almost 1% per year in the UK. A similar contrast can be drawn between Germany and Italy, where GDP growth has been persistently sluggish, yet employment has increased markedly in Italy but fallen in Germany. These trends will be reflected to some degree in the local figures, as we have seen for diamonds.

Table 6.6: Economic growth 1999-2004
(% annual average change)

	GDP	FTE employment	Productivity
Norway	2.3	0.0	2.3
Belgium	2.2	0.7	1.5
Denmark	1.6	0.2	1.4
Germany	1.3	-0.1	1.4
Switzerland	1.3	0.5	0.8
Italy	1.5	1.3	0.2
France	2.3	1.2	1.1
Portugal	1.8	0.9	0.9
UK	**2.8**	**0.9**	**1.9**

Source: Experian Ltd.

One way of allowing for the disparate national growth rates in our examination of the diamonds and their comparator urban areas is to assess how well each area has grown relative to its national economy. The table below shows for each diamond and comparator urban area where GDP growth was above (signified by a tick) and below (signified by a cross) their respective national averages between 1999 and 2004.[14] With the exception of Urban South Hampshire, all of the diamonds grew faster than the UK average, providing further evidence of the importance the south east of England plays in driving the UK economy. The performances of the comparator urban areas are more mixed. For example, all but one of the comparators for Basingstoke grew at rates above their respective national average. By contrast, none of Urban South Hampshire's comparators grew faster than its national economy.

[14] Each comparator region is numbered according to the values set out earlier. For example, for Milton Keynes and Aylesbury Vale, comparator 1 is Geneva, comparator 2 is Wiesbaden Kreisefreie Stadt etc.

Table 6.7: GDP growth 1999-2004 relative to the national averages

	Diamond	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5
Milton Keynes and Aylesbury Vale	✓	✓	✓	✗	✓	✗
Reading	✓	✗	✗	✓	✓	✓
Brighton and Hove	✓	✗	✗	✓	✓	✓
The Gatwick Diamond	✓	✗	✗	✓	✗	✗
Urban South Hampshire	✗	✗	✗	✗	✗	✗
Thames Gateway Kent	✓	✗	✗	✗	✗	✗
Oxford / Central Oxfordshire	✓	✗	✓	✓	✓	✗
Basingstoke	✓	✓	✓	✓	✓	✗

Source: Experian Ltd.

A similar exercise comparing growth in each diamond and comparator urban area to wider regional averages is illustrated in below.[15] The diamonds again stand out as performing well, particularly given the fact that we are comparing their performance against a very strong benchmark in the form of the south east of England. Urban South Hampshire and The Gatwick Diamond were the only diamonds to grow slower than the south east as a whole between 1999 and 2004. By comparison, about half of the comparator urban areas failed to grow as fast as their respective regional averages.

Table 6.8: GDP growth 1999-2004 relative to regional averages

	Diamond	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5
Milton Keynes and Aylesbury Vale	✓	✓	✓	✗	✓	✗
Reading	✓	✗	✗	✓	✓	✓
Brighton and Hove	✓	✗	✗	✓	✓	✓
The Gatwick Diamond	✗	✗	✗	✓	✗	✗
Urban South Hampshire	✗	✓	✗	✗	✗	✓
Thames Gateway Kent	✓	✗	✗	✗	✗	✗
Oxford / Central Oxfordshire	✓	✗	✓	✓	✓	✗
Basingstoke	✓	✓	✓	✓	✓	✓

Source: Experian Ltd.

This analysis shows that whilst national growth patterns are important, they do not explain the whole story. It is well documented that many European countries, the UK amongst them, are characterised by wide internal growth disparities, with some regions among the strongest growing in Europe, and others among the growth laggards. For example, towns and cities in south east England have for most of the last twenty years grown much faster than their counterparts in the north of England. This means there must be factors other than national growth patterns that influence the pace of growth at the local level, and therefore help us to explain why the diamonds and comparator urban areas have grown as they have, and indeed suggest how they might develop in the future. Our research suggests three factors are particularly important – the industrial mix of economic activity, demographics and workforce skills.

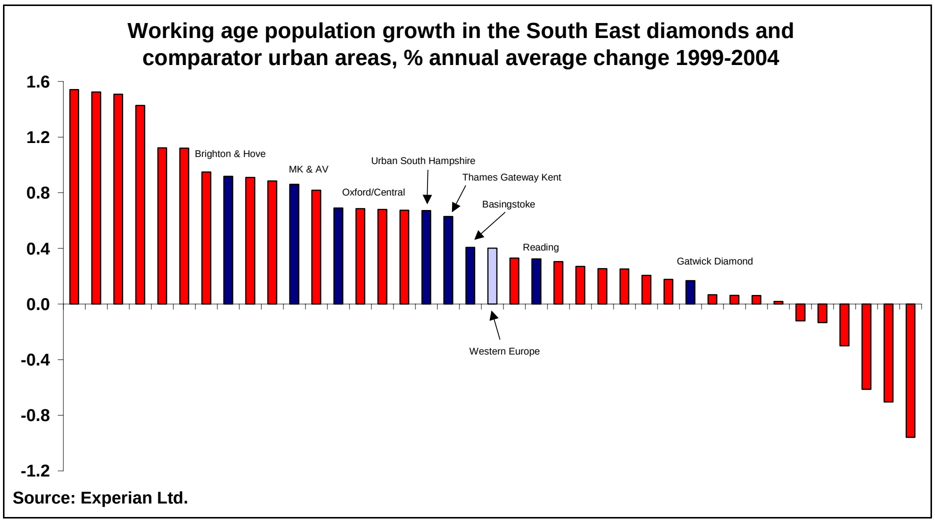
The industrial mix of economic activity in any local economy has a strong influence on its economic development. This is particularly true in the short term, when growth prospects are very much dependent on the strength of demand for the products and services that the local economy supplies. The methodology used to identify the comparator urban areas means most

