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ESCAPE VELOCITY:

Growing Salford's Digital & Creative Economy

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RESPUBLICA RECOMMENDS

Acknowlegements

As part of the research for this report, ResPublica interviewed a wide range of third party, industry and Governmental stakeholders with relevant expertise in the digital, media and creative industries. The report recommendations have benefited from the collective insight of many of our interviewees. However, the content and views contained in this report are those of ResPublica and do not necessarily reflect the policy positions of wider stakeholders.

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About ResPublica

The ResPublica Trust (ResPublica) is an independent non-partisan think tank. Through our research, policy innovation and programmes, we seek to establish a new economic, social and cultural settlement. In order to heal the long-term rifts in our country, we aim to combat the concentration of wealth and power by distributing ownership and agency to all, and by re-instilling culture and virtue across our economy and society.

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Foreword *Paul Dennett, Mayor of Salford*

The regeneration of Salford Quays has been more than 30 years in the making with iconic projects such as the Lowry Arts Centre and MediaCityUK at the centrepiece of the city's ambitions.

In 2007, construction began to transform the former wasteland that once housed Salford docks into what is now a thriving waterfront destination for the UK's only true digital, creative and media hub outside London. Today, MediaCityUK is the most connected place in the UK after BT Tower. Firmly established as a major international media hub with leading broadcasters and television facilities, MediaCityUK produces more high-end TV programmes than anywhere else in the UK. With the relocation and expansion of important anchor institutions like the BBC, ITV and Salford University, we have created a unique community of highly skilled creatives who are adding to the rich heritage of Salford and the Quays.

MediaCityUK is making a hugely significant contribution to the economy of Salford, Greater Manchester and the North West, particularly in the areas of innovation and digital skills where new 'fused' companies are bringing together tech and creative industries to generate fast growth. There are around 250 creative, digital and technology businesses in MediaCityUK, employing approximately 7,000 people, and a further 600 businesses in the wider Salford area, bringing total employment in the sector up to 9,000.

But our work is not complete. For MediaCityUK and the wider Salford area to develop and grow into a world leading, self-sustaining hub for the digital, media and broadcast industries, it must be able to compete with London and other global centres. That is why Salford City Council has approved ambitious plans to double the size of MediaCityUK with a further £1 billion of investment.

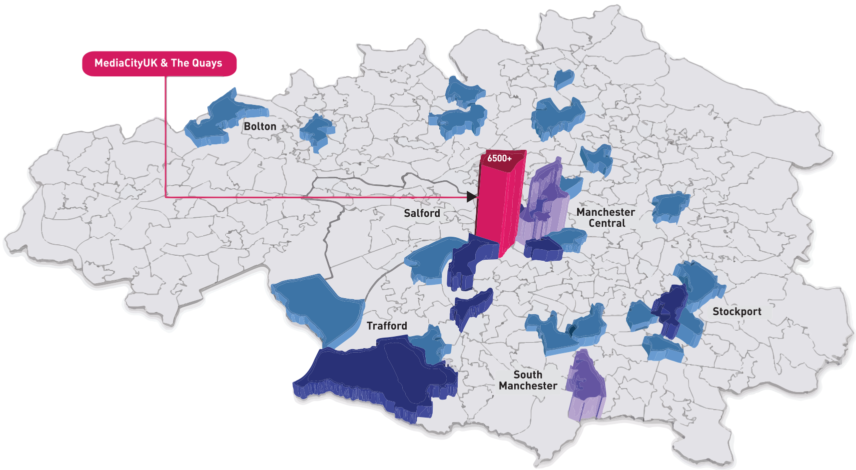
The success of clusters such as Salford relies on the agglomeration effect created by co-locating institutions and firms within the same industry. This report demonstrates how MediaCityUK can grow and develop to support the North West's expansion into a world class centre of excellence, and act as an example to other regions that wish to develop their own clusters in other sectors.

Post-Brexit, the UK will only face greater challenges in maintaining its competitive advantage in leading sectors and attracting and retaining talent. Investment in skills in Salford and across the North will be critical in meeting this challenge. The existence of Salford Quays benefits local people and the University of Salford, Salford City College and the University Technical College are all based there now to train young people for future jobs.

This report, by ResPublica, highlights the threats and opportunities facing the wider industry and how a continued focus on Salford's burgeoning media and digital cluster can help rebalance the UK's economy as the Government's Industrial Strategy seeks to do. The success of the Quays is the story of a broader and deeper resurgence at the heart of the city, reflected by the sheer scale of development now taking place. As well as the cluster at MCUK, Salford also has a substantial urban and city centre development plan to boost further waves of growth and innovation, especially in the creative industries.

We now have the opportunity to push beyond the existing narrative of the North to re-imagine Salford and realise a digital and creative economy of global significance - one which is once again central to the UK's industrial future.

Figure 1: Media City and The Quays – Digital Creative Super Cluster



GREATER MANCHESTER

Number of Digital & Creative Employees

5,000+

2,000 - 5,000

1,000 - 2,000

500 - 1,000

0 - 500

Source: Regeneris, 2017

1. Introduction

MediaCityUK in the City of Salford is already the largest broadcast and media hub in the UK outside of London, as well as one of the biggest High Definition studio complexes in Europe.[1] MediaCity's vision takes it further, however, and it aims to become a world leading centre for the digital and creative sectors.

The purpose of this report is to help realise this ambitious vision. As well as providing important insight into the context, we analyse the threats and opportunities involved in growing the digital and creative sectors in the region. This allows us to make several key recommendations that will support the growth of the existing industries in Salford Quays, in addition to expanding their development within the city, Greater Manchester, and the North West region as a whole.

The concept of 'cluster strategies', popularised by Michael Porter and others in the early 1990s, is to increase the productive and competitive advantage of firms in related sectors through their mutual proximity and connections. In recent years the development of industry clusters, or spatial agglomeration, which groups large numbers of firms alongside higher education and other anchor institutions, has become a recognised driver of economic growth in the world's most developed urban economies.[2]

The concentration of inter-related industries and sectors in specific locations is particularly evident in the development of global media clusters. This has been accompanied by a growing interest from governments and regional development authorities worldwide.[3] In the past two decades, significant investments have been made to develop media clusters. This is especially noticeable in Europe, where policy makers and economic development practitioners have been working to increase domestic content production.[4]

The UK Government's Industrial Strategy seeks to identify a new framework for industrial planning and economic growth which focusses on sectors and places.[5] As part of this, the Government has identified the need for cities and regions to develop Local Industrial Strategies and identify key strengths and opportunities that already exist within their localities. This will allow them to work with sectors to build upon these specialities to deliver growth, jobs, and the benefits of agglomeration.

It is vital that the UK achieves a more balanced economy across both sectors and regions. This will require local government, national government and industry to work together to develop clusters and hubs of excellence. This specialisation is essential for any region or city in the UK to challenge London in any area of the high growth economy, let alone be a player on the global economic stage.

MediaCityUK exemplifies the kind of industrial strategy the Government is committed to pursuing because it is rooted in both sector specialisation and place. It demonstrates how to enable a focussed approach to the formation of innovative clusters, which can develop competitive advantage and drive increased productivity at the local level. Furthermore, it shows how hubs can gather momentum and achieve 'escape velocity' – breaking away from London's gravitational pull. A significant part of this report will study the strengths and weaknesses of clusters such as MediaCityUK, so that we can identify lessons for local government about the necessary institutional structure needed to create and support centres of specialisation and excellence.

This report is divided into three, interrelated sections. The first charts the development of, and provides the context to, the media and digital cluster that has developed around Salford Quays. It utilises existing impact assessments and economic analyses produced by the Government, KPMG, Ernst and Young, and Eksogen, amongst others. It also draws upon extensive engagement with key local institutions and individuals who have played a constitutive role in the cluster's development.

The second uses quantitative analysis to outline the key themes and the lessons to be learnt so far. It builds on engagement at the local and national level, as well as on ResPublica's in-house expertise working across devolution, local democracy and industrial strategy.

The third outlines recommendations at the city, city-region and national level. These are designed to help policy makers to learn from Salford's success – both for continued growth within the area and to inform decisions across other sectors and locations.

Our recommendations in this report tie in with our belief in localism. The UK is too centralised, both politically and economically. This concentration of power and wealth in London and the South East has perverse and negative effects on the UK as a whole – producing a 'brain drain' southwards that hollows out economies outside of London. This reduces productivity throughout the UK and lowers living standards for those who feel forced to live in the capital. The community and demographic impacts are also significant, with knock-on effects in the housing market and key public services, including across health, social care and education.

Via the twin tracks of devolution and its promising - but so far untested - industrial strategy, Government has shown that it both understands this problem and is prepared to think imaginatively about how to tackle it. This is a good thing. However, neither city-deals nor an industrial strategy will be sufficient in resolving the deep regional inequalities that hold Britain back. Rather, both should be understood as the beginning of a process of increased subsidiarity and the better distribution of power and prosperity. This process will require Government's constant attention and unflinching commitment.

