

GVA

An **APLEONA** company

HATCH

Report

65 Gresham Street
London
EC2V 7NQ

T: +44 (0)20 7911 2468
F: +44 (0)20 7911 2560

Norwich Economic Analysis

Part 3: Future Growth Sectors

*Research commissioned by Norwich city
council into the functional economic
geography of Norwich and its growth
potential*

June 2017

Contents

1.	Norwich Policy Area Sector Profiles.....	1
2.	Financial Services.....	4
3.	Life Science.....	7
4.	Advanced Manufacturing.....	11
5.	Food and Drink.....	14
6.	Digital	18
7.	Creative Industries	22
8.	KIBS (Knowledge Intensive Business Services)	26

Prepared By: Patrick Gulliver

Status: Final

Draft Date: June 2017

For and on behalf of GVA Grimley Limited

1. Introduction

1.1 This document has been prepared by GVA and Hatch on behalf of the Norwich City Council to provide a detailed economic assessment which demonstrates that Norwich and its wider urban area provides a core driver for accelerating the delivery of jobs and housing growth for the East of England. This supports the recent identification by Centre for Cities of Norwich as one of the “Fast Growth Cities” group.

1.2 To undertake this assessment the report has been divided into three parts:

1.3 **Part 3: Future Growth Sectors:** This report is Part three of the series, identifying *Priority sectors* within the Norwich Policy Area (NPA), based upon detailed quantitative analysis and stakeholder input, which are expected to deliver employment and productivity growth over the next 25 years. Each section within part 3 pertains to a particular priority sector and includes three sub-sections;

- *Sectoral Composition:* A review of employment within sub-sectors that make up the current priority sector and the role of key businesses and organisations;
- *Sectoral Change:* An analysis of the change of employment within a priority sector over the 2010 – 2015 period with comparison to other city economies;
- *Prospects for Growth:* A bespoke forecast, utilising projections developed by HATCH based on the Cambridge Econometrics EEFM, of prospective employment growth within sub-sectors that will drive future growth in the NPA.

1.4 The priority sectors that have been identified within the NPA include:

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

1.5 The other two parts of the series include:

1.6 **Part 1: Norwich Economic Geography:** Part 1 of this series provides an overview of the multiple economic geographies of Norwich which include the local authority area, the urban area, the Norwich Policy Area (NPA), the Greater Norwich Area, Travel to Work Areas (TTWAs) and

commuting patterns, and the Broad Rental Market Area (BRMA) and Housing Market Area (HMA). This review informs the use of the NPA as a study area or 'reference geography' that is used as the basis for analysis of the local economic area in following sections and parts 2 and 3 of this series. This part of the series also assesses the commercial and housing property market, the role of infrastructure and growth locations as growth drivers, and how these come together as a cluster to form the engine of growth and development around the Norwich core.

1.7 **Part 2: The Norwich Policy Area: a dynamic, resilient growth oriented economy:** The second part of this series provides a review of the competitiveness of the Norwich economy within the UK and a detailed socio-economic overview of the NPA and its contributions to the regional and national economy. This part refers to current and historic data in addition to forecasts for the future to provide a comprehensive analysis of the strengths and weaknesses of the NPA local economic area. This analysis is based upon eight success factors that are attributed to resilient, adaptable and fast growing cities;

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

2. Norwich Policy Area Sector Profiles

2.1 In this section we look in detail at each of the priority sectors that both the initial analysis and client and stakeholder discussions suggest will deliver employment and productivity growth for the Norwich Policy Area (NPA) economy over the next 25 years.

2.2 For each we have shown the current sector composition at the NPA level using 2015 BRES data. In addition, we have looked at recent performance at local authority level against our range of comparator cities in order to understand both how Norwich compares to other city economies but also to some extent which local authority areas are driving growth within the NPA in a particular sector. The forecast data referred to in the conclusion of each section is from the NPA level projections developed by HATCH based on the Cambridge Econometrics EEFM. We have also included key points on sector trends and future performance.

2.3 The sectors covered in this section are:

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

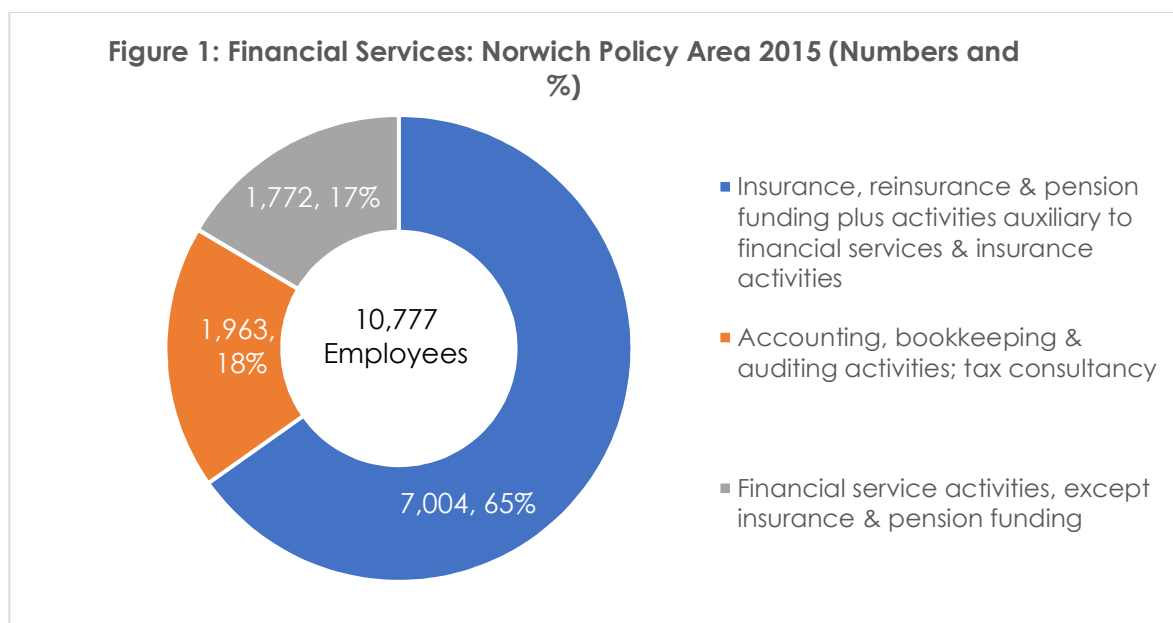
2.4 Readers should use a degree of caution interpreting the figures presented within this section. For example the quality of the Business Register of Employment Survey estimates deteriorates as the geographies get smaller and this should be taken into account when considering the quality of sub-national estimates¹. EEFM forecasts are based on observed past trends only and are unconstrained, which means that the forecast numbers do not take into account any policy or other constraints that might prevent their actual realisation on the ground.

¹ For a summary of the data limitations see [here](#).

3. Financial Services

Sectoral Composition

- 3.1 Norwich is acknowledged as a leading centre in the UK finance and insurance services market. The city has the largest general insurance centre in the UK, with support functions and supply chain companies located throughout the Greater Norwich area. Norwich is home to several large companies including Aviva (previously Norwich Union), Marsh, Virgin Money, Royal Bank of Scotland, Central Trust Capital and Swiss Re. Many of these businesses are investing heavily in financial technology development.
- 3.2 This is reflected in the composition of the sector. Over two thirds of employees (65%) over 7000 people are employed in activities auxiliary to financial and insurance services activities (though there has been some fluctuation in this sector, see next section) in the NPA.