[15] Regions are defined as the NUTS1 region that incorporates each comparator urban area or south east diamond. This equates to the south east England Government Office Region for the diamonds.

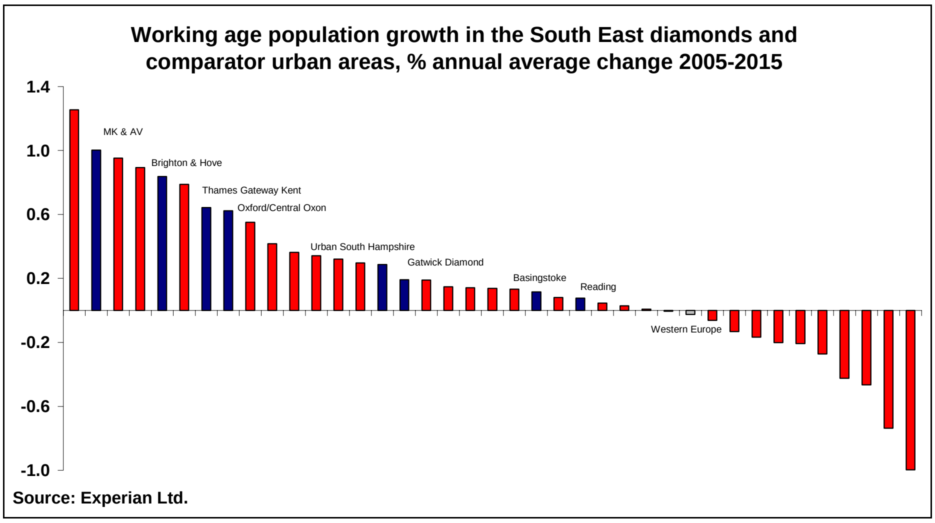
share a similar industrial mix to their respective diamond economies, and on balance, most have a favourable industrial structure. That is, that they tend to have relatively high concentrations of the fastest growing industries, relative to the western European average. This has generally helped promote growth in the diamonds and comparator urban areas, notwithstanding the occasional exception, and place them in good stead for future economic growth.

There is rather more variation in terms of demographics. The pace of growth (or decline) of the working age population has a significant impact on employment levels and consequently economic growth - employment growth is achieved by an increase in the employment rate (the proportion of workforce in employment), a growing workforce, or a combination of the two. Growing populations also provide a boost to the demand for local services.

The diamonds are relatively well placed in this regard, with each of them enjoying relatively strong growth in the working age population since 1999. Indeed, growth in the working age population has exceeded the western European average in all but one of the diamonds, and the diamonds are well placed relative to the comparator urban areas. The exception is The Gatwick Diamond, where the working age population has increased slower than the western European average. However, the impact this has on the The Gatwick Diamond economy is partially offset by the inflow of commuters from surrounding areas, meaning the pressure on the size of the The Gatwick Diamond workforce is not as significant as if it were simply reliant on its resident population.



In essence, strong population growth is a characteristic shared by most of western Europe's fastest growing towns and cities. Clearly part of this reflects the fact that migratory labour tends to be attracted to areas of above average economic growth as people are drawn by the perception of better employment opportunities. Nonetheless, the link between population growth and economic performance is significant. This link is likely to become increasingly important in the future as many national and sub-national economies face the prospect of declining populations. The diamonds are again well placed, with our projections for the next decade suggesting relatively robust gains in the working age population. This is very much at odds with much of western Europe.



Workforce skills are the third key factor that influence the pace of economic growth. Highly skilled individuals are more likely to secure employment than those with fewer skills. Moreover, workers with high skills tend to be more productive than those with fewer skills, and economies with highly skilled workforces are attractive to investors.

Data limitations mean we are unable to source comparable skills data on each diamond and the comparator urban areas. However, sub-regional qualifications data is available on a consistent basis across Europe, and we can use this as a proxy for skills. The European Labour Force Survey provides information about the qualifications mix of the adult population in each NUTS2 region in Europe. The South East region is divided into four such regions, covering Berkshire, Buckinghamshire and Oxfordshire; Surrey and Sussex; Hampshire and Isle of Wight and Kent. Qualifications are divided into three groups – high (equivalent to tertiary qualifications), medium (upper secondary qualifications) and low (lower secondary at most).

The data show areas in the South East of England to be relatively well qualified, both in terms of having a high concentration of highly qualified people, and in having a small proportion with low or no qualifications. The consistently strong performance apparent across all four regions in the south east would suggest the diamonds will all be relatively well placed in this respect, at least compared with other areas in western Europe.