When the BBC moved parts of its operation to MediaCityUK it contributed significantly to a process of rejuvenation, specialisation and growth in Salford. However, it is simply not enough to place single anchor institutions in cities and regions outside of London and believe the work is done. If Government is serious about its ambitions in pursuing a more geographically and sectorally balanced economy, then it must continue to pursue new opportunities to augment and support the emerging clusters of excellence that are growing outside of the South East. Greater Manchester holds particular potential because it has two connected but distinct cities, with their own economies.

What is true for central government also holds for the governance of conurbations such as Greater Manchester. The strength of the city-region model is that families of cities can punch above their weight by working together. This is vital if they are to challenge London's cross sector dominance or compete on the global stage. For the city-regions to thrive it is essential that they recognise their unique strengths and assets, so that together they may equal more than the sum of their parts. Too often city-region politics is dominated by internecine competition over resources rather than by collective action, which this report shows is beneficial for the wider region.

Finally, it is clear that a degree of further focus is required if the full benefits of devolution and industrial strategy are to be felt within cities like Salford. The success of the digital, broadcast and media cluster in Salford has been driven in part by the welcome alignment of the city's institutions – public, private and civil – in pursuing growth in this particular sector. This is vital to the cluster's continued success.

Building on successes to date, MediaCityUK is expected to double its size over the next ten years. The £1bn MediaCityUK second phase expansion secured planning consent in autumn 2016 and will introduce:

- More TV production and studio space;
- 50,000 sq m of business accommodation;
- Over 4,400 sq m of retail and leisure space; and
- More than 1,800 new homes, including town houses.[6]

Strong growth in the digital and creative industries is set to continue across the sub-region. Employment is predicted to grow by 22% (+15,100 jobs) between 2015 and 2025, out performing average employment growth in Salford by 24%.[7]

This level of growth will far surpass the 15,000 additional jobs target which the BBC estimated would be created as part of its relocation, a figure that has been considered something of a tipping point for sustaining the Salford media cluster. Contrary to the views of some commentators, the benefits of additional employment from outside of Greater Manchester can easily be discerned.[8] Relocation to Salford from other parts of the country has shown signs of success. The BBC alone has already exceeded its target to relocate staff from London to Salford, with 854 jobs making the move.[9]

The evidence suggests that MediaCity's momentum will continue to grow - the BBC plans to move a further 1,000 posts to Salford. This will have knock on effects both for the built environment and for continued growth and diversification in the related economy. But the cluster will not expand and grow without further support. By following the recommendations that this report lays out – built upon extensive engagement with the literature, with Government and across the local region– policy makers can ensure this cluster continues to grow and to succeed.

2. The Salford Story

The Salford story usually begins with the successful bid to attract the BBC as part of their (Government promoted) partial relocation, in 2006.[10] This was the outcome of a process began years before and which had culminated in a fierce battle to persuade the BBC that – having chosen Greater Manchester in 2004 – it was Salford Quays that offered the best home for several divisions of BBC production. The arrival of the BBC as an anchor institution has been crucial to the growth of a thriving, emerging cluster of digital, broadcast and media companies at the Quays. However, the story of rejuvenation actually started long before the move and offers a key lesson in the importance of forward-thinking local government in creating fertile ground for economic and social redevelopment.

For almost one hundred years, the Salford Docks were an economic powerhouse – the UK's third busiest port and the source of thousands of jobs creating immense local prosperity. Through its connections with Liverpool and North American trading routes, it was at the centre of a logistics and trade economy that made the Greater Manchester conurbation one of the richest places on Earth. This made Salford a city of economic and strategic importance to the UK and to its empire. However, the Salford Docks were damaged by advancements in innovation – specifically containerisation which made the port less attractive as a hub for imports and moved traffic elsewhere. By the 1970s the Docks were in decline and in 1982 they closed for good. The closure led to the direct loss of 3,000 jobs (with many more shed in the peripheral service economy) and set Salford on a trajectory of decline.[11]

The city was faced with an existential crisis. Year-on-year its population was declining. Schools lost viability, houses went unsold and crumbled, unoccupied. The Docks themselves, stretching across 200 acres of polluted canals, with little or no obvious economic potential, were regarded by many as a drag on the city and on its prospects. The future of Salford, and of its once-proud industrial heartland, looked certain to be one of 'managed decline'. This crisis was common to many Northern cities overly reliant on one economic sector, as heavy industry declined in significance with a resulting loss of jobs, confidence and investment. In Salford, however, a combination of factors led the city to respond with innovation and a willingness to take risks.

Faced with this situation, the city's leaders decided – to much opposition and a great deal of scepticism from both the Left and from the Conservative Government – that transformational change was both necessary and possible. The decision was made, at considerable political and economic risk, to transform the Docks from a liability to an asset on the city's path back to growth. In 1983, with the help of a grant from central government, the city itself purchased much of the derelict land that had been the docklands. This was achieved via an Urban Regeneration Company (URC) which united the local council with key private sector institutions to form a single, private entity, committed to regenerating the Salford Quays. [12] By creating a unified institution that brought together the most important players and had the capacity to act decisively, Salford was able to maximise the benefits of investment and be effective in its redevelopment.

So began an extensive, long-running and expensive programme of redevelopment and of reimagining the canal side, which saw the land and the water cleaned up, and investment in cultural and economic assets such as the Lowry Theatre. They were no longer the industrial 'Docks' but instead the 'Quays' - a home for the arts, for culture, for waterside living and for the new economy rather than the old.

This prologue to the story of Salford's digital, broadcast and media cluster is important because it helps us to see clearly two vital, interlinked factors in preparing the ground for the successful development of clusters. Firstly, local government is vital. Active local leadership is needed if a locality's assets are to be properly recognised, cultivated and protected;

without the intervention of the city it is difficult to imagine how the wholesale, managed transformation of the Docks could have been achieved. Secondly, a long-term vision, implemented by different individuals working across separate institutions to a shared and explicit agenda is essential. Without the twenty and thirty year vision that was applied to the Docks they would never have become the Quays – again, fully engaged and active local government is essential to achieving such scale, whether or not they are in fact the owners of the land as in Salford. As the city seeks to make the most of the cluster that has been developed on the Quays, there are lessons to be learned. Salford needs to identify new means of bringing together active local government and the private sector in order to take redevelopment to the next stage.

The success that has followed the redevelopment of the Quays so far is the inheritance, in part, of the vision that the city's leaders showed in 1983. All that follows is built on the decision not to accept decline but instead to gamble on resurgence.

Anchor institutions and economic clusters

The concept of anchor institutions - entities such as universities, cultural institutions and large corporations – has played a major role in the economic development and regeneration of cities and their communities. The most famous and remarkable example of the role of anchor institutions in the development of new industrial sectors is Silicon Valley in the San Francisco Bay area. Anchor institutions can be economic engines for cities and regions through their roles as real estate developers, employers, purchasers and revenue generators. They are essential magnets for business location, attracting new complementary firms and knowledge workers.

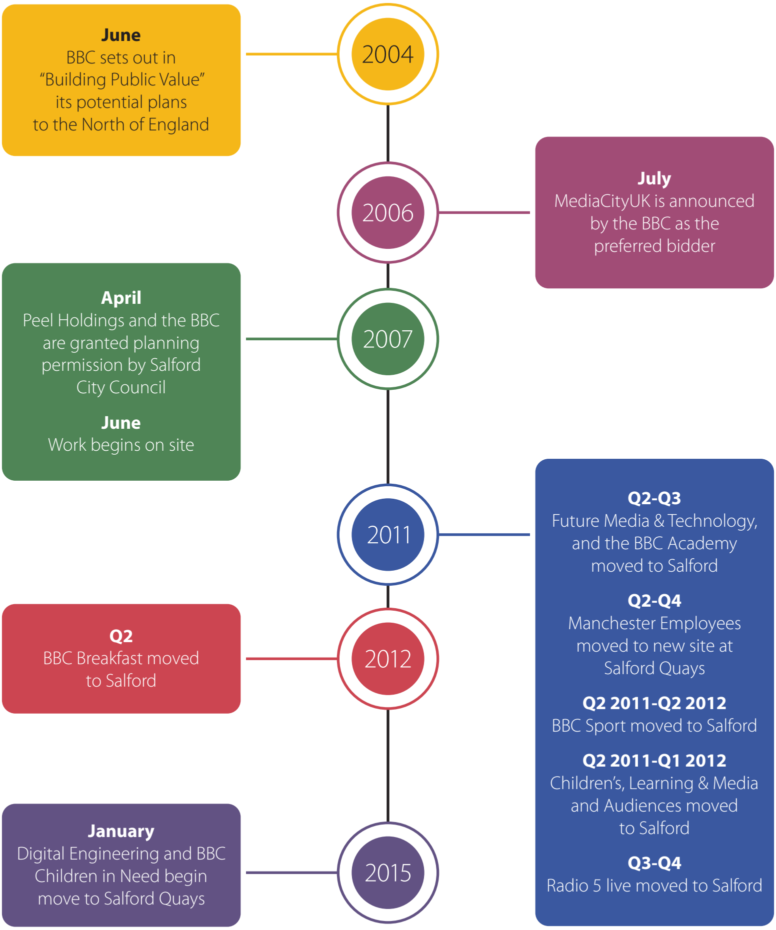
Many academics, policy makers and urban practitioners emphasise the effects of social forces and relationships that anchor institutions bring to the development of new and emerging sectors, or 'clusters'. They achieve this through their locational proximity as well as their organisation of information and communication technology and social networks. The underlying concept of cluster strategies, which economists also refer to as agglomeration economies, dates back to the work of Alfred Marshall in the 1890s. The term was later popularised by Michael Porter in *The Competitive Advantage of Nations* (1990), while the importance of economic geography was also brought to attention by Paul Krugman in *Geography and Trade* (1991).