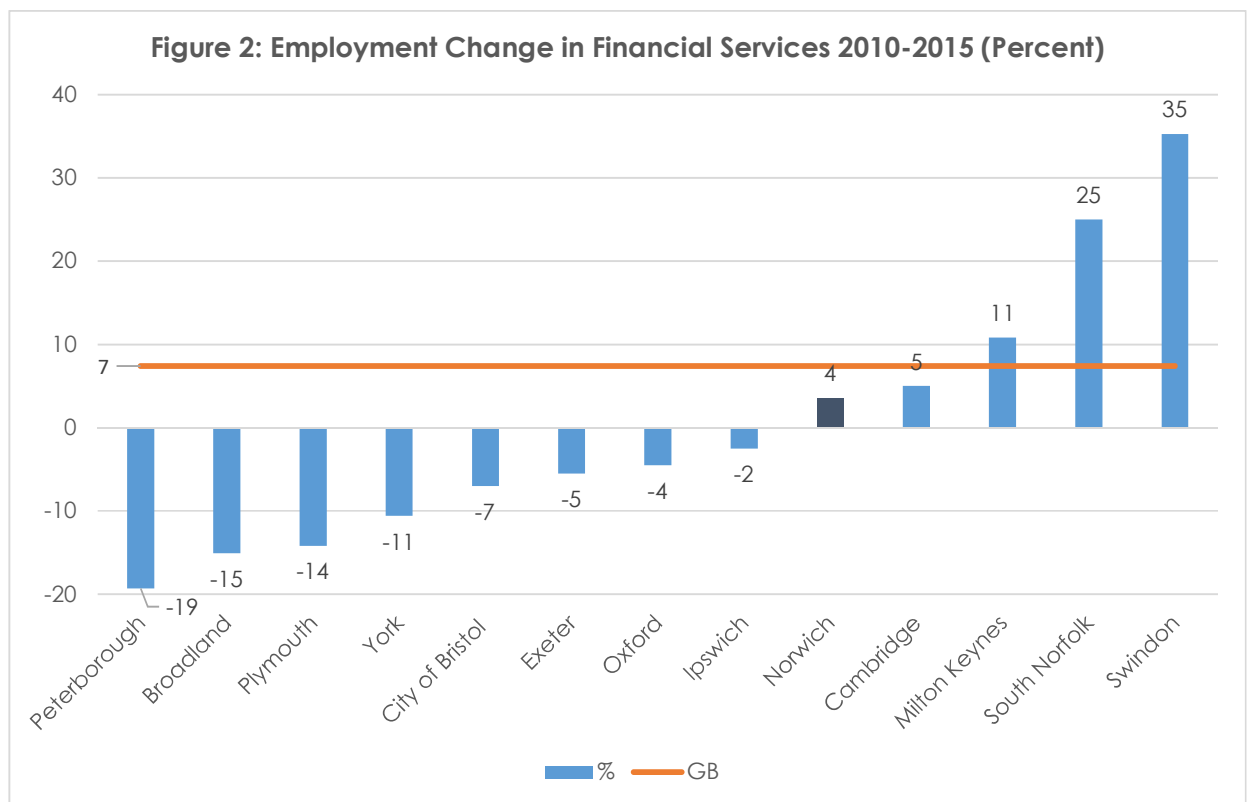
Sectoral Change

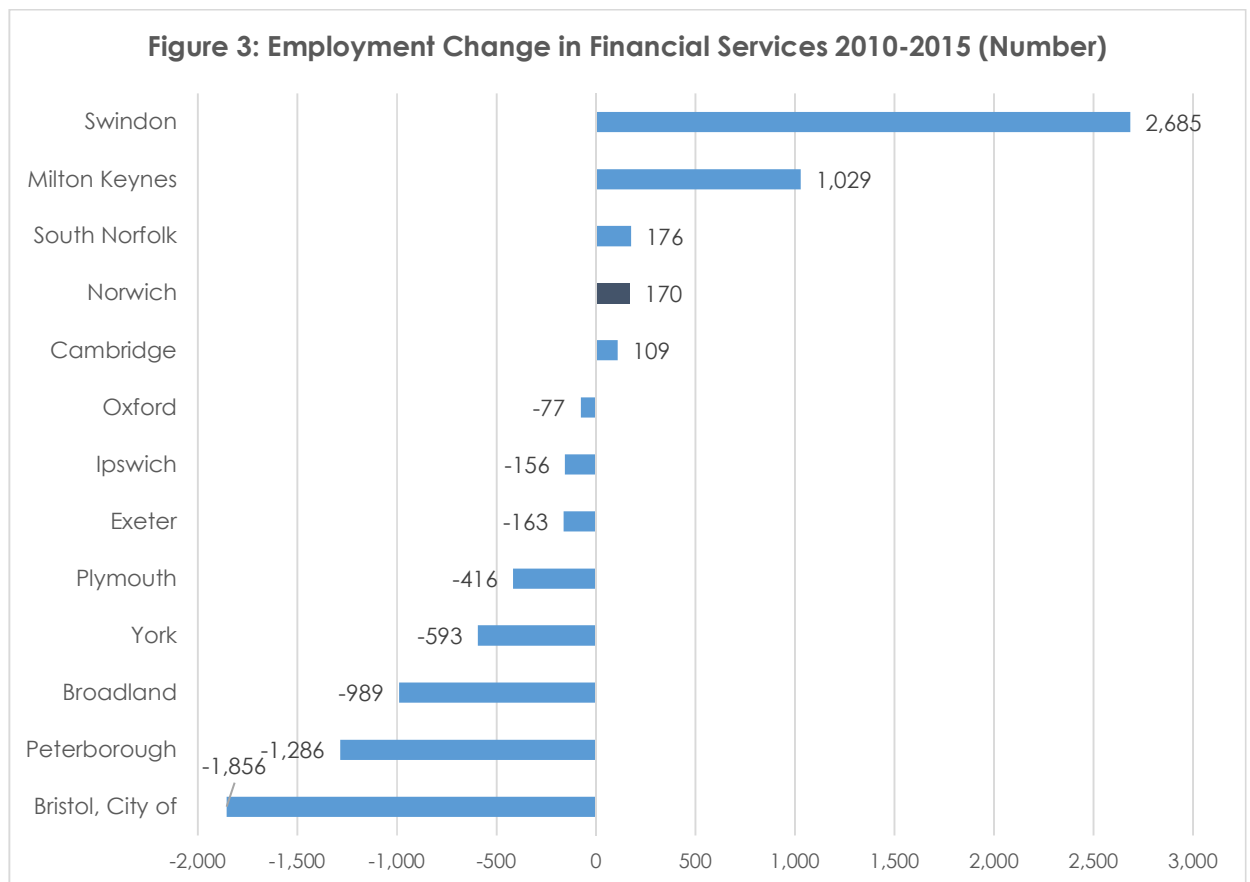
- 3.3 There have been some fluctuations in the Financial Services sector with many of the comparator local authority areas suffering losses – Peterborough lost nearly one in five jobs between 2010 to 2015. Norwich experienced only modest growth (3.6%) at less than half the GB level (7.4%). The main drivers of change locally are:
- A decline in life insurance in the Norwich local authority area (a decline of over 550 employees between 2010 and 2015) and a decline in Broadland in the activities of insurance agents and brokers (of almost 1300 employees). That said one part of the sector in Norwich

has shown some growth - risk and damage evaluation. This class includes the provision of administration services of insurance, such as assessing/settling insurance claims and has grown by 200 employees (+41%).

- A noticeable growth in accounting, bookkeeping and auditing activities and tax consultancy with almost 1,200 jobs created in Broadland (700), Norwich (300) and South Norfolk (200). The Broadland is thought to be movement of Aviva jobs from Norwich.

3.4 It is interesting that these sub-sectoral changes experienced in Norwich are more pronounced than those in GB or the region. Life Insurance only declined by (1.0% and 1.4% respectively) whereas it declined by 100% in Norwich and accounting increased by 8% and 25% respectively whereas it increased by 50% in Norwich.





Prospects for Growth

3.5 Looking at the reasons behind the changing make-up of the sector they include regulation, a shift in technology and customer expectations alongside an ageing population demanding retirement products for instance². FinTech companies are breaking the dominance of financial services' largest players in novel ways³ in areas including online lending, money transfer, and credit ratings. Changing customer needs and demographics are impacting on delivery channels, servicing, and technology. New channels are altering the way customers access financial services⁴.

3.6 The East of England forecasting model shows that in the NPA between 2016 and 2045:

- The finance sector will decline by over a fifth (21%) from 8,800 employees to 7,000⁵. Though it is noted that Aviva alone employs some 6,000 people in the NPA.

² <https://www.pwc.com/gx/en/insurance/pdf/pwc-life-insurance-2020-competing-for-a-future.pdf>

³ <https://www.strategyand.pwc.com/trends/2016-financial-services-trends>

⁴

https://www.strategyand.pwc.com/global/home/what_we_do/industries/financial_services/fs_key_trends/46790983

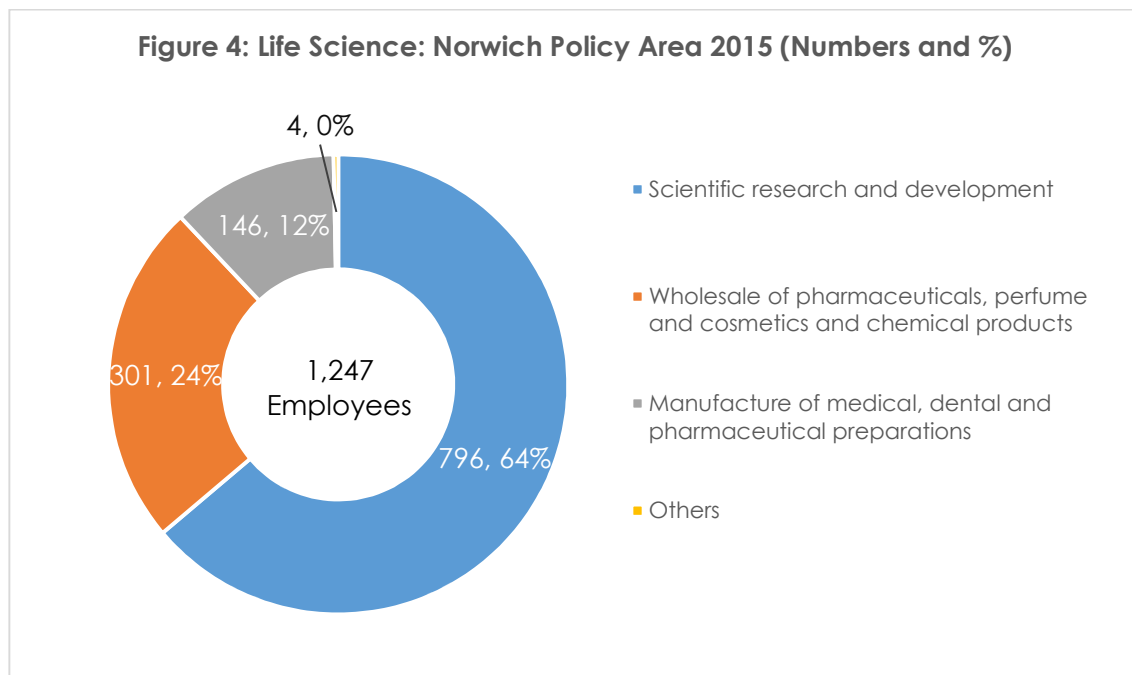
⁵ Figures rounded to the nearest 100.

- Professional services will increase from 6,800 to 7,800 an increase of 14%.
- Business services will increase from 7,100 to 9,900 an increase of two fifths (40%).