The positive structural factors enjoyed by the diamonds – favourable demographics, an advantageous industrial structure and well qualified workforce – alongside other beneficial factors such as good access to global markets, has helped to support growth at above average rates in recent years. It also means we are bullish about the future economic prospects of the diamonds. Indeed, we expect GDP growth in all the diamonds to comfortably exceed the western European average over the next decade, with most expected to better the outturns achieved by the respective comparator urban areas. Detailed forecasts for all these areas are summarised in the table below.

Table 6.9: Growth prospects for the diamonds and comparator areas

% annual average growth 2005-15	GDP	FTE employment	Productivity	Total population	Working age pop.
Milton Keynes and Aylesbury Vale	**3.2**	**1.0**	**2.2**	**3.2**	**1.0**
Genève	2.3	0.5	1.7	2.3	0.5
Wiesbaden, Kreisfreie Stadt	2.3	0.2	2.1	2.3	0.2
Oslo	2.4	1.0	1.4	2.4	1.0
Københavns Amt	2.7	0.7	2.0	2.7	0.7
Arr. Antwerpen	0.9	-0.1	1.0	0.9	-0.1
Reading	**3.0**	**0.6**	**2.5**	**3.0**	**0.6**
Arr. Antwerpen	0.9	-0.1	1.0	0.9	-0.1
Oslo	2.4	1.0	1.4	2.4	1.0
Groot-Amsterdam	2.3	0.6	1.7	2.3	0.6
Dublin	4.1	1.4	2.7	4.1	1.4
Københavns Amt	2.7	0.7	2.0	2.7	0.7
Brighton and Hove	**2.6**	**0.5**	**2.1**	**2.6**	**0.5**
Midden-Noord-Brabant	1.8	-0.1	1.9	1.8	-0.1
Offenbach, Landkreis	1.8	0.2	1.6	1.8	0.2
Cardiff And Vale Of Glamorgan	3.1	1.0	2.0	3.1	1.0
Genève	2.3	0.5	1.7	2.3	0.5
Rimini	1.8	0.9	0.9	1.8	0.9
The Gatwick Diamond	**2.6**	**0.5**	**2.1**	**2.6**	**0.5**
Utrecht	2.2	0.4	1.8	2.2	0.4
Arr. Antwerpen	0.9	-0.1	1.0	0.9	-0.1
Firenze	2.0	0.2	1.8	2.0	0.2
Yvelines	2.2	0.5	1.7	2.2	0.5
Region Hannover	0.9	0.0	0.9	0.9	0.0
Urban South Hampshire	**2.8**	**0.8**	**2.1**	**2.8**	**0.8**
Genova	1.4	-0.2	1.7	1.4	-0.2
Region Hannover	0.9	0.0	0.9	0.9	0.0
Zuid-Limburg	1.7	-0.9	2.6	1.7	-0.9
Arr. Antwerpen	0.9	-0.1	1.0	0.9	-0.1
Rhône	2.1	0.2	1.8	2.1	0.2
Thames Gateway Kent	**2.5**	**0.7**	**1.8**	**2.5**	**0.7**
Erftkreis	1.2	0.5	0.7	1.2	0.5
Midden-Noord-Brabant	1.8	-0.1	1.9	1.8	-0.1
Arr. Liège	1.8	0.1	1.6	1.8	0.1
Península De Setúbal	1.3	0.3	0.9	1.3	0.3
Lecce	1.2	-0.1	1.3	1.2	-0.1
Oxford / Central Oxfordshire	**2.8**	**0.7**	**2.1**	**2.8**	**0.7**
Arr. Halle-Vilvoorde	2.1	1.0	1.1	2.1	1.0
West-Noord-Brabant	2.0	-0.1	2.1	2.0	-0.1
Haute-Garonne	2.7	1.1	1.6	2.7	1.1
Firenze	2.0	0.2	1.8	2.0	0.2
Region Hannover	0.9	0.0	0.9	0.9	0.0
Basingstoke	**2.6**	**0.8**	**1.8**	**2.6**	**0.8**
Zug	2.6	0.8	1.8	2.6	0.8
Freising	3.0	1.3	1.7	3.0	1.3
La Spezia	1.4	0.0	1.4	1.4	0.0
Arr. Sint-Niklaas	2.0	0.1	1.8	2.0	0.1
Zuidwest-Gelderland	2.4	0.0	2.4	2.4	0.0
UK	**2.6**	**0.4**	**2.2**	**0.4**	**0.2**
Western Europe	**2.1**	**0.4**	**1.7**	**0.3**	**0.0**

Source: Experian Ltd.

Summary

The South East of England has enjoyed robust rates of economic growth in recent years, whether compared to most other UK regions or those found in western Europe. The diamonds have been at the forefront of this regional success story, evidence of which can be found in a number of areas:

- All but one of the diamonds achieved GDP growth well in excess of the UK average between 1999 and 2004. All but two of diamonds grew faster than the south east region over this period.
- GDP growth rates in all the diamonds exceeded the western European average, and the strongest growing diamonds have been among the best performing towns and cities in Europe.
- The diamonds have tended to grow faster than western European towns and cities that share similar economic characteristics with the diamonds.