The research literature on cluster development is extensive and varied. The review conducted by the Brookings Institute[13] identifies some of the key conditions for cluster formation, many of which can be found in Salford Quays. These include the presence of institutions that support specialised infrastructure development and knowledge creation to provide a skilled labour force, a business culture that supports entrepreneurship and the creation of new firms, and the demand for services and products.

The benefits of supporting clusters are manifold. By some estimates doubling the density of businesses in an area can increase productivity by around 2-4%[14] and help to grow micro-enterprises into small enterprises, through better commercial practices. Creative and digital clusters can also stimulate wider regional growth. This is achieved through, for example, the creation of 'fused businesses' that bring together STEM and creative skills; expansion into deprived areas; the attraction of more diverse and creative talent; and tailoring the talent pipeline for local areas by forging stronger links between education providers and local industry.

The evidence of the path-dependent nature of development suggests that new clusters are most likely to emerge from the extension of existing local knowledge and expertise. Consequently, the most productive way to develop new clusters is to build on those unique assets that cannot be easily replicated elsewhere. The Government's Industrial Strategy makes an explicit commitment to develop creative clusters in this way. It seeks to achieve this by funding eight research partnerships between universities and existing business clusters, match funded by investment from universities, regions and the businesses involved.[15] This builds

Figure 2: Timeline of the BBC's Relocation to Salford



Source: KPMG, 2017

on the recommendations of the recent Bazalgette Review[16] and recognises the contribution which the creative and digital sector is now making to the UK economy. As one of the fast growing industries in the UK the sector employs more than two million people and contributes £87bn of GVA to the national economy.

The BBC as a key anchor institution

The BBC began its partial relocation to Salford Quays in 2006, opening its flagship site in MediaCityUK in 2011.

The selection of Salford Quays followed a thorough and highly competitive process and represented a major vote of confidence in the particular assets of the city – demonstrating that the process of regeneration that had begun in 1983 held potential. This process was built around attracting significant cultural and economic institutions to the Quays, and of focussing on the potential for high-growth new industries such as digital, media, broadcast and tech. The quays were slowly, but surely, transformed into an environment with sufficient infrastructure, existing businesses and connectivity to attract major industry as part of the wider resurgence of Greater Manchester.

MediaCityUK is now the BBC's second biggest site, with over 3,000 staff. When the site opened, 700 of the 2,100 posts available at the time were new hires - making it the biggest recruitment drive in the BBC's history. The BBC has made Salford Quays a home for itself – rather than simply a regional base – and as a result it has created real impact. As the former Chancellor of the Exchequer, George Osborne, said:

> *"'It's [BBC North] created opportunities for Manchester's young people to build their skills – through the BBC and Salford University's digital media programmes, and the BBC's apprenticeship scheme."*[17]

There are more than 20 BBC departments represented on site, producing output ranging from BBC Breakfast and Songs of Praise to 6 Music's Radcliffe and Maconie and BBC Bitesize. Importantly, MediaCityUK is also the nucleus of the BBC's innovation in technology: 30% of BBC staff at the Quays work in digital and technology roles across iPlayer, BBC websites and mobile apps, R&D, and Engineering.

As well the impact associated with the BBC being a significant and prominent employer in its own right, the move has catalysed a wider wave of change across sectors beyond broadcasting that is generating benefits for the City of Salford and Greater Manchester more widely.

As a result of the BBC's activities in the North West (focussed on Salford), including its purchases from suppliers and employee spending, total indirect and induced employment is 3,778. This is comprised of:

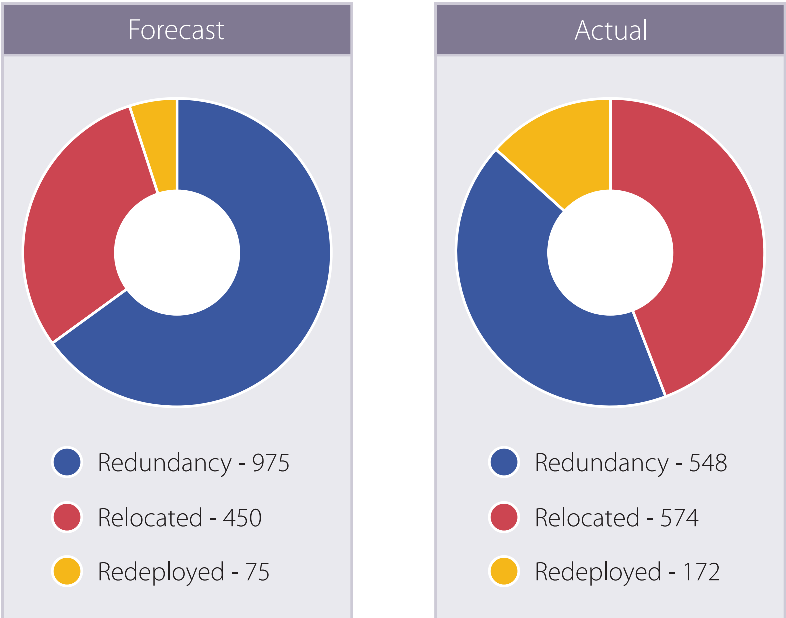
- Indirect employment at the BBC's Tier 1 suppliers of 1,901;
- Indirect employment in the wider supply chain of 1,196; and
- Induced employment of 681.[18]

The total indirect GVA contribution, linked to BBC expenditure and its associated activities in the North West, is estimated to be £217 million.[19]

As well as the benefits for residents, Salford is also gaining ground as a centre of gravity in these sectors. Crucial to the city's continued success, it is able to draw in new partners and employers attracted by the pre-existing infrastructure and skills mix.

The BBC relocation to Salford has exceeded expectation in terms of the number of existing staff who have transferred or opted for redeployment in another role, which is testament to the attraction of MediaCity UK. Some commentators have observed that the benefits of additional employment are yet to be realised because

Figure 3: Forecast & Actual Numbers of Relocation, Redeployment & Redundancy[22]



Source: National Audit Office analysis of BBC data[23]

of displacement and the relocation of existing media jobs from elsewhere in Greater Manchester.[20] However, the BBC alone has already exceeded its target to relocate staff from London, with 854 additional jobs moving to Salford.[21]

The arrival of the BBC has helped to catalyse a wider programme of investment in Salford and beyond. Between 2007 and 2014, £1,029,600,000 was invested into the immediate MediaCityUK site, including substantial sums of private investment, with wider programmes of investment prompted beyond this. The assets that have been created both within and around MediaCityUK since the BBC's relocation include:

- ITV's Orange Tower: a new flagship facility that is home to more than 750 members of staff, and Shiver – the factual arm of the ITV group.[24]

- The Landing: a 53,000 sq ft enterprise hub that opened in 2012 and provides a flexible work space where digital SMEs and micro-businesses can work alongside large media and technology organisations to unlock innovation, collaboration, and growth.
- Tomorrow Building: MediaCityUK's newest creative and tech workspace that incorporates a co-working space and six floors of flexible floorplates that can cater for the needs of expanding and incoming businesses. The facility welcomed its first tenants in early 2017.
- Other temporary uses: accommodated ahead of Phase 2 development including The Pie Factory (a TV, film and commercial production facility), and The Greenhouse (a refurbished three-storey office block converted into small, flexible office suites for small companies in the media and creative industries).

Each of these developments has helped to expand the pool of facilities and expertise available to support the sector's continued growth and cement Greater Manchester's reputation in the field, catering for both national and international business opportunities. The scale of the benefit (given the varied nature of businesses that will benefit from BBC and employee expenditure) means that impacts are being experienced across the economy and the benefits captured by the Greater Manchester and North West economy are assessed by Ekosgen to significantly outweigh the negative impact of employment losses in London.[25] This highlights the transformative effect that bringing anchor institutions such as the BBC to the Quays has had.

The strength of the sector is reflected in the projected growth within the Quays, as compared with the wider region. Forecasts from the Greater Manchester Forecasting Model 2015 show that strong growth in the digital and creative industries is set to continue. Across the sub-region, the sector is forecast to grow by 22% (+15,100 jobs) between 2015 and 2025, with employment in Salford expected to outstrip the average to grow by 24%, reflecting the opportunity to build on existing assets and a strengthening reputation in the sector.[26]

Beyond the BBC

The arrival of the BBC in Salford laid strong foundations for the cluster that has emerged on the Quays. This is partly because it acted as a catalyst for further institutional relocation to MediaCityUK.