4. Life Science

Sectoral Composition

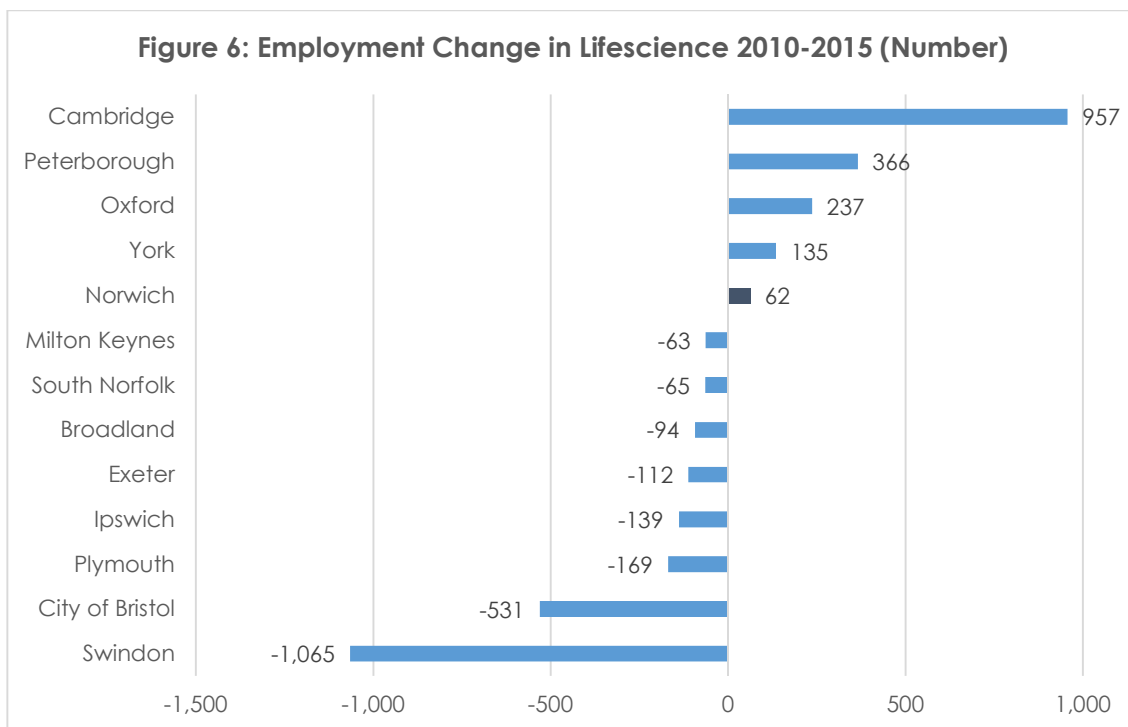
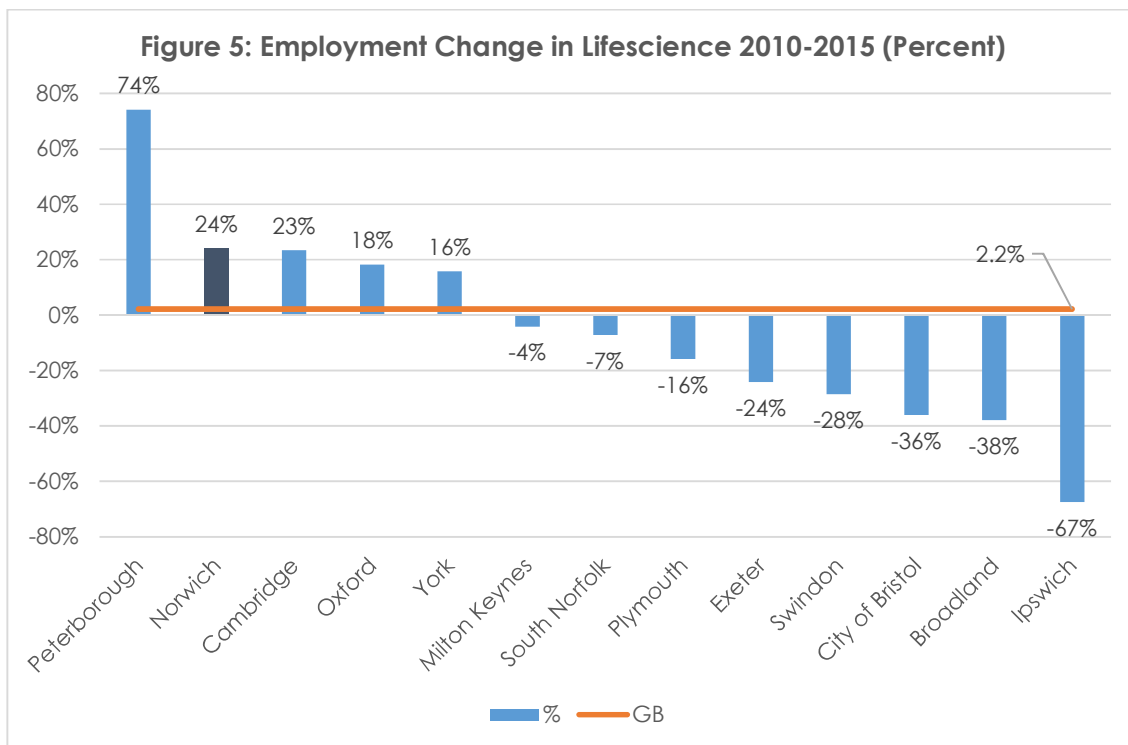
- 4.1 Norwich Research Park is the location for a number of world class research, educational and training institutions including the John Innes Centre, Institute of Food Research, The Genome Analysis Centre, the University of East Anglia, and Norfolk and Norwich University Hospital with their associated infrastructure and specialist facilities.
- 4.2 Research, education and training activities on the Norwich Research Park are currently complemented by business support functions within the individual institutions and the facilities and services at the Norwich Innovation Centre and Norwich Bio-Incubator as well as a New Enterprise Centre.
- 4.3 Three of the Biotechnology and Biological Science Research Council's eight strategic research institutes are located on the Norwich Research Park. This is reflected in the composition of the sector. Over two thirds of employees (64%, some 800 people) are captured as employed in scientific research and development in the NPA. This is likely to be a considerable underestimate of Life Science activity much of which is likely to be contained under broader university and hospital codes. The SIC codes therefore offer a fairly blunt assessment of Life Sciences, in reality a large number of support staff are employed by research and/or support companies. The actual number employed in the sector is far greater, as Norwich Research Park alone employs over 2,400 scientists with over 8,500 support staff.



Sectoral Change

4.4 There have been some fluctuations in Life Sciences with many of the comparator local authority areas suffering losses. Swindon, Bristol and Plymouth in the south west suffered the highest absolute losses largely as a consequence of the decline in Life Science manufacturing categories. The main drivers of change locally are:

- A small growth in manufacture (pharmaceutical and medical) in the Norwich local authority area (of some 50 employees between 2010 and 2015) and a decline in Broadland in scientific research and development of almost 60 employees.
- The picture in South Norfolk is different with slight losses in manufacturing (50 employees) and a mixed picture in scientific research and development. Here there was a net loss of 40 employees as a consequence of a loss in research and development in natural sciences and engineering (offset to some degree by growth in biotech).
- Nationally and regionally gains in scientific research and development have outstripped losses in manufacturing.



Prospects for Growth

4.5 The latest report from the Office of Life Science (2016) shows strong National growth in the sector for the third year running after volatile recent performance up until 2013. Core biopharmaceuticals is the largest sub-sector both nationally and in the East of England, with the East of England having the second largest concentration of employment after the South East.

The sub-sector is forecast to maintain steady growth driven by cell based therapies and therapeutic proteins. Going forward medtech, digital health and analytics will be an increasingly important driver of growth both nationally and in the East of England and some of the key emerging technological, demographic health trends play to NPA strengths.

- Growth in personalised medicine, next generation genetics and genomics have big implications for digital health and big data and the NPA's SME's are well placed to participate in this clear interaction with digital.
- Increased interest and activity around dementia, healthy ageing, obesity, diabetes and independent living also present opportunities for the medtech sector and in particular medical devices, companion diagnostics and informatics.
- The privatisation of the health service is a source of growth that should also be factored into the sector prospects. New private hospitals and growth in the provision of cosmetic surgery, elective surgery, private imaging and private lab services will all drive employment.

4.6 The East of England forecasting model shows that in the NPA between 2016 and 2045:

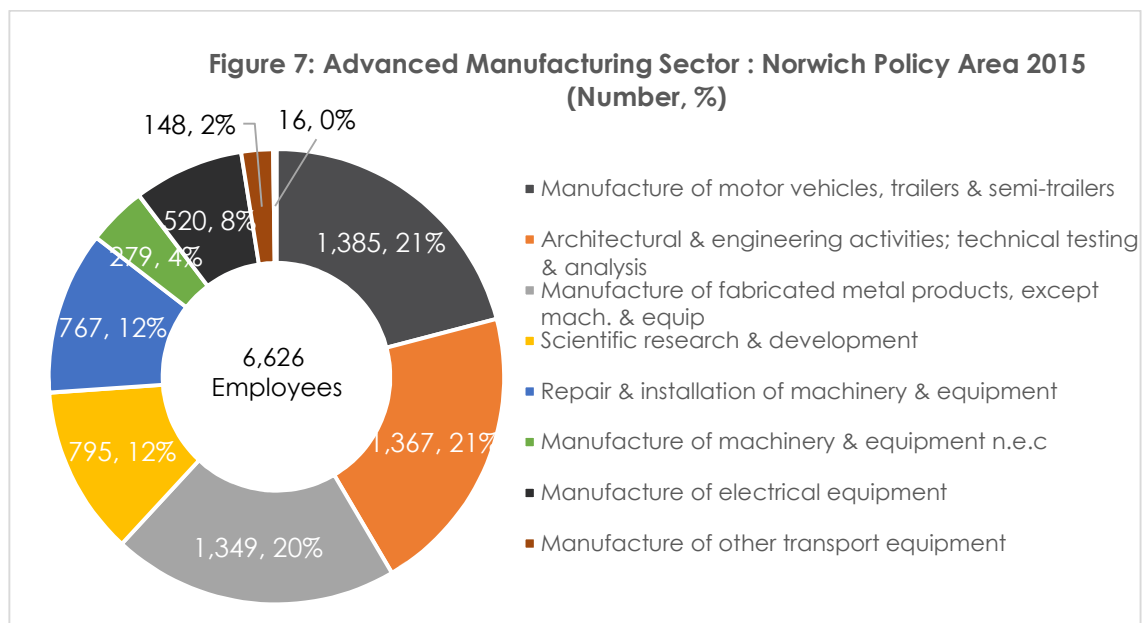
- Research and development activities are only predicted to show modest growth of 5% (a growth of only 100 employees).⁶
- The health and social care sector is predicted to grow by a considerable 39%, some 10,000 employees and over 2.4 times the rate for all industries (16%).
- Growth in life sciences in the NPA will realistically be much higher than is being implied here because as medtech and digital health activity increases much of this activity will be captured under digital or advanced manufacturing. That said to some degree this may be partially offset in the medium term as a consequence of the loss of EU funding for collaborative and other projects in the HE and research sectors.

⁶ Figures rounded to the nearest 100.

5. Advanced Manufacturing

Sectoral Composition

5.1 In terms of advanced manufacturing, Norwich has concentrations of electronics, auto and marine businesses and there are a number of aerospace businesses around Norwich airport. Further afield the Hethel Engineering Centre (working with high performance engineering and manufacturing companies), the off-shore energy sector and several military bases all impact on this sector.



5.2 This is a fairly sizeable sector with over 6,600 employees in the NPA. The largest three sub-sectors (auto, testing and fabricated metal products) account for some 62% of employees.