The relatively strong performance of the diamonds is best illustrated in comparisons of GDP growth. This is due largely to strong gains in productivity, where growth in all of the diamonds has exceeded the western European average. The diamonds have also, with one or two exceptions, created jobs at a relatively healthy pace, though the extent to which they outperform their European neighbours is less so than for GDP. This in itself is not particularly surprising as employment rates in the south east are generally much higher than in much of Europe, and as such, the scope for employment growth is constrained by the size of the available workforce.

There are three core structural factors that explain why the diamonds have tended to grow faster than the UK and western European averages, and why we believe the strong performance of the diamonds will be sustained over the next decade.

Demographics play an important role in economic development through the impact they have on the labour market. Employment in a town or city can only grow if there is an expansion in the available workforce or an increase in the employment rate (the proportion of the workforce who are in employment). There are many reasons why the workforce might grow in the short term, such as increased labour market participation or changes in commuting patterns. But in the longer term, workforce growth will only be sustained if there is an expansion in the working age population.

About half of Europe’s towns and cities suffer from contracting working age populations, and this places significant constraints on their ability to generate employment growth. Furthermore, the working age population for all of western Europe is expected to contract over next decade. By contrast, the diamonds enjoyed sustained increases in their working age populations in recent years, not least due to the significant in migration. Further population growth is expected in each of the diamonds over the next decade, and they are therefore well placed in this regard compared with many of their western European neighbours.

The diamonds also benefit from having a relatively favourable mix of local **industries**. The main impetus for growth in western Europe, particularly for employment, is from the service sector, spanning a range of industries from business services, transport, communications and recreational, cultural and leisure activities. By contract, employment in manufacturing and agriculture has fallen markedly in recent years and losses are likely to persist over the medium to long term. All things else being equal, towns and cities in Europe that have a high concentration of activity in the expanding industries, such as the diamonds, will benefit from strong demand for these activities. But those areas that are reliant on agriculture or manufacturing are less well placed to generate employment growth.

The diamonds also benefit from being able to draw on a workforce that is relatively **highly skilled**. Highly skilled workers are more likely to secure employment and tend to be more productive than those with fewer skills. But equally important is that access to a skilled workforce is one of the key factors that business consider when making their location decisions. Businesses also demand easy access to global markets, where again the diamonds score well relative to many other European areas.

What is the North Carolina Research Triangle?

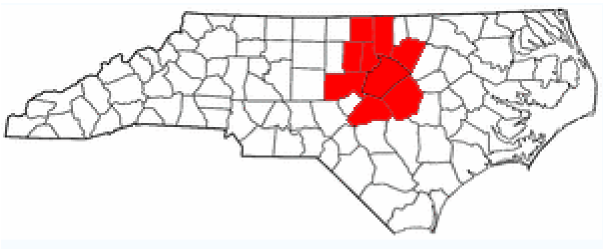
The "North Carolina Research Triangle", often simply called "The Triangle" is a large metropolitan region in the State of North Carolina in the south-eastern United States. The Triangle is so called because it is supposedly anchored geographically by three urban centres with major research universities:

1. **Raleigh**. Raleigh is the capital city of North Carolina and the main city in Wake County. It has a population of up to 350,000 people and is the State's second largest city. It is also the home of North Carolina State University.
2. **Durham**. Durham is the main city in Durham County, and is the home of Duke University.
3. **Chapel Hill**. Chapel Hill is a town in North Carolina's Orange County and is the home of the University of North Carolina at Chapel Hill. Its population is up to 54,000

A fourth, urban centre, **Cary**, falls within the Triangle. Cary is with Raleigh within Wake County and has a population of over 110,000.

The Triangle area approximates to 9 counties as illustrated in the figure below. This is defined by US statistical agencies as the "Raleigh-Durham-Cary-Dunn CSA" and combines two metropolitan statistical areas of Durham MSA and Raleigh-Cary MSA. These statistical areas underpin the data analysis presented in this case study.

The State of North Carolina and the Research Triangle



Source: en.wikipedia.org.

The Triangle area therefore covers an area of over 4,500 square miles (almost 12,000 square kilometres). It is home to almost 1.5 million people and over 570,000 people work there.

The area's reputation as a "Research Triangle" is built upon the "Research Triangle Park" or "RTP". This is among the largest research parks in the world covering 28 square kilometres, most of which is in Durham County. The park was established in the late 1950s. We shall consider the park as one of the drivers of change in the Triangle area.

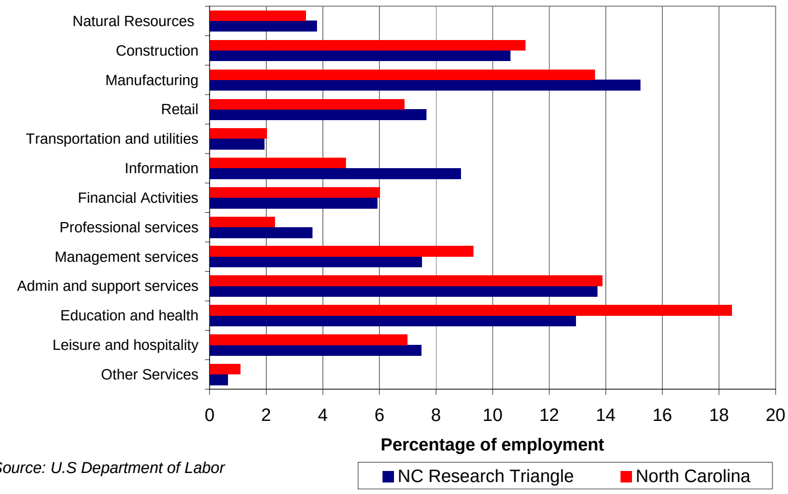
Current position: What the economy looks like

There are up to 1.5 million people who live in the Triangle area, equivalent to 17% of all the population of North Carolina. Given the size of the US, this represents around 0.5% of people in the country. There are up to 570,000 employees in the Triangle area, equivalent to 18% of all jobs in North Carolina and 0.5% of jobs in the US.