In 2013, ITV moved into a new and specially designed northern hub at the site – bringing with it 750 staff to MediaCityUK and a £40 million investment in a new production facility in neighbouring Trafford that is now home to Coronation Street. ITV's offices in the areas are now working across the full spectrum of its broadcast offer.

The arrival of both the BBC and ITV has also driven investment in independent studio and television facilities. dock10 – the UK's leading television facilities business – is based at the site and works with broadcasters as well as commercial film and TV producers in advertising, marketing and in the creative industries within Greater Manchester and across the wider North West.

dock10 is an example both of a catalyst for the growth of the cluster and of a beneficiary of the arrival of anchor institutions. Proximity to major clients such as the BBC and ITV – as well as access to MediaCityUK's world-leading digital infrastructure – has allowed dock10 to invest in cutting-edge television facilities. They are a market leader in post-production innovation and house a team dedicated to exploring and deploying both virtual reality and 360 degree video. In turn, the availability of this infrastructure and expertise at the heart of the Quays has drawn clients and customers of dock10 to relocate as well as driving investment in digital and media skills development at the University of Salford. This has supported a growth in home-grown skills to service the cluster and helped to create an atmosphere and market place for innovation that attracts hundreds of start-ups to make Salford their home.

Figure 4: Pan-BBC Supplier Spending by Industry Group, FY2013/14

Industry	Proportion of Pan-BBC Supplier Spending
Agriculture	0.02%
Production	3.94%
Construction	0.77%
Distribution, Transport, Hotels & Restaurants	3.04%
Information & Communication	48.66%
Financial & Insurance	2.57%
Real Estate	0.11%
Professional & Support Activities	43.01%
Government, Health & Education	0.70%
Other Services	6.17%

Source: BBC Data & KPMG analysis

There are several other key companies operating out of the cluster, driving Salford's growth as a centre for digital, broadcast and media. These include Satellite Information Services, a world leader in broadcast and gaming which relocated 250 staff to Salford from Milton Keynes in 2012, and Ericsson, which has chosen to locate its 100 playout and media management staff on the Quays.

Each of these companies forms part of the virtuous circle that makes the cluster at Salford a success. They have been attracted to the site by the mix of world-leading infrastructural, political and commercial support and a growing skilled workforce. For all these reasons, each of these companies has then acted as a magnet themselves. They draw in parts of their supply chain into the cluster and thereby gradually reinforce Salford's status as a location of choice across the interlinked sectors of digital, media and broadcast. As the cluster has grown, building on the initial confidence generated by the relocation of anchor institutions, it has diversified to service those institutions.

Beyond broadcast

The cluster at MediaCityUK began as a broadcast centre, with the arrival of anchor institutions such as the BBC and ITV. However, it has developed into a deep and broad cluster encompassing hundreds of companies across digital, broadcast and media. In part this has occurred organically. Suppliers and major institutions in these sectors have chosen to locate closer to their clients to benefit both from proximity, as well as from the digital and physical infrastructure that underpins the cluster.

For example, in the financial year 2013/14 the BBC alone spent approximately £244 million, with suppliers supporting BBC activity in the North West. All of this will have generated indirect GVA contributions.

But MediaCityUK and the City of Salford have also actively intervened in order to help foster and grow this network of smaller companies, suppliers and start-ups across these interrelated sectors. The key example of this intervention is The Landing.

Beyond MediaCityUK

The Salford cluster extends beyond MediaCityUK – taking in a wide and long tail of creative industries and practitioners. The University of Salford, aligned behind the city's ambitions for a thriving cluster of digital, media and broadcast, has been instrumental in ensuring the emergence of a healthy skills supply chain within the city. Over one thousand students are currently enrolled at the University on courses that are directly related to the commercial opportunities that have been created at the Quays. In terms of personal expenditure alone, and based on a proportion of overall enrolment, these students generated over £9m of output, 77 Full Time Equivalent jobs and just over £4m of GVA in the Greater Manchester economy in 2013/14.[29]

The Landing, is a co-working and proto-typing space that sits at the heart of the Salford Quays cluster. The Landing gives digital SMEs and micro-businesses a flexible place to work alongside large media and technology organisations, allowing them to be part of, and benefit from, the rapidly growing business community at MediaCityUK. According to the New Economy, since opening, The Landing has hosted 13,000 hours of meetings, attracted visitors from 36 countries, and has had an economic impact on the UK economy measured at 1,414 gross FTE jobs and £82.9m in GVA per annum.[27] In 2016 alone, The Landing reported a contribution of £89.2m GVA to the UK digital economy.[28] This has augmented the place-making initiatives around the Quays, bringing in new cultural and environmental stakeholders who have helped to create a self-sustaining momentum within the Quays cluster.

Furthermore, the University's world-leading engagement in innovative Industrial Collaboration Zones provides a platform for further integration. It will help the city and the region to align its educational and training priorities closely with the commercial opportunities available. The older parts of central Salford connect to this ecosystem via a network of creative industries and shared spaces that support – and are complementary to – the newer, dynamic industries resident on the Quays. They also provide a lively arts and culture scene that makes the City of Salford an attractive and exciting place to live and work for young creatives. For example, Islington Mill, a co-working creative space located within the city itself, is at the heart of a wider network of artists and creative practitioners who will be central to the further growth and development of a vibrant cluster that is able to draw on talent at all levels.

The cluster is also augmented by a varied network of further and higher education institutions which have built on their longstanding position in Salford to connect their students and stakeholders to the opportunities on the Quays. These include the University of Salford itself, but also the University Technical College that is based within MediaCityUK; it provides tailored, work-related training to connect local people to employment opportunities within digital, broadcast and media. The range of training and education opportunities available in and around the Quays caters to all ages and provides access for individuals of differing and diverse prior-educational levels, ensuring that MediaCityUK and its associated cluster contributes to inclusive growth.

A cluster with real impact

The wider Salford Quays now accommodates more than 30,000 jobs, which represents a quarter of all employment in Salford, and MediaCityUK has been at the heart of this extraordinary resurgence.[30] However, development has now outgrown the waterside. There are 840 digital and creative units based in the city, 250 of which are based at the Quays. Salford's cluster now extends far beyond its initial base. It employs around 9,000 people and accounts for 5% of total employment in Salford, up from 2% in 2010.[31]

The KPMG report for the BBC Trust, published late 2015, forecast an extra 1,700 creative industry jobs in Salford by 2034. Crucially for central government, the KPMG assessment points to the success of Salford in the context of the wider aims and ambitions of the UK's industrial strategy, stating:

> *"These 'agglomeration' and 'network' effects are observed in many sectors: from scientific research in Cambridge, to Formula 1 teams in the M4 corridor, to financiers in the City of London. There are signs that the BBC's relocation to Salford has triggered the beginnings of a similar network in the North West."*[32]

The KPMG report concluded that the move to MediaCityUK *"has had a positive contribution… in terms of employment, increased skill levels and spill-over effects"*. It highlights the critical network effects of the density of creative and digital sector companies at a single location; in particular the economic impact of BBC staff. These interactions, with the opportunity for knowledge and skills transfer, are likely to increase.[33]

Indeed, the wider Greater Manchester cluster can be measured in terms of its digital content which includes strengths in advertising, television programming and broadcasting and specialised design. This is in addition to the ICT sector, which has strengths in computer consultancy, programming and other telecommunications activities. A number of these sub-sectors are dominant relative to national concentrations.

Greater Manchester has very high concentrations of employment in television programming and broadcasting activities, with employment levels over 2.5 times the national average. The conurbation also has a number of ICT related sectors with higher than average concentrations of employment. When London is excluded, seven of Greater Manchester's top 10 sub-sectors for employment have equal or greater dominance nationally.

Figure 5: Top Ten Digital and ICT Sub-Sectors in Greater Manchester[34]

	Number of Employees	LQ (Exc. London)	LQ (Inc. London)
Television programming & broadcasting activities	2,600	11.0	2.6
Motion picture, video & television programme production activities	1,400	2.0	0.9
Advertising agencies	4,100	1.5	1.1
Specialised design activities	1,900	1.3	1.3
Other information technology & computer service activities	3,500	1.1	1.3
Other telecommunications activities	6,800	1.0	1.1
Computer programming activities	5,200	1.0	1.1
Computer consultancy activities	9,200	0.8	0.9
Data processing, hosting & related activities	1,200	0.7	0.8
Publishing of newspapers	1,100	0.7	0.8

Source: Business Register and Employment Survey, 2013 (analysis Ekosgen)

Achieving escape velocity

The Salford cluster has succeeded so far through a mixture of direct intervention and organic growth. Anchor institutions and other tech companies have laid strong foundations. These institutions remain the lynchpins of the cluster, around which an ecosystem of innovators, suppliers, start-ups and practitioners has grown and spread beyond the Quays into Salford and the wider region. As KPMG observes, this is the beginning of a process that can – and should – lead to Salford becoming a globally competitive and self-sustaining hub.

But, we have not arrived at today's success through happy accident alone. Real thought and care needs to be invested if the cluster is to reach its huge potential and achieve 'escape velocity,' breaking away from London's domination of the digital, media and broadcast sectors.