Sectoral Change

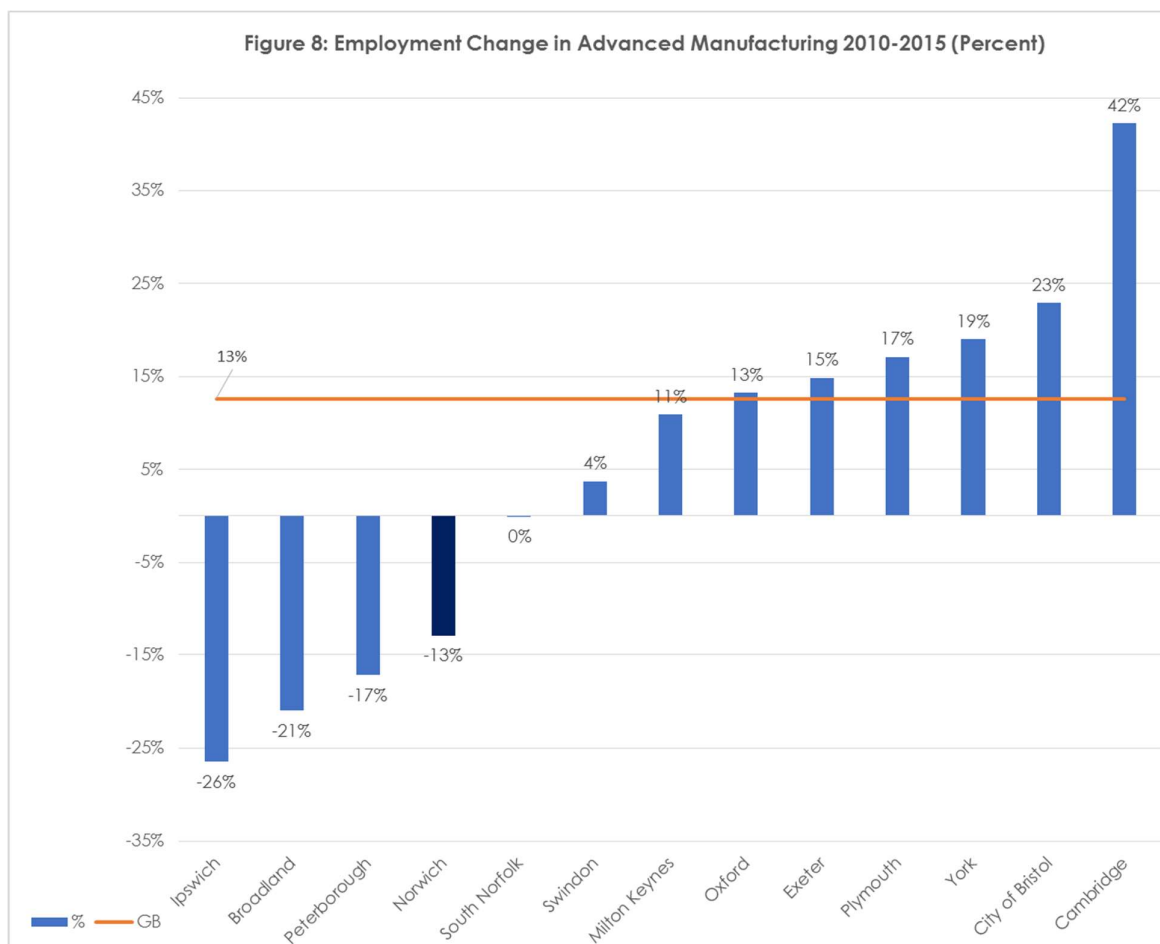
5.3 There have been some fluctuations in the advanced manufacturing sector with contrasting performances amongst the comparator cities. Cambridge and Bristol local authority areas have shown the largest absolute and percentage increases, largely as a consequence of the rapid growth in engineering activities and related technical consultancy.

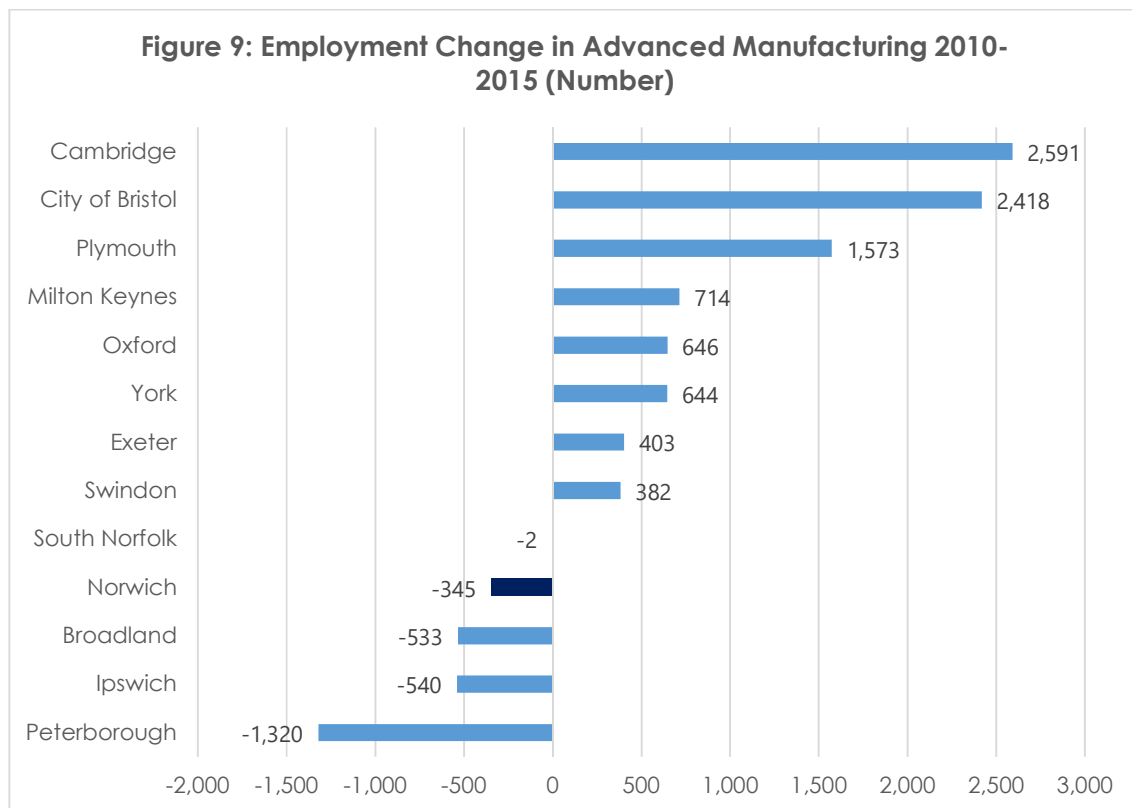
5.4 The main drivers of change locally are:

- A decline in advanced manufacturing in the Norwich local authority area (a decline of over 300 employees between 2010 and 2015). That said the new Aviation Academy is expected to drive growth in the aviation engineering sector in particular.

- A decline in Broadland of over 500 employees (the largest declines were in the manufacture of metal structures and parts of structures and the manufacture of machinery for food, beverage and tobacco processing).
- In South Norfolk employment in the sector remained static. Two of the sub-sectors that did exhibit growth were the manufacture of electrical and electronic equipment for motor vehicles and manufacture of other parts and accessories for motor vehicles.

5.5 It is interesting that the largest numeric gains in employment in GB were in motor manufacturing and engineering activities and related technical consultancy and technical testing and analysis.





Prospects for Growth

- 5.6 Industry 4.0 or the fourth industrial revolution is characterised by the increasing digitisation and interconnectivity of products, value chains and business models. In other words the real and virtual worlds are now beginning to merge in production. This current trend of automation and data exchange in manufacturing technologies includes cyber systems, the Internet of things and cloud computing. Digitalization will result in lower costs, improved production quality, flexibility and efficiency⁷.
- 5.7 The East of England forecasting model shows that in the NPA between 2016 and 2045 the manufacturing of transport equipment will decline by some 700 employees and electronics by some 500 employees⁸.
- 5.8 In other words whilst sector will become more efficient and productive through the forth industrial revolution it will continue to experience modest employment decline matched with an improvement in employee productivity.

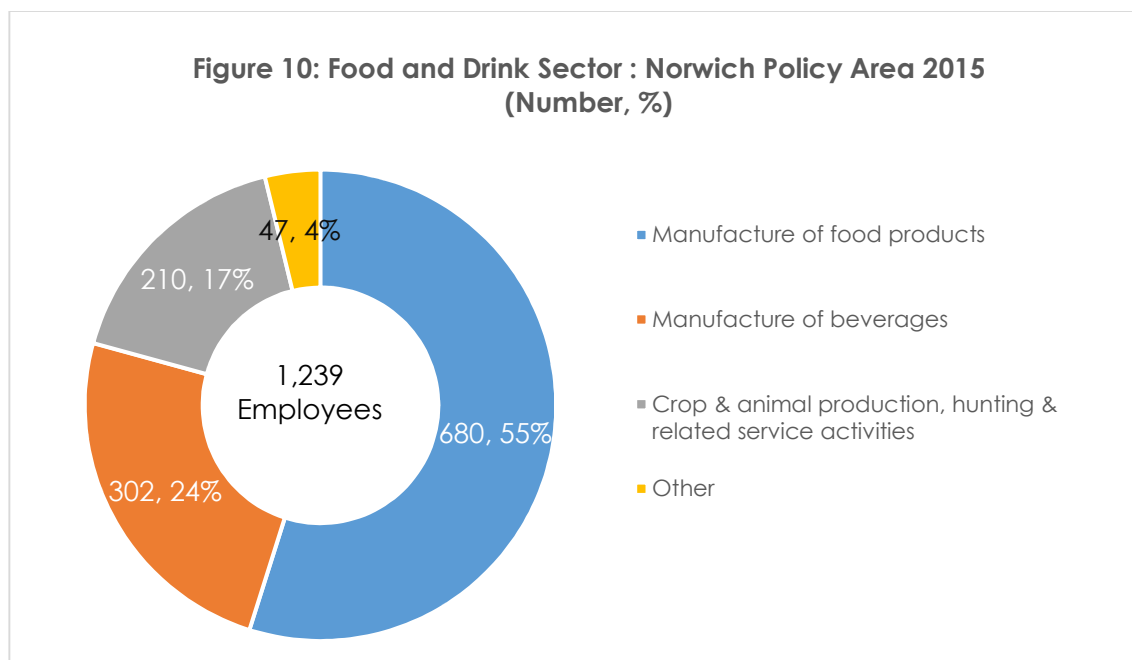
⁷ <https://www.siemens.com/global/en/home/company/topic-areas/future-of-manufacturing.html>

⁸ Figures rounded to the nearest 100.