The sectoral structure of employment in the Triangle Area is quite distinctive from that North Carolina as a whole. The Triangle area has advantages in certain sectors:

- Information services with up to 9% of jobs. This includes activities such as software, telecommunications, internet services as well as publishing and broadcasting.
- Professional services with up to 4% of jobs. This includes services in law, consulting, engineering, architecture, computing as well as in scientific research and testing.
- Manufacturing with up to 15% of jobs. The area has particular concentrations of jobs in manufacturing of computers and electronic products. Many of these manufacturing jobs are in research, design and administration rather than simply production.

Sector structure of employment, 2004



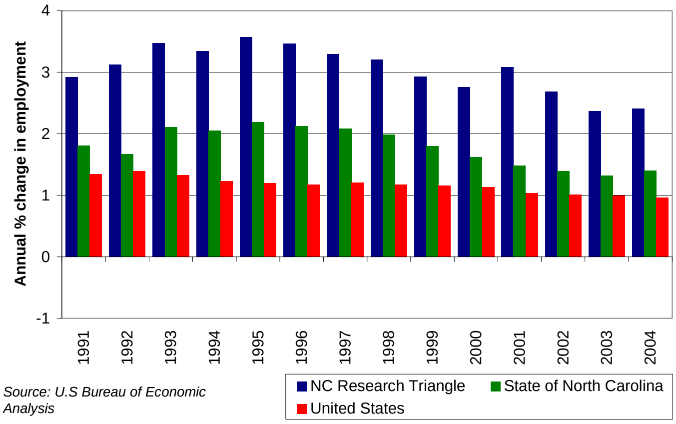
Source: U.S Department of Labor

The relatively successful economic performance of the Triangle is illustrated by the high wages in the area. In 2004, the US Bureau of Economic Analysis recorded the average wage per job in the area as almost $40,100. This was the 18th highest out of 122 Central Statistical Areas in the US and the second highest in the south east region of the US after Atlanta.

Past performance: Long term growth of the Area

The Triangle area has had rapid population growth from around 960,000 people in 1990 to almost 1.47 million people by 2004. This represents a total increase of over 50%. Population growth in the Triangle has been persistently higher than in North Carolina as a whole which is itself a State where the number of people has grown at a faster rate than the national average. Between 1992 and 1998, population was increasing in the Triangle by more than 3% each year.

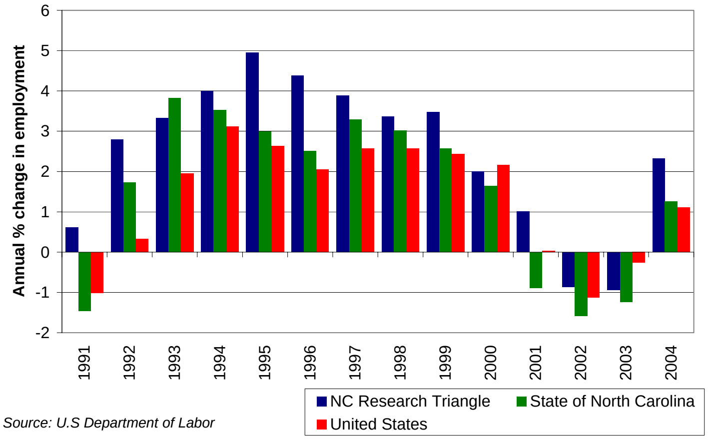
Annual percentage change in population, 1991-2004



Source: U.S Bureau of Economic Analysis

The Triangle area has also enjoyed rapid employment growth from a little over 500,000 employee jobs in 1990 to over 700,000 jobs by 2004. This represents a total increase of over 40%. The growth in the Triangle's employee jobs is higher than for North Carolina which is itself a State growing faster than the national average. Throughout most of the 1990s, employment growth in the Triangle outperformed both state and nation although the area experienced a small downturn over 2001 and 2002.

Annual percentage change in employment, 1991-2004



Source: U.S Department of Labor

The growth of the Triangle area is also represented by the rise in average wages in the area. In 1990, the area's average annual salary of $22,300 was 4% less than the US average. Within ten years, the area's average had $36,400, a figure which was 5% more than the US average.

Drivers of change

We have identified three distinct drivers of change that are important in the recent growth of the Triangle area:

- The Research Triangle Park which has helped shape the nature of business and enterprise in the area.
- The three universities which provide a research base and develop a pool of educated graduate workers.
- The wider growth of the State of North Carolina, in particular the city of Charlotte, which illustrates that the growth of the Triangle is not isolated.