3. Threats and Opportunities

Salford's digital, broadcast and media cluster has enjoyed great success – capitalising on the arrival of one anchor institution (the BBC) in order to attract others (such as ITV) and to develop a vibrant ecosystem of media and digital businesses and start-ups. Outside of London, this cluster is the largest digital, tech and media hub that is truly globally competitive. So far we have explored the history and development of this sector in Salford and addressed some of the economic impact that the emerging cluster has had. Nevertheless, it would be a mistake to believe that what has been achieved so far is sufficient or can necessarily be sustained without further support. Like all emerging clusters of excellence, Salford must also avoid and tackle looming threats to its continued success and growth. This section outlines some of the most pressing threats and opportunities that may impact upon the future of the Salford cluster and which all players with a stake in its future (local, regional and national government as well as private sector partners) must confront.

Opportunity One – Many Anchors Make Light Work

The impact of the BBC's semi-relocation to Salford has, in a short time period, been truly transformative. Whilst local and regional government can attempt to grow clusters of excellence and expertise organically, progress will always be both slow and fragile. The arrival of anchor institutions brings a step-change in the development of economic specialisms which acts as an accelerator in making such clusters viable outside of London.

The BBC has brought sufficient scale of employment and supply chain opportunities to attract other institutions into Salford Quays. They are drawn in by the chance to fit into the BBC's procurement pipeline and by the opportunity to situate their business alongside a major player which is recruiting and training the staff that they will need as they grow and succeed. This effect is vital to the establishment of a cluster such as that in Salford, and has a multiplying effect that is accelerated and agglomerated by the arrival of other anchor institutions.

Anchor institutions such as the BBC also bring prestige to Salford, helping it (and MediaCityUK) to develop the international reputation of the city as a centre of excellence for digital, media and broadcast. In this context, adding further anchor institutions to the cluster will help to create a 'snowball effect', adding each time to Salford's claim to be the obvious choice for large-scale media, broadcast and digital companies looking for a UK home. The herding effect of companies and institutions working across a particular sector is well recognised. This springs from shared needs around skills and infrastructure, as well as a natural desire to follow industry leaders and to mirror the choices of aspirational institutions and companies. It is clear that the brand power that the BBC and ITV have brought to MediaCityUK, and the surrounding quayside developments in Salford and Trafford, has been instrumental in attracting other entities that wish to be associated with brands such as Talk Talk and Kellogg's. Adding further internationally recognised institutions to the mix will cement and accelerate that impact.

> *"Kellogg's move reflects the increasing importance of data and digital to all types of businesses. Kellogg's will be next door to its marketing agency and have direct access to a still wider range of skills including data analysts, user experience experts and designers."*[35]

This is not simply about the economic benefits and logic of agglomeration, but about the place-making impact that a dynamic local authority can achieve by

working with private sector partners. By intervening to create, curate and shape places – in partnership with anchor institutions, local creative hubs and large-scale investors – Salford has developed a model for attracting businesses which speaks to more than either infrastructure and/or economic advantage.

The Salford cluster will need to attract further anchor institutions to maintain and increase its growth and augment the impact the BBC has on the skills, employment and procurement mix in the area. This process should become a virtuous circle in which one anchor institution, successfully embedded, draws others to it by virtue of its success. To some extent this has been the story of Salford's cluster so far. Companies such as ITV and Ericsson have moved their broadcast and media arms to MediaCityUK to benefit both from the infrastructure of the cluster and from the recruitment and supply chain opportunities that co-location with the BBC provides. Nonetheless, Salford needs to safeguard its future by working aggressively with private and public partners to facilitate the move of further prestige anchor institutions onto the Quays, in order to accelerate this progress.

For national government, Salford represents a prime opportunity to demonstrate real and long-term commitment to the aims of the Industrial Strategy. In Salford we can see the benefits of a burgeoning centre of excellence in a particular high-growth industry. This is precisely the kind of intersection between place and sector that a new Local Industrial Strategy and National Sector Deal would seek to maximise. Every new anchor institution attracted to Salford builds upon the success of the existing cluster, demonstrating the viability of the Industrial Strategy and balancing the UK's digital and broadcast sector, reducing dependency on London. The opportunities provided by further anchor institution relocation to Salford are immense; for the city, region, and the wider UK economy.

Our recommendations outline what national government and the city-region, led by Mayoral Combined Authorities, should do to support further relocations.

Opportunity Two – The Creative Supply Chain

Digital, media and broadcast institutions and companies require an extensive creative supply chain in order to innovate and succeed. Part of London's continued success as a hub in this sector derives from the sheer scale, vibrancy and diversity of the city. It gives commissioners and companies a readily available supply of young creatives across a range of mediums to satisfy the industry's demand for fresh talent and original content. That strength, for London, is currently under severe threat. The high cost of living – and of studio or semi-commercial space – in the capital is a well-acknowledged problem; driving young or unestablished creatives out of the city. Salford therefore has a huge opportunity to foster and cultivate precisely the sort of creative supply chain that is currently being choked out of London by rising rental and living costs.

Salford's proud history as a regional centre for artists and creatives is one the city has an opportunity to build on.

A golden thread of shared-spaces and co-working (the lifeblood of the creative supply chain) runs all the way from the flagship Lowry Theatre and Gallery to the co-working spaces of The Landing at MediaCityUK through to the wide range of independent studios and arts and cultural activities that are part of Salford's offer. Coupled with relatively affordable and versatile residential property across the city and the opportunities for personal and professional development that exist in the Quays, Salford should become the obvious home for young creatives looking for a place to live and work.

This represents another chance for Salford to use the existing strengths of the cluster in order to create further opportunities for growth. If the city can better link its affordable spaces and thriving independent arts and publishing scene to the start-ups at The Landing and established businesses, it will succeed in attracting young talent to the city. In turn, that talent will further reinforce the desirability of Salford as the location of choice for major international players across these sectors – for which the creative supply chain is an increasingly important factor.

Salford has a successful history of turning what appear to be city deficits into city assets. Just as the low economic utility of the abandoned Docks enabled Salford to build a dynamic cluster at the regenerated Quays, so the relative affordability of land and flexible use property in the city can now be a catalyst for further growth.

Our recommendations set out how the city, working with the conurbation, can grow its creative supply chain in order to attract further businesses and institutions to the area.

Opportunity Three – The Salford Model

Institutional strength and co-operation are central to maintaining and growing a cluster like Salford Quays. The role of autonomous institutions across the public and private sectors in establishing and driving forward long-term vision for the Quays should not be underestimated.

Salford is blessed with institutions that are prepared to work together. These include: the Peel Group and its long-term commitment to the development of MediaCityUK; The Lowry and its ongoing work with the city to embed and establish a local arts ecosystem; the University of

Salford Royal NHS Foundation is one of the city's most important institutions for digital innovation and one of the most digitally mature trusts in the NHS. It has the most mature Electronic Patient Records (EPR) dataset in the NHS and is delivering data standards and interoperability as a Centre for Global Digital Excellence. The Trust is contributing to the city's digital strategy to drive growth and inward investment, making Salford the most attractive city for digital healthcare development in the world. Digital innovation in healthcare combines seamlessly with other key strengths in areas such as AI, 3D printing, content production, precision medicine and smart city leadership.

Salford and its ground-breaking industrial relationships with the companies that work out of the Quays; and the Salford Royal NHS Foundation, a world leading player in digital healthcare development.

Collaborative institutions are also a feature of the cluster itself. Senior BBC and ITV executives routinely work with one another to transfer knowledge align interests, and co-create solutions to the particular challenges facing large institutions at the heart of an emerging hub. For example, senior BBC and ITV executives based at the Quays routinely and formally meet to discuss shared HR and recruitment challenges and to identify opportunities for co-working to fix these supply chain issues. This is just one example of the relationships fostered across the cluster to ensure commercial and institutional success.

This atmosphere of close cooperation has proven attractive to companies and institutions considering Salford as a location. The shared political and economic vision that has driven the city's public institutions, and their partnerships with the private sector, has demonstrated seriousness and focus to businesses that are looking for a long-term home to support their growth. Although this model has served the city well, it will need to be strengthened and augmented if the city and the cluster are to successfully meet the challenges of the future and compete at a global scale.

Our recommendations outline some ways in which institutional and cross-sector working can be deepened and strengthened in the city to ensure that Salford's plan for the next thirty years is as widely understood and widely shared as its success since the Eighties has been.

Threat One – Identity Issues

There is no doubt that Salford benefits from its membership of, as well as its engagement in, the Greater Manchester City Region. Its proximity to the centre of Manchester and its participation in the conurbation both help the city to punch above its weight when attracting employers and talent.

Yet, engagement with key potential political and corporate stakeholders has highlighted a worrying lack of recognition about the cluster in many Greater Manchester strategies and activities. On the other hand, the city's cluster is closely associated with the MediaCityUK brand, which has high levels of recognition and awareness amongst stakeholders.

