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To: Economic Development Cabinet Committee - 5 July 2012

Subject: INNOVATION IN KENT:
THE POTENTIAL FOR A STRATEGIC APPROACH

Classification: Unrestricted

Summary:

As part of Kent's sector-based approach to economic development, there is an increasing focus on developing the county's innovative potential. KCC has also recently taken steps to foster commercial innovation in targeted sectors and locations.

However, the combined activities of KCC, the higher education sector and the county's business support agencies could be better co-ordinated. There may also be potential to improve business access to national and EU innovation funding streams and maximise the contribution of major programmes such as the Expansion East Kent Regional Growth Fund programme and the emerging Thames Gateway Regional Growth Fund proposal (see Item D4).

An initial prospectus has been produced setting out how a more co-ordinated Kent 'innovation strategy' might be prepared. This has been developed in response to a European initiative and reflects the potential for Kent to influence – and benefit from – future European resources for innovation and growth.

This report sets out the context within which the innovation prospectus has been developed, summarises its content and proposes some next steps in taking it forward. The Cabinet Committee is recommended to discuss this report and agree the recommendations in paragraph 6

1. Introduction: What is innovation and why is it important?

- 1.1. Innovation basically means doing things better in new ways. This might be the result of years of research (for example in the drug discovery industry), or the outcome of trial and error. It might involve the creation and exploitation of a completely new product, or it might involve new applications for existing products or services.
- 1.2. In recent decades, economies have become much more knowledge intensive, with growth increasingly dependent on the ability to generate and apply knowledge. As a result, firms are investing more in research and

development. In 1970, UK firms invested just £4 in intangible investments (such as software, R&D, marketing and training) for every £10 they invested in buildings, plant and machinery. Today, the ratio is reversed – so for every £10 in buildings, plant and machinery, firms are investing £13 in ‘intangibles’. Over the same period, the proportion of knowledge workers has doubled.

- 1.3. This matters locally because those places that can develop environments most conducive to innovation will be best placed to benefit from future growth. There is a substantial base of evidence that shows that if we can improve access to finance and premises for high growth, raise our stock of knowledge-intensive skills and increase collaboration between higher education and business, our opportunities for growth will increase¹.

2. Kent's current approach

- 2.1. Kent's focus on innovation as a driver of growth has increased in recent years as a result of our sector-based approach to economic development. For example:
 - The retention and development of Discovery Park at Sandwich as a world-class centre for **scientific research and development** is a major focus of activity, with KCC providing start-up funding through the Accelerator Grants scheme to innovative young enterprises on the site;
 - The development of Kent Rural plc as a new approach to the future of Kent's rural economy is highlighting the research-intensity and innovative capacity of the county's **food production** sector and Kent's key R&D assets such as East Malling Research Centre;
 - The recent sector conversation with **creative** industries has demonstrated the high growth potential of businesses, especially in rapidly expanding areas such as video gaming and software development;
 - Opportunities for growth in new products developed as part of the move towards a **lower carbon** economy (for example in the offshore wind energy sector) is driving demand for innovation within the supply chain as well as offering Kent the opportunity to benefit from the innovative capacity of inward investors.
- 2.2. In addition, KCC operates a business support service geared towards the specific needs of innovative and high-growth businesses through the **High Growth Kent** team, which provides coaching for entrepreneurs and has been highly regarded, especially at Discovery Park. We have also mainstreamed support for innovation through general business growth programmes – for example, the Expansion East Kent Regional Growth Fund scheme will be able to offer finance for R&D, and the current proposal for RGF funding for TIGER (Thames Gateway Innovation and Growth) focuses in particular on support for

¹ Lizzie Crowley (2011), *Streets Ahead: What makes a city innovative*, Work Foundation; Government Office for Science (2011), *Technology and Innovation Futures: UK growth opportunities for the 2020s*.

businesses seeking to develop new products and markets . Much of Kent's focus on improving **infrastructure** for growth – especially broadband connectivity – will benefit innovative businesses.

- 2.3. However, it is possible that more could be done to bring together different sources of support for innovation across the county. For example, Kent's universities are potentially a key asset, and there are some very positive examples of their involvement in the commercialisation of research (e.g. the role of the University for the Creative Arts in respect of the creative sector) and in their support for students seeking to establish their own businesses. However, this has never been fully linked with the wider support offer around the county. Kent currently falls behind other parts of the country on measures of innovation intensity, but has significant potential that the economy has for growth – so developing a more strategic approach may be important.

3. The European opportunity

- 3.1. The European Union has recently launched a process to support the development of regional innovation strategies². This is focused on the development of a 'smart specialisation' approach, which encourages local areas to focus on their key sectoral strengths, recognising that not all areas will have potential for growth in the same sectors. This approach aligns well with Kent's existing sector-focused economic development strategy.
- 3.2. Following the initiative of the International Affairs Unit, Kent has been successful in being recognised as one of three UK 'regions' out of a current total of 35 across Europe represented on the European Commission's 'platform group' for the development of regional innovation strategies. The European Commission has also indicated that after 2013, a national or regional innovation strategy for smart specialisation will need to be in place as a pre-condition for receiving future EU funding for innovation - Kent's early engagement with the process is therefore likely to be helpful.

4. Towards a strategy

- 4.1. The attached document, *Innovation for Growth: Towards a new approach to innovation in Kent* sets out a prospectus for a potential innovation strategy. This has been written to provide an indication to European partners of our current approach, and provides a starting point for debate and future development.
- 4.2. The prospectus suggests a focus on three key themes:
- Theme 1: Innovation opportunities for growth, focusing on opportunities for innovation in the four key growth sectors of:
 - Renewables and low carbon goods and services
 - Life sciences

² Regional Innovation Strategies for Smart Specialisation - RIS³
<http://ipts.jrc.ec.europa.eu/activities/research-and-innovation/s3platform.cfm>

- Food production
 - Creative industries
 - Theme 2: Innovation infrastructure for growth, focusing on the need to develop:
 - Communications infrastructure
 - Business premises for innovation
 - Access to finance
 - Theme 3: Innovation skills for growth, focusing on the actions needed to support an innovative workforce through:
 - Higher education
 - Vocational skills
 - Skills for business
- 4.3. The prospectus also sets out a broad approach to developing the strategy further in partnership with businesses, business support agencies, the higher education sector and central and local government.

5. Moving forward

- 5.1. So far, the prospectus has not been discussed outside KCC, and it remains an initial draft. However, if we are to develop an innovation strategy for Kent, it will clearly need to be discussed and developed together with other partners. With the agreement of the Cabinet Committee, it is proposed that the prospectus is developed into a document for consultation over the summer and early autumn, with a view to publishing a Kent Innovation Strategy in late 2012, potentially for adoption as a partnership strategy by the Kent Forum.

6. Moving forward: Recommendations

- 6.1. The Cabinet Committee is asked to consider this report and the attached prospectus document and to:
- a) agree to the development of an innovation strategy for Kent capable of leading to a more coordinated approach within the county and potentially leveraging additional resources through alignment with the European Union's current innovation strategy programme;
 - b) agree to the development of the draft prospectus as a basis for consultation with partners and the adoption of a Kent Innovation Strategy later this year

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20 June 2012

Supporting documents:

Innovation for Growth: Towards a new approach to innovation in Kent (January 2012)