Drivers of change: The research park

Research Triangle Park (RTP) is a planned research park created in 1959 by a partnership between the State of North Carolina, the area's three universities and business investors. This established the non-profit Research Triangle Foundation which continues to run the Park. The first tenant was RTI International, one of the largest independent research organisations in America.

The Park grew slowly at first but began to expand in the late 1960s with the arrival of International Business Machines (IBM) and the National Institute of Environmental Health Sciences. Some 21 companies were located in the Park by 1969, 38 by 1979 and 66 by 1989. Through the 1990s, the Park expanded rapidly with more than 42 new companies, the establishment of a research business incubator and the Park Research Center to provide space for mid-sized research companies.

The Park encompasses 7,000 acres of North Carolina pine forest and has approximately 1,100 acres for development. In 2006, the Park is now home to more than 140 companies which employ up to 39,000 people. However, this is a little below a peak of 44,000 people in 2000.

Some of the largest employers in the Park include some of world's largest multinationals in either ICT or Pharmaceuticals and Biotechnology. This includes IBM, GlaxoSmithKline, Cisco Systems, Nortel Networks, Bayer, BASF and Sony Ericsson.

Drivers of change: The universities

North Carolina State University is a public research university in Raleigh It has been established since 1887 and today has an enrolment of over 30,000 students and up to 2,000 faculty staff making it the largest university in North Carolina. It has historical strengths in design, agriculture, engineering, and textiles. It is widely considered to be one of the country's most selective universities and there is strong competition for admissions. Media rankings often place North Carolina State University highly for its status and educational programmes.

Duke University is a private research university in Durham. Its history dates back to 1838 and officially became a university in 1924.In now has over 12,000 students and 2,500 faculty staff. Since the 1970s, the university has sought to strengthen its reputation with interdisciplinary work and for recruiting students from minority groups. The university is ranked among the best academic institutions academically. In 2006, the US News & World Report ranked Duke University among the top eleven in the country. Its research expenditures are among the largest in the country and the University is credited with many important breakthroughs in biomedical engineering and mechanical engineering.

The University of North Carolina at Chapel Hill is a public research university located in Chapel Hill. The university is the oldest public institution of higher education in the US with a history dating back to 1789. Today, it has over 27,000 students and over 3,000 faculty staff. The US News & World Report 2006 ranked the university 27th in the nation but as high a fifth among public universities

Drivers of change: The economic growth of Charlotte

Charlotte is the largest city in North Carolina, and is the twentieth largest in the US. The city itself has a population of over 650,000 although the total metropolitan statistical area has a population of nearly 1.6 million. This is one of the fastest growing city-regions in the US with an average of around 20,000 newcomers each year over the past ten years. It is located in the mid south of North Carolina and as such is within130 miles from both Raleigh and Cary, the largest cities in the research triangle.

Charlotte and its surrounding areas have experienced rapid growth in the population and economy and there are few signs that this is slowing. Indeed, Charlotte has emerged as the second largest banking and financial centre in the US after New York and has become home to the headquarters of many major companies. Therefore, the growth of Charlotte in terms of both employment and population has been similar to that of the Triangle area. Together, they now represent over 40% of the economy of North Carolina.

Comparisons for England's South East

There are some key caveats in comparing the Triangle with the diamonds:

- The area of land – The area defined as the Triangle covers some 12,000 square kilometres. This is over 60% of the entire 19,000 square kilometres that form the South East region of England. Therefore the Triangle is much larger than any comparable Diamonds.
- The size of population – The size of the Triangle in terms of people is approximately 1.5 million residents and a little under 600,000 jobs. This is somewhat larger than the South East's Diamonds and, of course, these people in the Triangle are spread over a much wider area.

It should also be recognised that there are important general differences between the behaviour of the US/North Carolina economy and the UK/South East economy; for example in macro-economic change, labour mobility or the size of the domestic market.

However, what is important in terms of this case study is to draw out and learn from some of those similarities between the growth drivers of North Carolina's Triangle and the diamonds:

- Economic structure and economic change

North Carolina's economy and the Triangle in particular have been characterised by growing population and employment and a strong performance in modern growing sectors, notably in information technology and telecommunications, in professional services and in research. This is an economic story clearly identifiable with that of many parts of South East England.

- A centre for business investment in research

The large Research Triangle Park is itself not something that is replicated in the South East, nor given the thirty year history of the Park is it something that could or should be replicated. However, the Park's record in attracting investment from major multinational companies and also in sustaining growth of smaller related enterprises is again recognisable with trends in some of the South East’s Diamonds.

- The presence of major universities

The Triangle area has an established reputation as home to three major universities which are among its countries oldest and most respected with a track record in research and teaching. These help provide an educated pool of graduates, many of which become the Triangle’s workforce. Many of the South East’s Diamonds are also home to one or more successful universities.

- A growing neighbour

The growth of the Triangle has not happened separately from its neighbouring areas. The State of North Carolina as a whole has been among the most economically successful in the US. In particular, the city of Charlotte has experienced rapid growth as a business and financial centre. We have not explored the linkages between Charlotte and the Triangle but for the Diamonds of South East England, this echoes as the linkages with the growth of London and of the Diamonds with each other.