These twin brands – Manchester and MediaCityUK – have helped to bolster the cluster but they have also squeezed understanding of the City of Salford. Whilst senior political and commercial figures have a strong sense of what both Manchester and MediaCityUK are, they lack comparable awareness of Salford. Some stakeholders across the city and the region do not see this brand-squeeze as problematic – pointing to the success that MediaCityUK has enjoyed in attracting anchor institutions and other players to the cluster on the Quays. However this is short-sighted.

For Salford to succeed in effectively growing the digital, broadcast and media cluster beyond its current size and scale, the city will need to attract new institutions and a broad creative supply chain to the city – not merely to the MediaCityUK campus. Furthermore, whilst Manchester is a strong brand with high-levels of recognition and largely positive connotations, it comes with its own baggage, which is not always helpful. For example, its close association with the political project of the 'Northern Powerhouse' has helped to attract investment and attention, but may prove off-putting for some political stakeholders. Indeed much of that investment focussed on Manchester, as opposed to the wider city-region, and this carries the risk that Salford is understood as peripheral rather than central to the cluster's growth and development.

Salford – like the other members of the city-region – needs to establish a dual identity that is flexible, pragmatic and allows it to deploy different identities and messages to different audiences. It also needs to be able to position the cluster – and the growing ecosystem of businesses that feed it – as bigger than MediaCityUK alone. The emerging city-wide digital strategy – *"Making Salford the most attractive city for digital enterprise"* – will enable the city to generate sufficient scale to safeguard the cluster and to give it the chance of achieving the 'escape velocity' that it will require in order to become self-sustaining.

Our recommendations lay out some ideas for the city and the city-region that will enable Salford and its cluster to benefit from the multiple identities and brands that it has at its service.

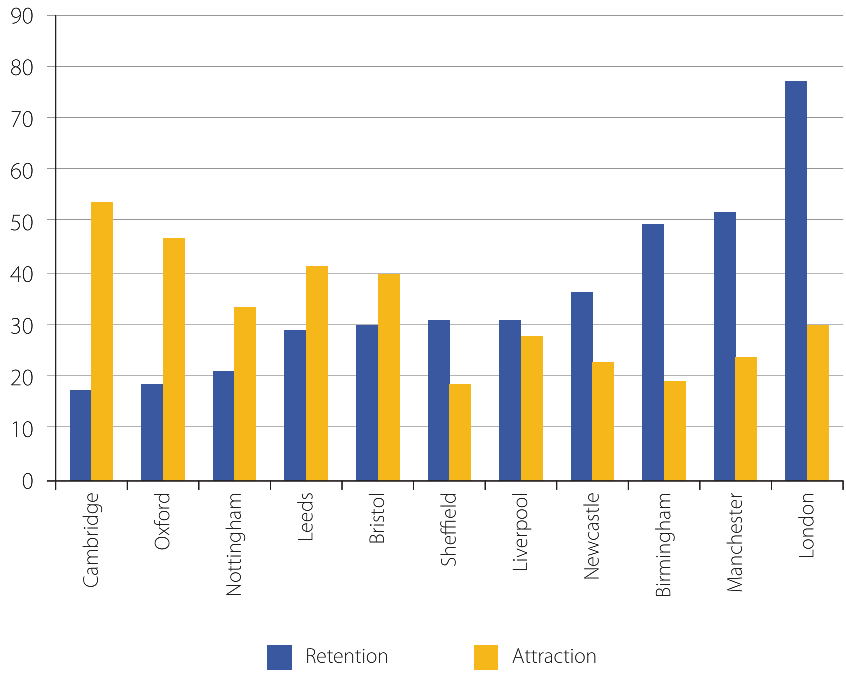
Threat Two – Our Work Here is Done

The success of the cluster on the Quays – built around the arrival of the BBC as an anchor institution – has helped to transform Salford's economy and has energised the entire region's digital, broadcast and media sectors. It is rightly held-up as an example of what can be achieved when the intersection between place and sectors is both well understood and well implemented, as well as a potential role model for locations seeking to take forward the Government's Industrial Strategy. It is not, however, 'finished'.

The cluster on the Quays remains vulnerable to multiple forces that – if not actively checked by local, regional and central government – threaten its continued growth and success. Foremost amongst these is the sense that the cluster is already big and dynamic enough to survive and grow without further support. This perception emerged in ResPublica's engagement with national political stakeholders who, impressed by the achievements at MediaCityUK, felt that further investment or additional anchor institutions were unnecessary. This is a mistake. Whilst the cluster at the Quays has certainly enjoyed a period of sustained growth, this has not been achieved without the continued intervention of local and regional government to foster its development. The Landing, located within MediaCityUK and home to over one hundred growing businesses, is a good example of the continued support and intervention that is still needed to safeguard the cluster; both the City of Salford and MediaCityUK support the co-working space financially, to ensure its long-term viability.

The drag that London continues to exert on the high-growth, high-value sectors that form the cluster is another reason why continued investment and support is required. In his speech launching the 'Northern Powerhouse' initiative, the former Chancellor George Osborne summed up the constant danger that London poses to emerging clusters such as the Salford Quays. He stated:

Figure 6: Graduate Retention & Attraction Rates (%)[37]



Source: HESA destination of leavers survey, 2014

"London benefits from those important agglomeration effects, helping the capital to suck in money and talented people from all over world."[36]

What is true of London's abiding ability to drain talent and capital from around the world is doubly true of the power it exerts within the UK. Greater Manchester fairs well in terms of retaining graduates that have studied in the area compared to other cities in the UK, but it fares less well in terms of attracting incoming graduates that have neither lived nor studied in the area previously (see Figure 6 above).

Without a protective shield and state-backed momentum, the Salford Quays cluster could find itself leaking talent and institutions southwards once more. It does not yet have the agglomeration effects to protect itself or to achieve the self-sustaining forward momentum that it needs to compete effectively with London and around the world.

Our recommendations identify the action that government at the national, regional and local level must take in order to ensure false-confidence does not jeopardise the future growth and success of the Salford cluster.

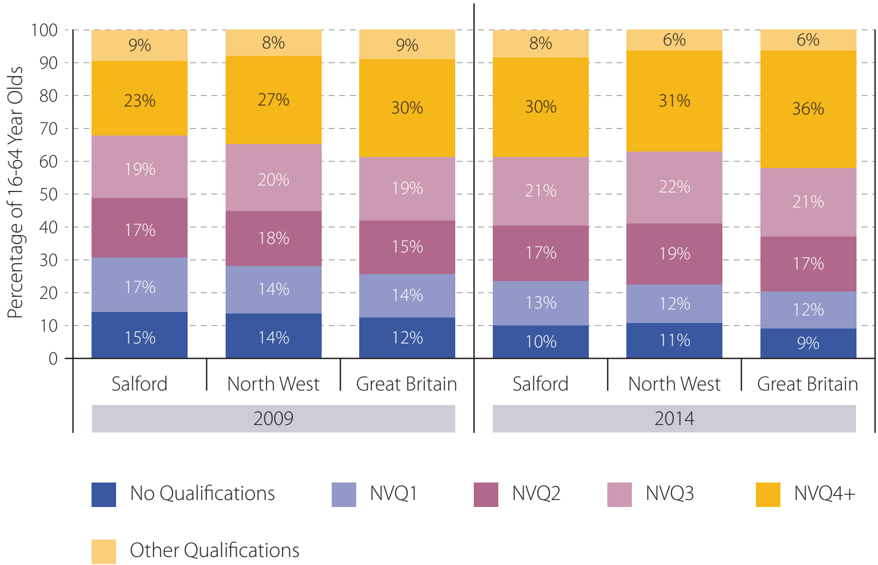
Threat Three – Access to Talent

Throughout ResPublica's engagement with local stakeholders, the interlinked issues of the skills supply chain and access to talent have weighed heavily. This is, of course, a national issue affecting regional economies across the UK, but it is particularly impactful for Salford's future growth. Potential and existing partners in the cluster have expressed concern about Salford and the city region's ability to adequately feed the growing demand for a flexible, highly-skilled workforce across the creative sector.

To some extent, Salford and its institutions have sought to build-in an answer to this dilemma. The University of Salford now has over one thousand students enrolled in courses related to the digital, broadcast and media sectors. Across the region as a whole, companies in the cluster have access to a workforce of more than 60,000 people currently working in the creative sectors. Despite these achievements, establishing confidence that Salford is actively involved in cultivating a large and flexible talent pool is vital to attracting further partners and institutions to the city. Without such moves, there is a real danger that momentum will stall in the face of both real and perceived shortages of skilled and dynamic staff. This could slow the rate of growth and put further institutions off relocation.

Our recommendations identify the need to open up the City of Salford to the West – tapping into talent from the Liverpool city-region. Salford must simultaneously invest in both work and living spaces as a priority – linking this to the current scoping exercise for new social housing for the city. These two interventions are crucial to ensuring that the cluster at Salford Quays has access to all the talent it needs in order to thrive and grow. In addition, by investing in the Western Gateway to open Salford to Liverpool, and by investing in live-work spaces, Salford can ensure that the benefits of

Figure 7: Qualification Levels of 16-64 Year Olds in Salford, North West and Great Britain (2009 and 2014)



Source: ONS Annual Population Survey 2015

the cluster extend to the whole of the North West. This will bring dual benefits – it will make it easier for creative and cultural entrepreneurs to live and work flexibly across the North and easily access opportunities beyond their immediate city, whilst also helping Salford itself to nurture the talent that the North needs.