6. Food and Drink

Sectoral Composition

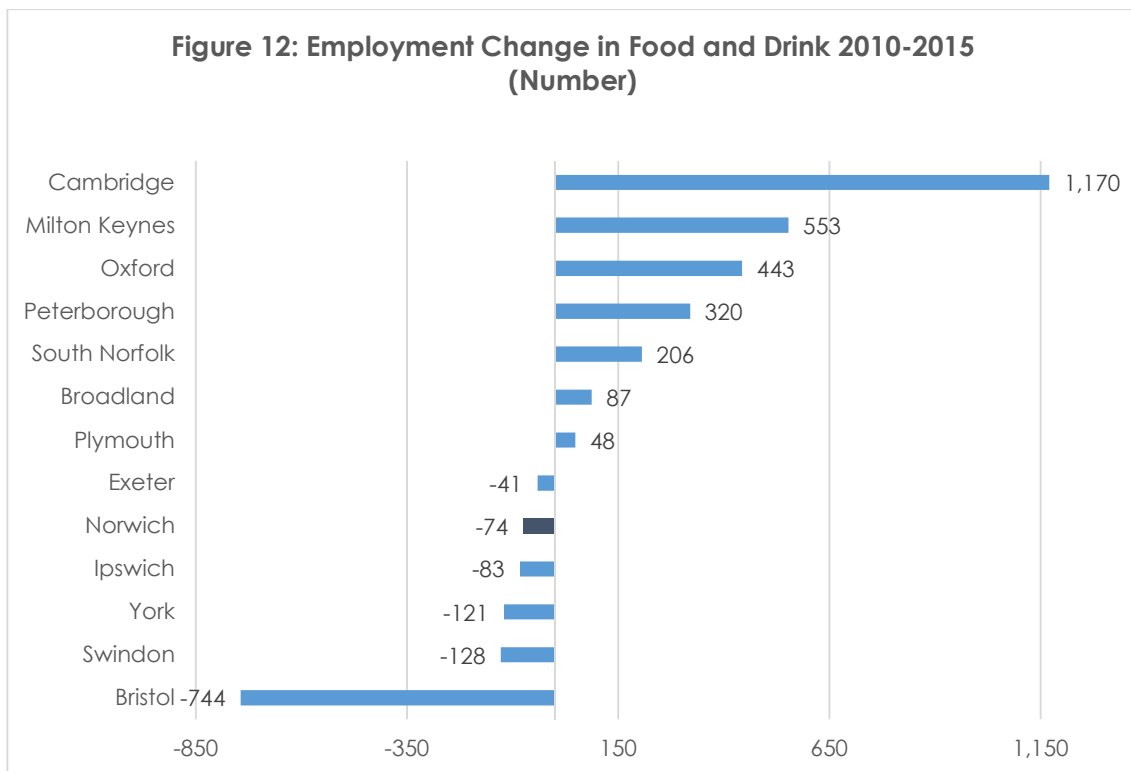
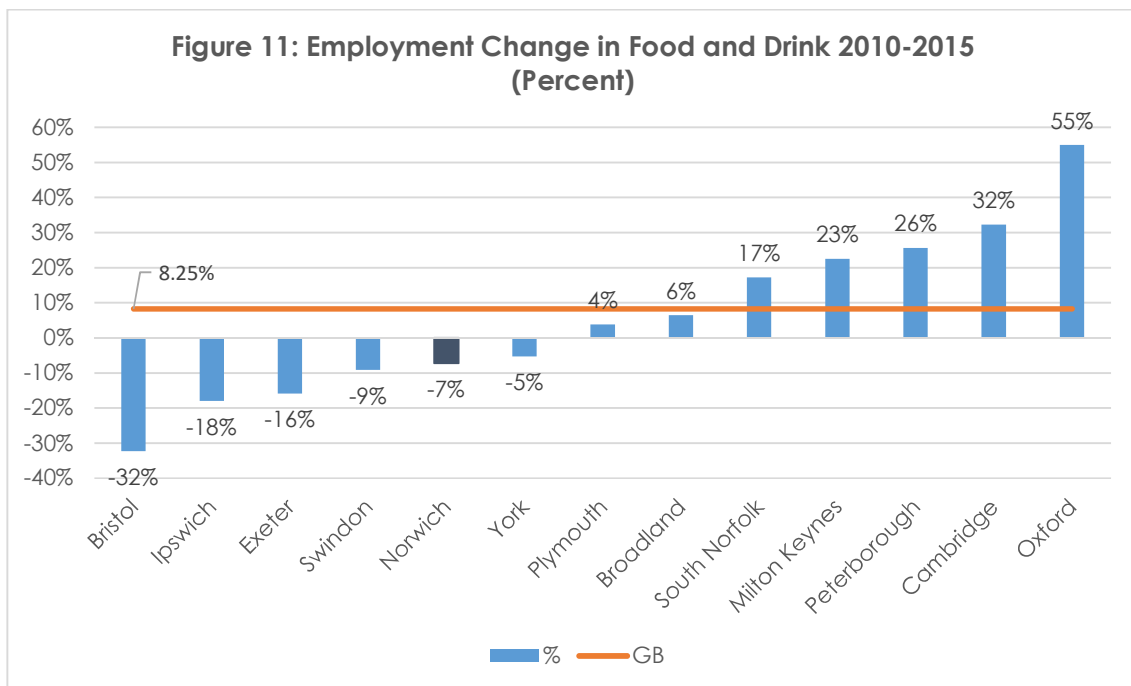
- 6.1 The city actively promotes its Food and Drink Sector. The Norwich Food and Drink Festival attracted over 4,000 people into the city and last year 44 pubs and 39 breweries took part in the ten day city-wide celebration of pubs, breweries and beer in the annual Norwich City of Ale. Norfolk and Suffolk has a Food and Drink Enterprise Zone focusing in part on exploiting the Greater Norwich food cluster.
- 6.2 The Institute of Food Research (IFR) is based at Norwich Research Park. The IFR is the only publicly funded UK research institute that focuses on the underlying science of food and health to address the global challenges of: food security, diet and health, healthy and ageing and food waste.
- 6.3 Colmans/Unilever/Brivic the manufacturer of food and drink including soft drinks, mustard and other sauces, is based at Carrow, in Norwich.
- 6.4 It should be noted that the sector is defined quite narrowly and excludes those staff employed in bars and restaurants. Looking at the production end official statistics highlight about 1,200 employees in the NPA over half (55%) of which are involved in food production.



Sectoral Change

- 6.5 There have been some fluctuations in Food and Drink with the Norwich local authority area and several of the comparator areas have suffered losses. Bristol in the south west suffered the highest percentage and absolute losses largely as a consequence of the decline in the operation of dairies and cheese making and the manufacture of beer.
- 6.6 The main drivers of change locally are:
- A slight decline overall (7%) in Norwich local authority area largely due to a reduction in employment in the manufacture of other food products (of some 150 employees between 2010 and 2015).
 - The picture in South Norfolk is different with growth of 17% (over 200 employees). There were gains in support activities for animal production. This subclass includes farm animal boarding and agricultural activities on a fee or contract basis⁹.
 - In Broadland the key gains have been in the production of meat and poultry meat products, sugar manufacture, and the manufacture of cider and other fruit wines.
 - Regionally the largest absolute gains were in other research and experimental development on natural sciences and engineering. Nationally over this period there has been a noticeable increase in the manufacture of prepared meals and dishes.
- 6.7 It is perhaps not surprising that an urban area like Norwich does not have a large Food and Drink sector. That said its rural neighbours Broadland and South Norfolk are performing well. This provides an opportunity for city to source locally, celebrate its distinctive strengths (through Norfolk Food and Drink) and attract new investment through the Enterprise Zone.

⁹ Activities to promote propagation, growth and output of animals, herd testing services, droving services, agistment services, poultry caponising, coop cleaning etc., activities related to artificial insemination, stud services and sheep shearing.



Prospects for Growth¹⁰

6.8 Population growth will continue to drive demand at home and abroad. The UK population is predicted to rise to over 71m by 2030. In addition changing dietary patterns will drive demand

¹⁰ https://www.fdf.org.uk/2020_growth_vision.aspx

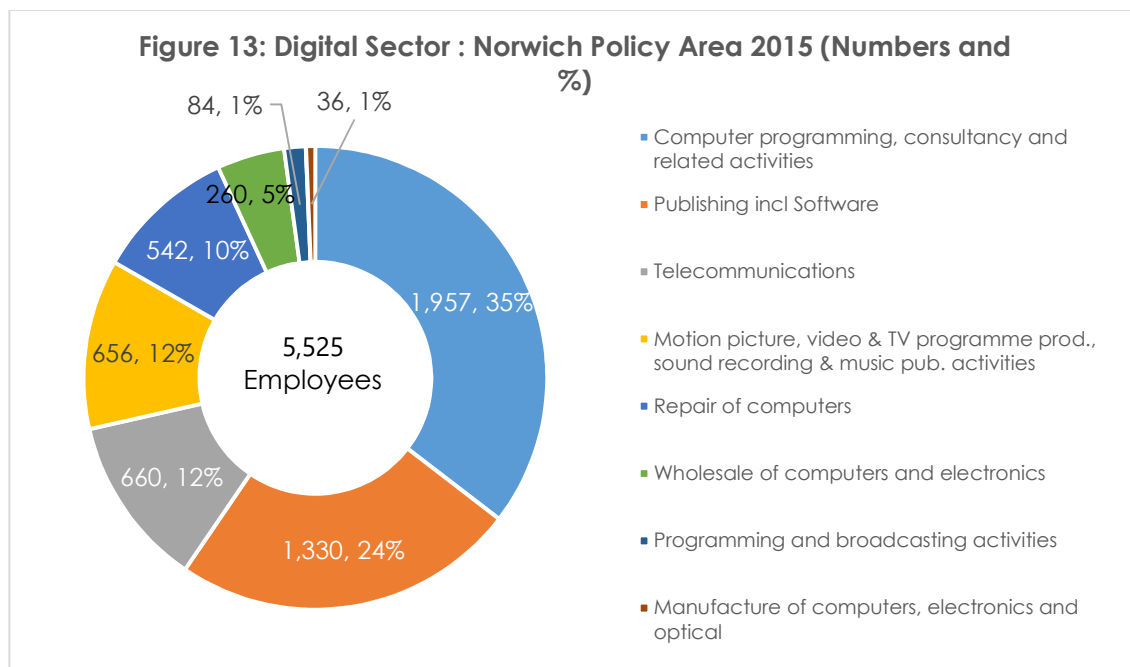
for value added products in developing markets and health and wellbeing products with an ageing population. The UK's fiercely competitive domestic market drives innovation and value for consumers. Generally the sector exhibits efficient supply chains, low waste and high levels of regulatory compliance.