Appendix C

Strategic decision-making context mapping

INTRODUCTION

Strategic decision-making capacity is one of the seven drivers of growth underpinning our analysis. In essence, this translates into the “state of readiness” of a diamond to collaborate on intra-diamond economic development issues. This appendix provides a snapshot of the strategic decision-making context of each diamond to indicate their current state of readiness whether in administrative or partnership terms.

BASINGSTOKE			
	Structures	**Strategy**	**Current state of readiness**
Administrative			
Unitary			The Basingstoke diamond is a single district.
District	Basingstoke and Deane Borough Council	Local economic strategy called “Partnership for Success” - and also a “Rural Strategy” for areas around town of Basingstoke.	
County	Hampshire County Council	Engaged in: business support, property investment, promoting tourism and the rural economy.	
Partnerships			
Diamond Partnerships	Local Business Partnership	Encourage better communication between local business community and local authority	Basingstoke’s partnership emphasis has been on Basingstoke’s economic role in the context of much wider sub-regions in terms of its role in the county of Hampshire but also its relationship with other “Thames Valley” towns in Berkshire and Buckinghamshire.
Wider Partnerships	Hampshire Economic Partnership (HEP) established 1992. Brings together: Local government with Hampshire CC and two UAs; and business with development organisations such as Business Link and Chamber of Commerce.	Championing the priorities of Hampshire business through 13 trade sector task groups e.g. Aerospace marine, construction, research, creative, rural, skills, engineering, tourism, logistics.	
	Thames Valley Economic Partnership (TVEP) is business led. Basingstoke is represented along with all districts in Berkshire.	The TVEP aims to promote the prosperity of the Thames Valley by lobbying government and working to ensure the business environment.	

BRIGHTON AND HOVE			
	Structures	**Strategy**	**Current state of readiness**
Administrative			
Unitary	Brighton and Hove City Council		The administrative structure is one unitary authority (in East Sussex but not part of county council) and two districts sharing responsibilities one county council
District	Adur District Council		
	Worthing Borough Council		
County	West Sussex County Council		
Partnerships			
Diamond Partnerships	Brighton and Hove Economic Partnership (BHEP)	Provide forums for networking, and leadership for attracting inward investment.	There is evidence of partnering across the diamond in the Area Investment Framework partners with Arun. The Brighton and Hove Economic Partnership is part of the wider East Sussex Economic Partnership. Arun and Worthing are represented in the West Sussex Economic Partnership. Therefore, there is clearly collaboration across the diamond, although not yet any specifically pan-diamond partnering.
	The Brighton & Hove and Adur AIF Partnership brings together the councils of Brighton and Hove, Adur and West Sussex with other partnerships, LSCs, Business Links etc.	Area Investment Framework (AIF) funded by SEEDA means regional level influence over area's priorities.	
	Coastal West Sussex Area Investment Framework, Adur and Worthing with Arun and Chichester.		
Wider Partnerships	West Sussex Economic Partnership. Business-led and brings together private, public and voluntary sectors. Representation by West Sussex CC.	Strategic aim of making West Sussex one of most prosperous sub regions in Europe. Specific role to help new companies locate in the county.	

MILTON KEYNES AND AYLESBURY VALE

	Structures	**Strategy**	**Current state of readiness**
Administrative			
Unitary	Milton Keynes Council		The diamond consists of one unitary authority and one district council which shares responsibility with a county council.
District	Aylesbury Vale District Council		
County	Buckinghamshire County Council		
Partnerships			
Diamond Partnerships	The Milton Keynes Economy and Learning Partnership. The focus of the partnership is the borough of Milton Keynes but influences the wider sub-region. The partnership is led by Milton Keynes Council and the Chamber of Commerce.	The remit is to promote and develop a prosperous community and strong economy with key roles: implement local economic plan; contact for economic and learning; stimulate leadership; undertake research activity.	The partnership structure in the area is becoming shaped specifically towards Milton Keynes which is viewed as distinct from the rest of Buckinghamshire. Aylesbury has a separate integrated partnership structure. However, together the area forms part of the Greater South East Growth Area and is therefore set to be a focus for considerable investment and growth in the future.
	Aylesbury Vale Advantage (AVA). Company has five shareholders: Aylesbury Vale District Council, Buckinghamshire County Council, Vale of Aylesbury PCT, SEEDA and English Partnerships.	AVA's aims are: Housing with new homes; Economic Development; Infrastructure; Skills, Education; and Environment; Health and Social Inclusion.	
Wider Partnerships	The Buckinghamshire Economic Partnership represents all the districts in Buckinghamshire outside of Milton Keynes.		

OXFORD / CENTRAL OXFORDSHIRE			
	Structures	**Strategy**	**Current state of readiness**
Administrative			
Unitary			
District	Oxford City Council		The diamond consists of five whole districts which all share economic development responsibility with Oxfordshire County Council.
	South Oxfordshire District Council		
	Vale of White Horse District Council		
	West Oxfordshire District Council		
	Cherwell District Council		
County	Oxfordshire County Council		
Partnerships			
Diamond Partnerships	The Oxfordshire Economic Partnership (OEP) is a network of public and private partners. Formed in 1998 and consolidated existing partnerships. Partners include all district councils in Oxfordshire; plus business associations, universities major employers and SEEDA.	OEP brings partners together to support them to: Create a vision to guide future economic development Develop new ideas for actions Share ideas and best practice Resolve contentious issues	This diamond covers the whole county of Oxfordshire. The partnership emphasis has been on consolidating partnerships across the county of Oxfordshire as a whole.
Wider Partnerships			