Threat Four – Everyone Wants a Bite of the Cherry

The Salford Quays cluster speaks to the Government's understanding and recognition that the successful rebalancing of our economy away from reliance on London will need sectoral agglomeration within cities and regions. The Government's Industrial Strategy recognises the need for increased focus and specialisation at the regional level – as does the framework for the 'Northern Powerhouse', which urges the cities and regions of the North to work together as a network to challenge London's dominance. This is a vision of economic development which has been pursued successfully in Salford, but which depends on other regions and cities understanding their own industrial strengths and focussing on these with equal commitment.

The recent and ongoing debate about the relocation of Channel 4 speaks to the threat that is posed to Salford's development by scatter-gun approaches to economic and industrial planning in other cities and regions. In order for Channel 4, the wider media-broadcast sector, and the UK economy, to maximise the economic benefits of whole or partial relocation, it is vital that the selected location be well-positioned to marry the institution with a thriving ecosystem of potential suppliers, partners and creative talent. The multiplier effect of the move will be magnified by its implantation into an existing cluster that is ready, able, and resourced to achieve the mutual benefits. It will therefore provide Channel 4 with the best chance of success and maximise the benefits to the selected region.

The economic analysis of the options for the relocation of Channel 4, commissioned by DCMS, estimates that all the scenarios – including partial or full relocation – will generate a benefit to a new host region, although this will range between £90m and £240m depending on the scenario.[38] Agglomeration and network effects have not been modelled as part of this work. However, the authors state that this will be higher in regions with established TV and media sectors, while establishing a new media cluster in a place without an existing creative workforce would significantly hamper Channel 4's potential. Moving out of London could create 7,500 jobs in the host area and moving large scale to MediaCityUK would realise the 15,000 job target, achieving that vital critical mass.

It is understandable that other cities and regions might wish to recreate the success of Salford's cluster at the Quays – and, indeed, they ought to do so. However, they should focus their attention on other sectors, as the UK digital, broadcast and media sectors are not of sufficient scale to accommodate multipolar clusters of excellence in London, Salford and a range of other cities. Such dilution will make it significantly harder for institutions such as Channel 4 to genuinely thrive outside London because the supply chain and mix of skilled personnel will be too thinly spread. This will pose problems for commissioning and recruitment. It will also make it significantly more difficult for any UK city or region to achieve 'escape velocity' - reaching a point of sufficient scale to challenge London or be truly globally competitive. Finally, other cities and regions bidding for Channel 4 should understand that they risk diluting and distracting from their potential as emerging clusters in other sectors.

Our recommendations identify the means by which national government could foster and support better focus at the local level. This would enable them to encourage the development of sector clusters in our cities and regions that are capable of challenging the dominance of London and competing globally. Further investment in the Salford Quays is required if it is to meet its full potential – but this will not merely benefit Salford or Greater Manchester. The impacts of further agglomeration will be felt across the entire North West.

4. Recommendations

This report builds on the ongoing economic analyses of the Salford cluster, alongside emerging governmental thinking on industrial strategy. It also builds on our extensive engagement with national and local stakeholders to understand how the cluster was built and what it needs to achieve further success. Outlined above are some of the opportunities and threats that will feature in the cluster's medium-term future. As an important driver of regeneration and economic growth within Salford and the wider region – and as a platform for a rebalanced and globally competitive UK economy – the cluster at Salford Quays should be nurtured and supported at all levels of government. Therefore the question for policy makers is how to ensure that the cluster at Salford Quays is well positioned to tackle these threats and make the most of emerging opportunities. The recommendations laid out below are not exhaustive, and the cluster must be flexible and adaptable in order to maximise its future success, but they represent a path forward for policy-makers determined to safeguard and support the cluster.

Since the actions of policy makers at all levels impact on the environment in which the cluster at Salford Quays operates, and on its likelihood of further success, we have not restricted ourselves to making recommendations simply at the city and regional level. We have also sought to show how central government can demonstrate its commitment to supporting clusters of excellence such as that which has been established in Salford and, indeed, to other emerging clusters outside of London. If the cluster at Salford Quays is to transform itself once more into a globally competitive and world-recognised centre that is self-sufficient and challenges London's dominance, it will need the sort of inter-institutional and inter-governmental support that was needed to clean up the Quays in the first place. Back in the early Eighties the vision of Salford's city leadership, combined with financial support from central government and close work between private and public institutions, turned an economic millstone into a platform for economic revival. Similar co-working and strategic focus is needed now, to ensure that the Salford Quays cluster reaches its enormous potential.

Recommendations for Government

Government should celebrate Salford Quays' success. It represents a prime example of how regeneration can provide a platform for growth in the new economy and drive impact far beyond the specific city in which it occurs. It also presents Government with a prime opportunity to demonstrate its seriousness about an industrial strategy focussed on both place and sectoral excellence. The following recommendations to central government would support further growth in the cluster and would provide a route-map for other comparable clusters in different sectors, in different cities.

1. Make Salford the Default Option: Move more, move decisively, and move quickly

The arrival of the BBC in Salford was central to the emergence of the digital, broadcast and media cluster at the Quays. It has been instrumental to all that has followed. Because of that success, there is a temptation within Government to attempt to replicate this effect. This should be congratulated and supported. But there is one significant caveat. The UK economy is not large enough to support at scale multiple globally competitive clusters for commercial digital, broadcast and media outside of London. For agglomeration to be achieved, and its benefits to be felt at the regional and national level, specialisation is essential. **Salford should**

be the default option when considering the relocation of other Government-backed institutions within these sectors.

The immediate example of where this rule should be applied is the case of Channel 4. The benefits of moving Channel 4 to Salford – for the company, the cluster, and for the wider regional economy's global competitiveness – are significant. These would be diluted, and in some cases lost entirely, were the channel to be implanted somewhere without a pre-existing ecosystem.

That is not to say the opportunities to relocate key institutions to the cluster – and to reap the agglomeration rewards of further concentration – are restricted to Channel 4. **Government should begin a review of which of its digital and media operations should be relocated to the cluster, beginning with the Government Digital Service, currently based in East London.**[39]

2. Create a new generation of institutions for growth

The Urban Regeneration Company (URC), which was at the heart of Salford's regeneration, allowed the public and private sectors to work hand-in-hand to pursue the economic and cultural improvements that are described here. We recommend that Salford looks to create an institution which replicates the benefits that the URC brought to the city. A new private company, governed by the local authority in partnership with private enterprises, could attract and direct investment, and create incentives to drive the next wave of regeneration at the Quays and beyond. This body would require Government support to achieve its potential.

Government should provide support to cities such as Salford in the development of next-generation Urban Regeneration Companies. These would focus on bringing together key private and public stakeholders in specific areas to drive growth and seize local economic opportunities that emerge from clusters such as at Salford Quays. Government should provide these new institutions with powers over planning and infrastructure, and should support them with direct investment.

Recommendations for the Combined Authority

3. Invest in a polycentric Greater Manchester

Greater Manchester and the wider region are strengthened by its polycentric nature. The cities and boroughs that form the GM city-region each contribute to its economic strength. However, Manchester itself remains the main locus of interest and awareness to external stakeholders. This holds Salford (and its cluster at the Quays) back, because potential investors, supporters and tenant organisations can find the offer confusing and off-putting. Sometimes the message to companies considering a move to the Quays can sound a little like *'it's almost Manchester, honest',* ignoring Salford's unique offering to companies and partners in the digital, broadcast and media sectors. The existing cluster, combined with the city's digital infrastructure, growing reputation and strong sense of industrial focus, should make Salford a prestige location of choice for such companies. But the city is held back by this gap in awareness and understanding.

Of course, the other cities and boroughs of the combined authority require support to help them to foster their own localised economic strengths and identities as part of the wider Greater Manchester family. This is an exercise that requires a neutral and rational analysis of where strengths lie, what support is needed to build on existing and emerging clusters, and where duplication or dilution is problematic to potential agglomeration.

The Government has signalled its intention to build Local Industrial Strategies, led by Mayoral Combined Authorities. In doing so **ResPublica recommends that the Greater Manchester Mayor and Combined Authority reviews its marketing, economic planning and political engagement to place the polycentric model at the heart of its activity.** By placing the individual strengths of each city and borough in GM's Industrial Strategy and communications material, the city-region will be better able to benefit from its diversity and specialisation. Over time, reducing the city-region's reliance on Manchester as its core brand will enhance the ability of the city region to market itself with flexibility to a range of audiences. The GM Mayor should make engraining a polycentric approach across the city-region's activity a priority; it will strengthen the city region and create the space for clusters such as at the Salford Quays to thrive and contribute in their own right.