- 6.9 The East of England forecasting model shows that in the NPA between 2016 and 2045:
- The food manufacturing sector will continue to decline by over 400 employees (44%).
 - The accommodation and food services is predicted to increase by over a third (33%) – over 3000 employees.

7. Digital

Sectoral Composition

- 7.1 The world of digital is rapidly changing. It is becoming embedded into every business and business function. Norwich has some key digital and technology strengths and sectors with a growing reliance on digital industries.
- 7.2 There are legitimate concerns expressed about the efficacy of the standard industrial classifications as a tool for assessing a sector as ubiquitous as digital. It should be noted that the standard SIC definition of digital offers a fairly narrow definition of the sector and excludes many digital roles in other sectors and many creative digital sectors. For instance many corporate financial services and advanced manufacturing business in the NPA are exploiting new technologies and we know that many of the research and development activities are exploiting 'big data' and routinely carrying out data analytics.
- 7.3 The chart shows there are over 5,500 employees in the digital sector in the NPA. Over one third of these (35%) are in computer programming, consultancy and related activities and quarter in publishing including software (24%). Looking at the largest sub-sectors these include computer consultancy and publishing newspapers, journals and periodicals (in part reflecting some of the academic expertise and other writing activities).



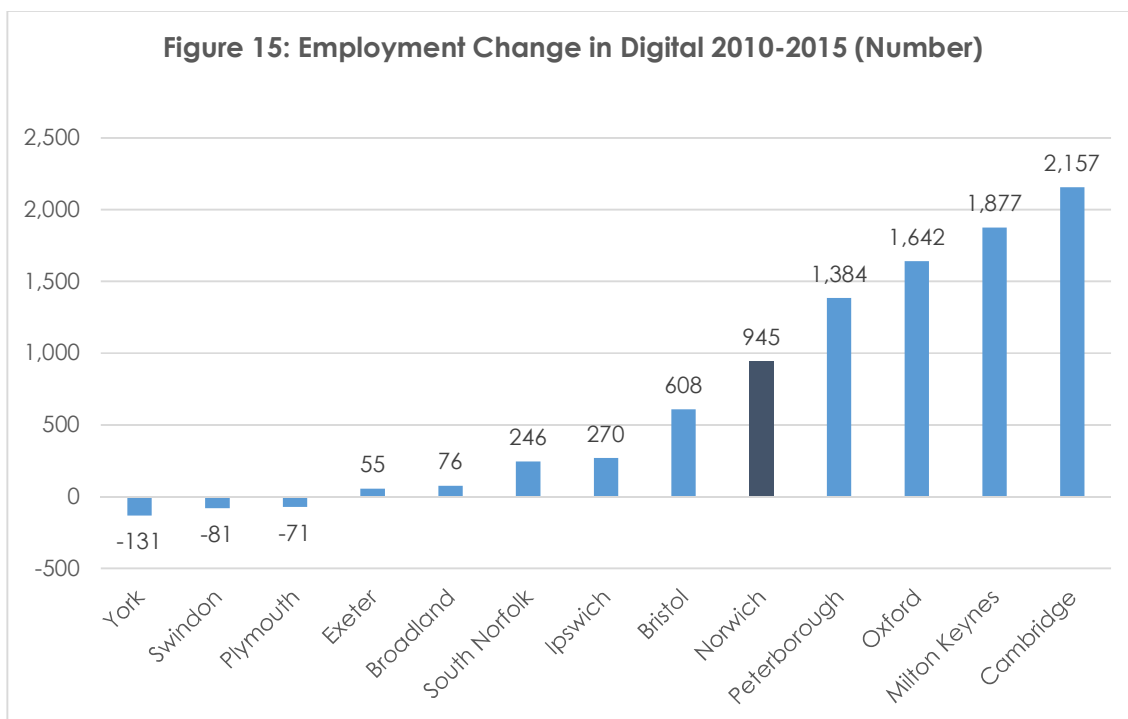
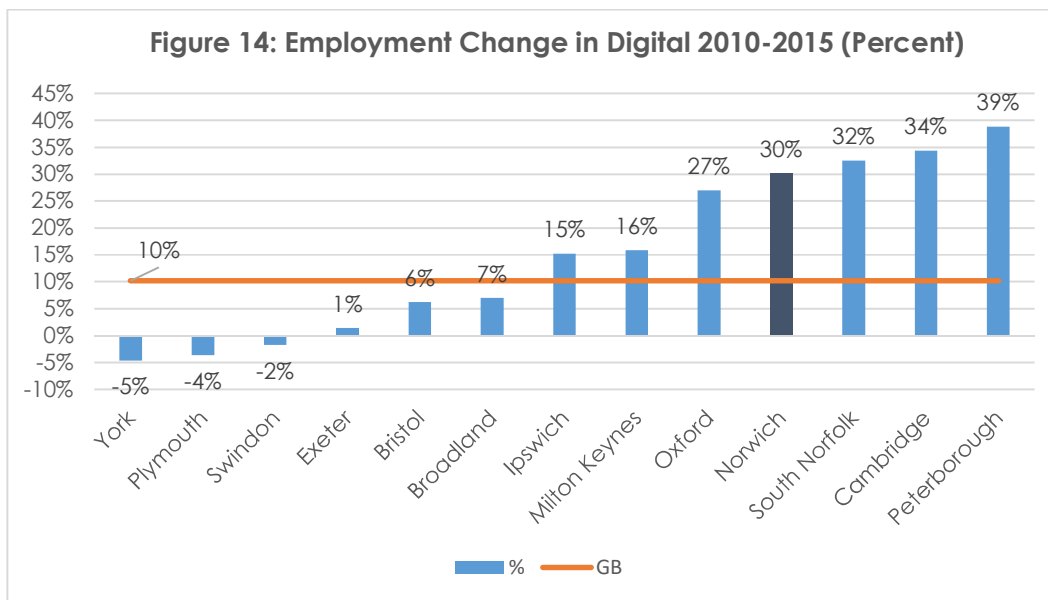
Sectoral Change

7.4 With the exception of York, Plymouth and Swindon the comparator cities have all experienced a growth in digital sector employment between 2010 and 2015. The large absolute growth in Cambridge was a consequence of fast growth in computer consultancy, computer programme, software and data processing and hosting. 'Silicon Fen' is well known as a home to a large cluster of high-tech businesses focusing on software, electronics and biotechnology.

7.5 The main drivers of change locally are:

- A growth in digital employment in the Norwich local authority area by almost a third (30%); three times the GB rate and over 900 employees between 2010 and 2015. The top three contributors to this growth are in the following sub-sectors:
 - The publishing of journals
 - The repair of communications equipment
 - Other information technology (IT) and computer service activities
- A steep percentage increase in digital employment in South Norfolk of 32%. This was a result of slight increases in many subsectors.
- Slight growth in digital in Broadland of 7% largely as a consequence of fast growth in computer consultancy activities.
- Regionally and in GB the largest absolute gains were in computer consultancy.

7.6 The large growth in computer consultancy across GB in the last five years is a result of the growth in advisors helping others to use IT to meet their business objectives or overcome problems. IT consultants typically work to improve the structure and efficiency of IT systems in various organisations. IT consultants also may be used to provide strategic guidance to clients to develop technology, IT infrastructures and enabling major business processes through enhancements to IT.



Prospects for Growth

- 7.7 The global prospects for digital technologies are promising. With fixed, mobile and broadcast networks converging, and devices and objects increasingly connected to form the Internet of Things (IoT) ICT is transforming social interactions and personal relationships.
- 7.8 The world of digital technologies is being impacted by the growth in artificial intelligence, cloud, IoT, and Virtual and Actual Reality (VR/AR) in particular. Every sector is being radically

transformed by these developments. This is resulting in new opportunities to attract UK inward investment.

7.9 The developments combined with a large domestic market and a Government strongly supporting digital growth, digital citizenship and procurement, mean Norwich is well positioned to attract high quality technology and digital related inward investment and perhaps research institutes exploiting digital technologies. This would build on (a) its presence of large financial corporates deploying FinTech, (b) manufacturing firms investing in the Fourth Industrial Revolution/IoT, (c) robotics in food and drink and (d) research organisations already utilising Big Data and data analytics.

7.10 The East of England forecasting model shows that in the NPA between 2016 and 2045:

- Computer related activity sector will continue to increase steadily by over almost 300 employees (15%).
- Telecoms are predicted to decrease slightly by 13%, or some 100 employees, publishing and broadcasting are predicted to decline in the long term – by almost 600 employees (27%).