READING			
	Structures	**Strategy**	**Current state of readiness**
Administrative			
Unitary	Reading Borough Council		Each of the five Berkshire districts are unitary authorities.
	Bracknell Forest Borough Council		
	Wokingham District Council		
	Windsor and Maidenhead Royal Borough Council		
	West Berkshire Council		
District			
County			
Partnerships			
Diamond Partnerships			There is no significant partnership in existence which views Reading as a diamond. The partnership emphasis has been on developing a much broader partnership across the Thames Valley which also includes the districts Slough, but also Basingstoke and Wycombe.
Wider Partnerships	Thames Valley Economic Partnership (TVEP) is business led and includes many large corporations that have a key presence in the area. All Berkshire local authorities are represented and areas outside of Berkshire such as Basingstoke and Wycombe.	The TVEP aims to promote the prosperity of the Thames Valley by: • Supporting business by lobbying government • Working to ensure the business environment that has attracted world class companies.	

THAMES GATEWAY KENT			
	Structures	**Strategy**	**Current state of readiness**
Administrative			
Unitary	Medway Council		There is one unitary authority with relative autonomy over economic development policy. There are four districts which share responsibility for economic development with Kent County Council.
District	Gravesham Borough Council		
	Dartford District Council		
	Swale Borough Council		
County	Kent County Council		
Partnerships			
Diamond Partnerships	Thames Gateway Kent Partnership. This includes Kent CC and local districts of Medway, Gravesham, Dartford and Swale. Also private sector and regional level involvement.	North Kent Area Investment Framework sets out investing in infrastructure and environment; promoting competitiveness and growth; and developing sustainable communities.	Given the high-profile of the Thames Gateway agenda, there has been considerable collaboration in the area with emphasis to date on the Thames Gateway towns closer to London. The area is to be the focus of significant investment and growth in the future, so there is clearly some state of readiness to collaborate in the diamond.
Wider Partnerships	Kent and Medway Economic Board (KMEB) includes representatives from local government and business. Local government includes Kent CC and Medway Council. Also involves other partnerships such as Thames Gateway Partnership.	The work of KMEB falls into four main categories: • Representation • Communication • Facilitation • The Economic Framework KMEB is undergoing a major review of how it works with the business community.	

THE GATWICK DIAMOND			
	Structures	**Strategy**	**Current state of readiness**
Administrative			
Unitary			At the administrative level, there are six local districts, three of which share economic development responsibilities with West Sussex County Council and three with Surrey County Council.
District	Crawley Borough Council		
	Mid Sussex District Council		
	Horsham District Council		
	Mole Valley District Council		
	Reigate and Banstead Borough Council		
	Tandridge District Council		
County	West Sussex County Council		
	Surrey County Council		
Partnerships			
Diamond Partnerships	“The Gatwick Diamond” led by West Sussex Economic Partnership and Surrey Economic Partnership. This has established “cross border” projects through Business Links and LSCs.	Aims to make “Gatwick Diamond” a recognised business location: Promote image, upgrade skills, encourage technology, develop entrepreneurs, enhance transport connectivity.	There has already been substantial attention paid to The Gatwick Diamond. The two economic partnerships of West Sussex and Surrey are already working together to promote the concept of the Gatwick Diamond. Therefore, the diamond is in a strong state of readiness, despite the sizeable number of players at the administrative level.
Wider Partnerships	The West Sussex Economic Partnership. Business-led and bringing together private, public and voluntary. Represented by West Sussex CC.	Strategic aim of making West Sussex one of most prosperous sub regions in Europe. Specific role to help new companies locate in the county.	
	Surrey Economic Partnership. Between Chambers of Commerce, Surrey Council and other public and voluntary partners.	Aims to engage business and policy with strategy of being: innovative, productive, efficient, less dependent on roads and a good corporate citizen.	

URBAN SOUTH HAMPSHIRE			
	Structures	**Strategy**	**Current state of readiness**
Administrative			
Unitary	Portsmouth City Council		This diamond has a complex administrative structure of two unitary authorities; then four district councils within the framework of Hampshire County Council.
	Southampton City Council		
District	Eastleigh Borough Council		
	Fareham Borough Council		
	Gosport Borough Council		
	Havant Borough Council		
County	Hampshire County Council		
Partnerships			
Diamond Partnerships	Partnership for Urban South Hampshire (PUSH), voluntary working partnership of eleven local authorities which also includes districts of East Hampshire, New Forest, Test Valley and Winchester City.	Eleven local authorities worked together in context of the developing South East Plan in reviewing economic performance, housing, transport, and infrastructure in the sub-region.	A significant amount of research has been undertaken by PUSH on economic development issues in the area. Therefore, there is already a very strong state of readiness in the diamond.
Wider Partnerships	Hampshire Economic Partnership (HEP) established 1992. Brings together Hampshire CC with two UAs and business with Business development organisations such as Business Link and Chamber of Commerce.	Championing the priorities of Hampshire business through 13 trade sector task groups e.g. Aerospace, marine, construction, research, creative, rural, skills, engineering, tourism, logistics.	