8. Creative Industries

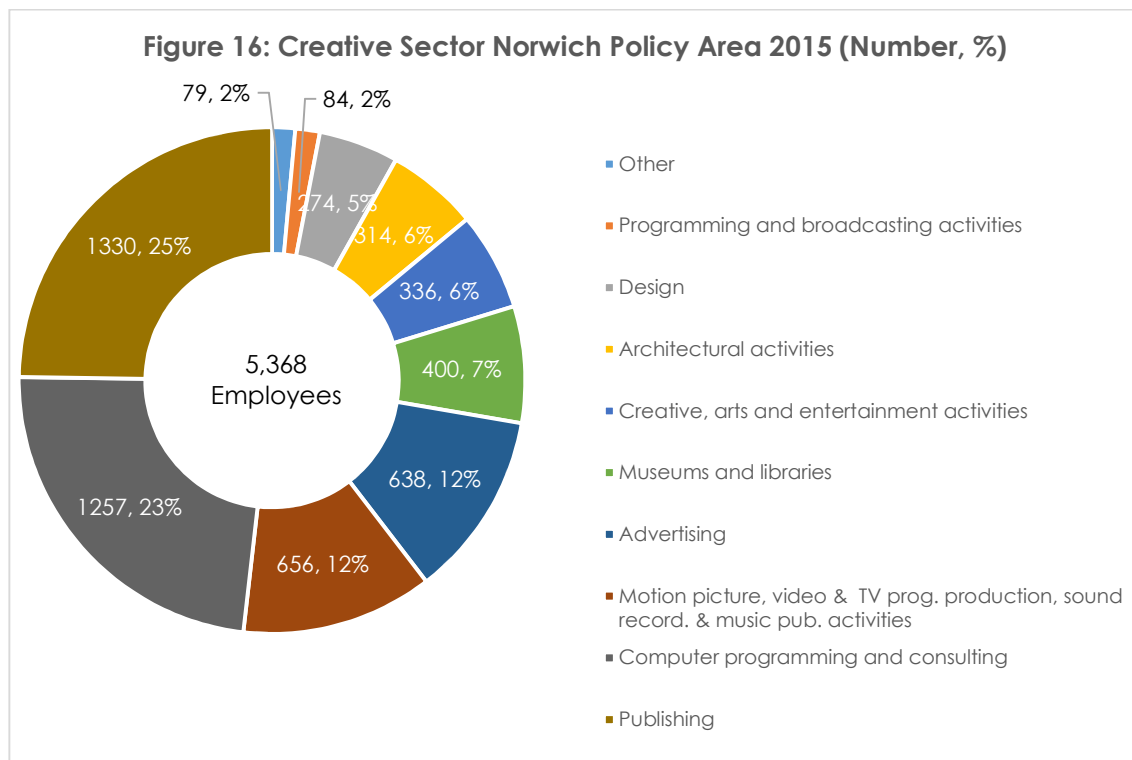
Sectoral Composition

- 8.1 The creative industries make up one of the UK's leading industrial sectors, responsible for 1.4 million jobs and 5.3% of the country's gross value-added (GVA) ¹¹. The UK has a share of around 5% of the global export market for creative goods. It is a broad and diverse sector which ranges from advertising and crafts to performing arts and publishing.
- 8.2 Norwich has a concentration of creative industries and a thriving digital creative scene with a cluster of digital arts companies located in Norwich in particular. Greater Norwich has a cluster of established businesses in television and media. The East of England Production Innovation Centre (EPIC) studios in Norwich are also a major asset to the sector. Norwich University of the Arts (NUA) is one of only a handful of UK universities offering games art and design degree course.
- 8.3 Norwich boasts a number of organisations of national importance: including the Sainsbury Centre for Visual Arts at the University of East Anglia. The Writers' Centre in Norwich has an established national reputation and its work has resulted in the City being named as England's first UNESCO City of Literature. The Theatre Royal in Norwich, home to a range of drama, dance, operatic and musical productions. Norwich University of the Arts has a strong tradition of vocational education in the creative industries with specialities in graphic design and digital content creation.
- 8.4 The Norfolk and Norwich Festival is the fourth largest city festival in the UK Festival. Graphic design and communications agencies are growing in importance in Norwich. The links between digital creative industries and the ICT sector are equally strong and the opportunity to build upon existing clusters of activity in Greater Norwich.

The chart shows there are over 5,300 employees in the creative sector in the NPA. A quarter of these are in publishing reflecting some of the local academic expertise and other writing activities.

11

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/362253/Creative_Industries_Strategy_2013-16.pdf



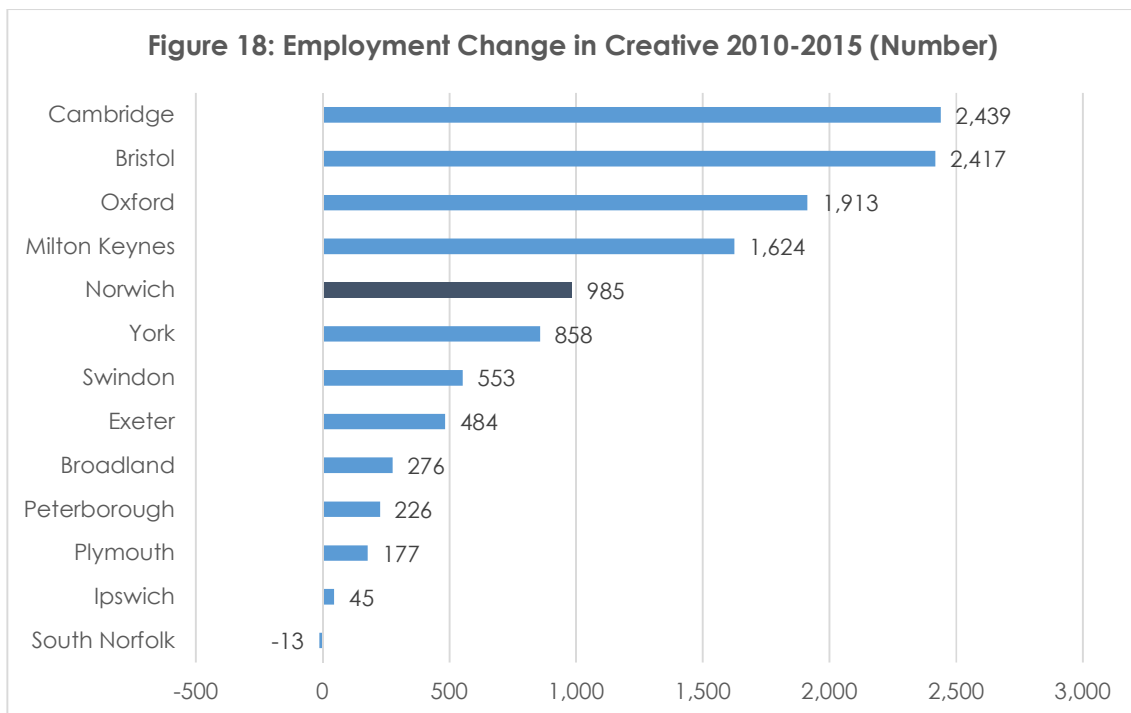
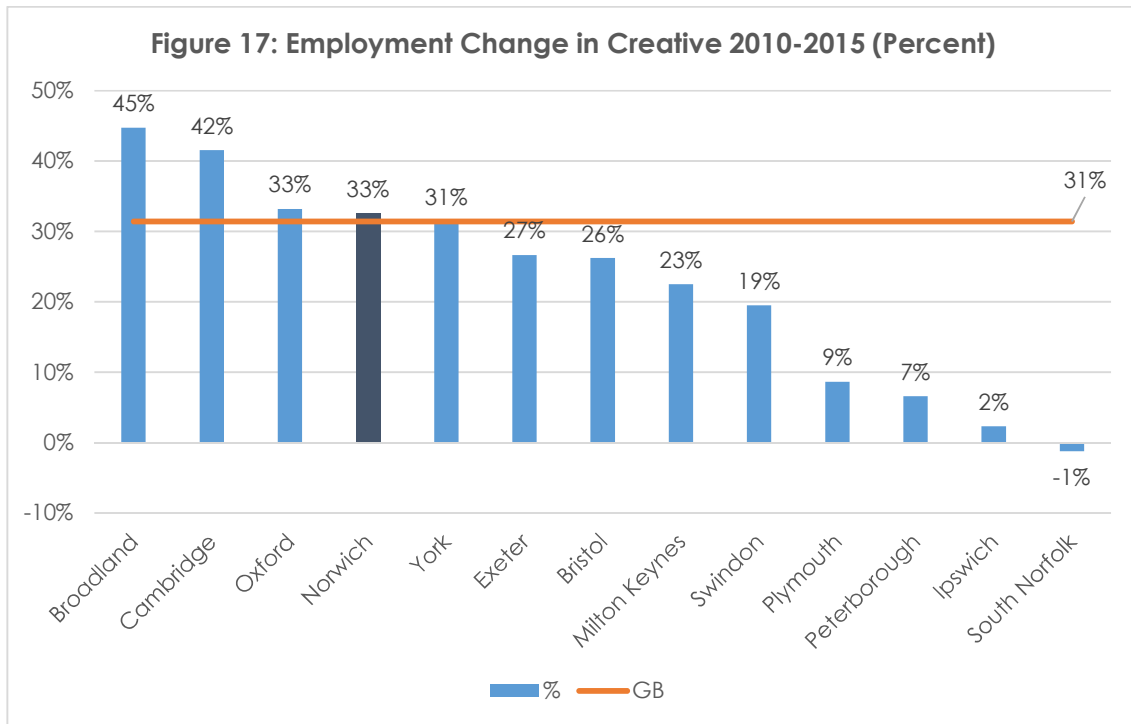
Sectoral Change

8.5 With the exception of South Norfolk the comparator local authority areas have all experienced a growth in creative sector employment between 2010 and 2015. The large absolute growth in Cambridge was a consequence of fast growth in book publishing, computer consultancy, and computer programming.

8.6 The main drivers of change locally are:

- A growth in digital employment in the Norwich local authority area by a third (33%); slightly above the GB rate of 31% and an increase of almost 1000 employees between 2010 and 2015. The top three contributors to this growth are in the following sub-sectors:
 - The publishing of journals and periodicals
 - The publishing of newspapers
 - Computer consultancy
- A steep percentage increase in creative employment in Broadland of 45%, the fastest of all comparator cities. In absolute terms the largest growth was in the following subsectors: the publishing of journals and periodicals, computer consultancy and motion picture, video and television programme production activities.
- A very slight decline in creative employment in South Norfolk of 1%. The largest absolute decline was in artistic creation.

- Regionally and in GB the largest absolute gains were in computer consultancy (this phenomena is discussed further in the digital sector profile).



Prospects for Growth

8.7 The major trends of continued digitisation throughout the sector, fragmentation of audiences, changing user behaviours, convergence and 'disintermediation' – or cutting out the

middleman – have all contributed to the emergence of a digital landscape of increased complexity. These trends are disrupting established value chains while at the same time providing considerable potential for growth¹².

8.8 The East of England forecasting model shows that in the NPA between 2016 and 2045:

- The arts and entertainment sector will continue to increase steadily by over 600 employees (15%).

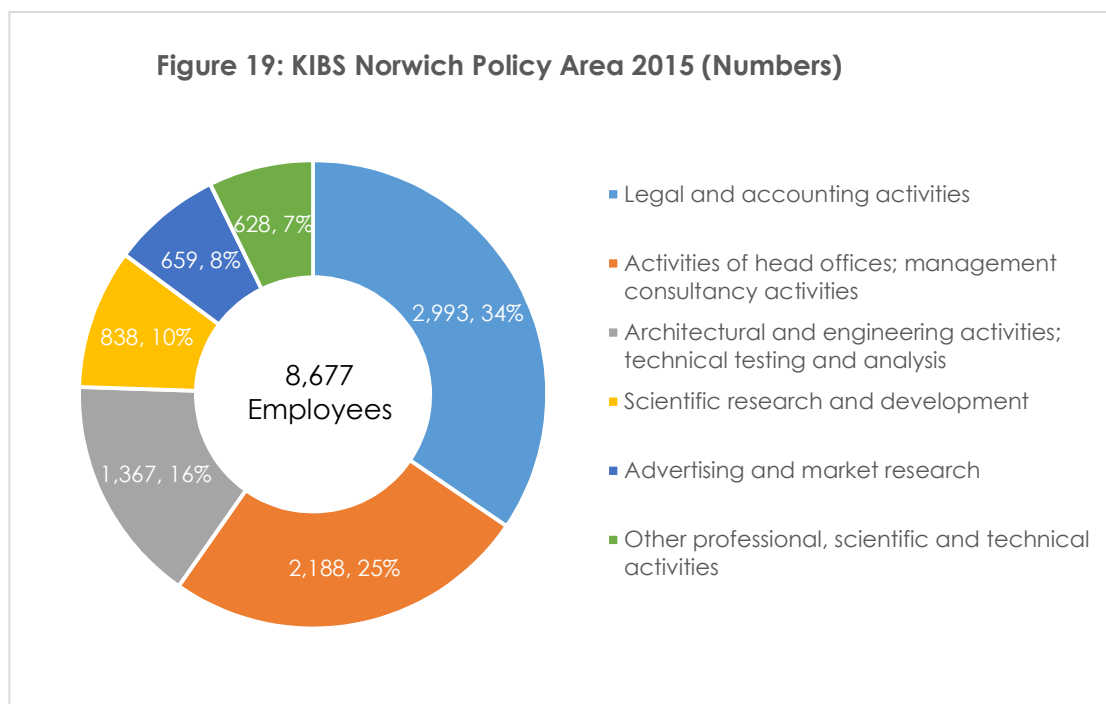
¹²

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/362253/Creative_Industries_Strategy_2013-16.pdf

9. KIBS (Knowledge Intensive Business Services)

Sectoral Composition

- 9.1 Knowledge-intensive business services (KIBS) are companies that provide inputs - based heavily on advanced technological or professional knowledge - to the business processes of other organisations. Globalisation has meant that the UK has moved towards specialising in more knowledge-intensive type activities, in which it is the production of the idea where the most value is added, rather than the production of the physical good that is important¹³.
- 9.2 The KIBS sector encompasses a range of activities including computer services, research and development (R&D) services, legal, accountancy and management services, architecture, engineering and technical services, advertising and market research, among others. KIBS typically employ a greater proportion of highly-skilled workers than other sectors of the economy. Over the last 50 years or so Norwich is part of a select group of cities¹⁴ that have managed to reinvent themselves through KIBS growth despite having a historically high level of low-knowledge work.
- 9.3 The chart shows there are almost 8,700 employees in the KIBS sector in the NPA. Over one third of these are in legal and accounting services.



¹³ <http://www.centreforcities.org/wp-content/uploads/2015/03/15-03-04-A-Century-of-Cities.pdf>

¹⁴ Including Leeds, Manchester, Northampton, Norwich, Swindon, and Warrington.

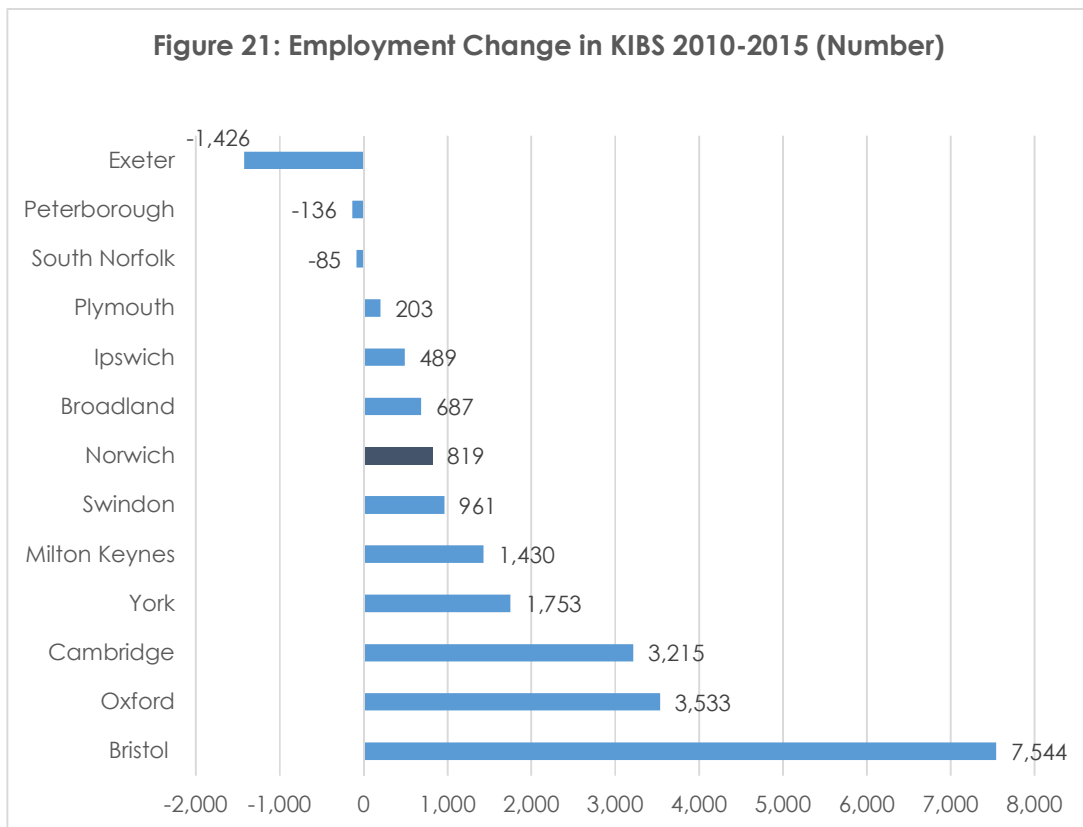
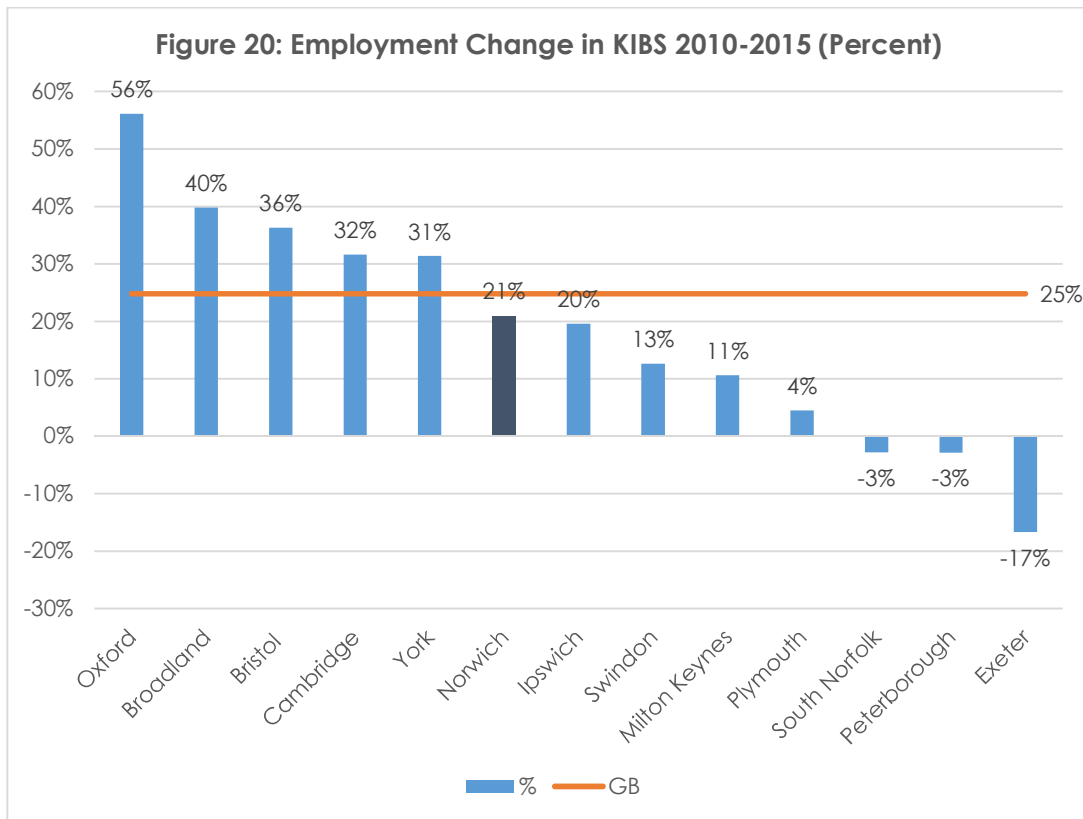
Sectoral Change

9.4 With the exception of South Norfolk, Peterborough and Exeter the comparator cities have experienced a growth in KIBS sector employment. The exceptional growth in Bristol was a consequence of fast growth in accounting and engineering activities and related technical consultancy.

9.5 The main drivers of change locally are:

- A growth in KIBS in the Norwich local authority area by over a fifth; over 800 employees between 2010 and 2015. The top three contributors to this growth are in the following sub-sectors
 - Business and other management consultancy activities
 - Accounting, bookkeeping and auditing activities; tax consultancy
 - The activities of head offices
- A noticeable growth in KIBS in Broadland at 40% - the second fastest of all comparator areas with a growth of almost 700 employees between 2010 and 2015 largely as a consequence of fast growth in two sub-sectors: accounting, bookkeeping and auditing activities; tax consultancy and the activities of head offices. This may in part be driven by the relocation of several professional services business and headquarters from the city centre (including the relocation of some Aviva jobs) and elsewhere (a housing association recently moved from Norwich and a house builder moved their HQ from Lowestoft).
- A slight decline in South Norfolk of 3%. The decline here was largely as a consequence of a reduction in business and other management consultancy activities.
- Regionally and nationally the largest absolute gains were in accounting, business consultancy and the activities of head offices mirroring the local picture.

9.6 The rise in business services employment has been particularly striking in recent decades and the fact much of this growth has been fuelled by the growth of head offices is interesting. This phenomena could be exploited for inward investment purposes. This is associated partly with outsourcing from other sectors and partly with strong growth in professional areas like law, accounting, consultancy and real estate services.



Prospects for Growth

9.7 Business services which tend to be labour-intensive, have increased employment numbers greatly in response to a strong increase in demand. The sector will also be able to make some efficiency gains over time through use of new information technologies¹⁵. PWC note the growth in business services will slow down slightly from its past trend as some of these markets mature.

9.8 The East of England forecasting model shows that in the NPA between 2016 and 2045:

- The business services sector will continue to increase by over 2800 employees (40%).
- Professional services are predicted to increase by 14%, or over 900 employees.

¹⁵ <https://www.pwc.co.uk/assets/pdf/ukey/ukey-sectoral-employment-march-2016.pdf>