4. Prioritise the Western Gateway

The cluster at the Salford Quays stands at a tipping point. For its success to become truly transformational for the city and the region it needs to grow – the benefits of agglomeration, as described above will be felt as a virtuous circle, in that growth begets growth. In order to fuel further growth, the cluster will need the capacity to draw on skills and suppliers at ever greater scale and it will not be possible (or desirable) for these to be drawn down solely from Salford or even from Greater Manchester. This is why **ResPublica recommends that TfN and the city regions of Manchester and Liverpool prioritise investment in the Western Gateway in their engagement with Government.**

This investment – opening up the city to the west and transforming Salford into the bridge between the two conurbations of Greater Manchester and Liverpool - will have multiple economic benefits across the region. But it will also reinforce its unique position as a hub for digital, broadcast and media. The Western Gateway will ensure that the cluster is able to draw upon skills and supply chains from Manchester through to Liverpool, as well as ensuring that the benefits of the cluster's continued success are felt across the North West. It will give it global-level pull and scale in terms of staff and supply chains. It will also help demonstrate its value to the surrounding cities and boroughs.

Recommendations for the City of Salford

5. Beyond MediaCityUK

The MediaCityUK brand has been successful in attracting anchor institutions such as the BBC and ITV into Salford and is of huge value to the city and the region. However, as discussed, if the cluster is to extend and grow, it will need an identifiable brand that extends beyond MediaCityUK, to realise the ambitions of the City's Digital Strategy to **Make Salford the Most Attractive City for Digital Enterprise.**

There are two reasons for this. Firstly, the MediaCityUK brand is restricted to the campus on the Quays which is home to the BBC, ITV and a myriad of other companies that have moved there to benefit from the site's infrastructure and ecosystem. However, the digital, broadcast and media cluster that has developed in Salford needs to become greater than the campus which has given birth to it. In order for the cluster to grow to the scale that is required for it to compete successfully, it will need to grow its economic and geographical footprint beyond MediaCityUK. This will require expanding Salford's brand in order to attract new, growing and established businesses beyond MediaCityUK itself.

Secondly, the ecosystem that has developed in Salford – growing out of MediaCityUK and its institutions– has diversified beyond media and broadcast and now represents a fully-fledged cluster incorporating the full spectrum of digital technology and innovation. Many stakeholders who engaged with ResPublica in the research process were surprised by the extent to which Salford's economy now incorporates successful tech and digital start-ups. The MediaCityUK brand has achieved excellent buy-in when it comes to broadcast, but may be holding the city back in terms of recognition for the breadth and depth of its digital and creative cluster.

ResPublica recommends that Salford – working with the combined authority of Greater Manchester – develop a new identity for Salford that will allow the city to properly market the digital and creative aspects of the cluster at the Quays and which extends Salford's reputation as a centre of excellence beyond broadcast and media alone. This exercise should be undertaken with care in order to ensure that the established brand of MediaCityUK is enhanced and flattered by a wider initiative to promote Salford. However, it should include a root and branch reworking of the city's self-expression to incorporate brand, PR and communications, and pro-active investor relations. Rebranding the Quays surrounding MediaCityUK as 'Silicon Salford' or as 'Creative Quays' would help the city to focus attention on its wider offer to digital, tech and creative firms. This would strengthen the MediaCityUK brand as part of a polycentric offer to potential new additions and would help to position Salford itself as a more recognisable and prestigious location.

6. A Salford Board

Salford has benefitted from close collaboration between its institutions – both public and private – in the cluster's establishment. The role of innovators such as the Urban Regeneration Company was crucial to launching regeneration – bringing together public and private bodies around a shared purpose. This has been fundamental to driving long-term strategy, securing investment and aligning priorities. This strong foundation should now be built upon and cemented at the city level to formalise this approach and provide the city with a confidence-building strategy across sectors and an established group of advocates.

ResPublica recommends that Salford formulate a 'Salford Board', consisting of key strategic partners and stakeholders in the city, to recreate the most effective characteristics of the Urban Regeneration Company. Vital institutions and partners – from the BBC to the Peel Group, the University and The Lowry – should be invited to join this board and to work closely, on a more formal basis, with the city's political leadership. The body would be a private company and would be supported by investment from the council itself and local businesses as well the Mayor of Greater Manchester and (potentially) national government. This would help drive forward the next stage of regeneration, raising the asset profile of MediaCityUK, Salford and the wider cluster within the GM brand to help attract inward investment and other support to companies seeking to relocate to the city.

Governance infrastructure such as that proposed would provide investors and potential partners in the cluster alike with confidence about the city's ambitions and strategic direction.

It would also help the city to align messaging and to ensure that on matters of collective, strategic importance all major players speak with one voice on the city's behalf. Finally, it would formalise the model of collaboration and co-operation that has worked so successfully for the city over the past thirty years of regeneration and renewal.

7. A social approach to live/work spaces

Salford is currently scoping extensive and exciting plans to invest in new build social housing for the city. This next generation of social homes will help to ensure that the proceeds of growth are shared inclusively and that residents in the city have access to high-quality, affordable homes. For good and obvious reasons it is likely that the priority for these new social homes will be family residences that can help to house Salford's booming population. But **the city should also consider investing a portion of their budget in creating new live/work spaces that can appeal to young creative practitioners looking for affordable housing and studio spaces.**

As discussed above, key to the continued growth and success of the cluster at the Quays will be safeguarding the skills supply-chain so that companies and institutions in the city have access to practitioners in the arts, digital, technology and in media. It is access of this kind that has helped to drive London's success in these sectors and which has underpinned the revival and rejuvenation of previously deprived areas of the capital such as Hackney. Salford has many advantages over London in this regard – with cheaper rents for both residential and commercial space – and it should market these heavily as part of the rebrand recommended above. However, investing in a small number of specifically designed, tailor-made live/work spaces in order to attract young practitioners as they become established would boost attractiveness for the creative talent pool required and also signal the city's commitment to building and supporting a long-tail skills supply chain to feed the cluster at the Quays.

Recommendations for the North

8. Pan Northern cooperation

The UK can not sustain multiple media clusters of sufficient scale to compete with London. Most cities, globally, do not currently have the depth of talent or capital pools, or the infrastructure to maintain a digital and media ecosystem the size of London's. Large scale fragmentation of the media sector in the UK would not just harm London, but the whole sector, gradually eroding the 'agglomeration effect' of existing clusters.

Other media centres across the EU are adopting coherent strategies and developing fast. These will pose a particular threat to the UKs position as a leading digital and creative centre. The UK cannot afford to stand still. Post-Brexit, the UK will face greater challenges in attracting and retaining cross-border talent as immigration policies become more restrictive. This presents both a risk and an opportunity. Investment in skills in Salford and across the North will be critical in meeting this challenge, as recommended above.

Pan-Northern cooperation is needed to ensure that cities across the North do not compete with each other to specialise in all sectors. Northern cities must identify their distinctive sectors and competitive advantages. This approach to smart specialisation – to identify and build on key strengths and opportunities that already exist within their localities – should not inhibit the development of digital and media companies located in, for example, Liverpool or Leeds. MediaCityUK and the wider media cluster in Greater Manchester should be recognised as the centre of a much wider cluster that can power the North's expansion into a truly world class centre of excellence. A whole-north approach to investment in skills, transport and infrastructure will be critical to the development of a mobile labour market that can choose to live and work in different sub-regions of northern England.

5. Conclusion

The Salford Quays cluster is a remarkable success story. Building on the strategic investment and vision of the city, which cleaned and repurposed the disused docklands, Salford has succeeded in cultivating a hub that situates the city at the centre of the innovation economy. The cluster now supports the employment of approximately 7,000 people, many in highly-skilled and high GVA jobs. It supports an ecosystem of start-ups and businesses that both feed its growth and benefit from proximity to large players in the sector. The benefits of this cluster are not restricted to the City of Salford – they are felt across the city region and throughout the North.

Through specialisation and focus, Salford has secured for the North a regional centre of excellence which provides good quality jobs, economic growth and prestige. The trajectory of the cluster – if nurtured – is of continued success. It is on course to challenge the dominance of London and become a competitor on the global stage.

None of this has been achieved by chance. The Government was right to assert in its Industrial Strategy that the state has a key role to play in 'extending excellence' in the economy. Outside of London, no city or locality has the scale to achieve excellence or benefit truly from agglomeration across multiple sectors simultaneously. Instead, we need cities to specialise and to focus on areas where they have an advantage – investing in, and supporting those sectors where they can reasonably hope to compete with London and internationally. Such specialisation is essential and provides the model for continued growth and success across the regions. Salford's strength in digital, media and broadcast does not detract from its neighbours' economies, but fuels them. It gives companies the benefits of co-location and co-operation, while providing supply chain and employment opportunities over a geography far greater than the City of Salford alone. Building on the success of clusters like Salford Quays – and on its own Industrial Strategy – Government must now act to support specialisation in practice, as well as in principle.

The most fundamental state intervention in the history of the Salford Quays cluster has been the relocation of a key anchor institution to the site. The BBC has brought jobs, confidence and opportunity – it is the lynchpin of the cluster. There is a danger that policy-makers will learn the wrong lesson from this success, seeking to replicate the cluster's achievements in other places but in the same sector with piecemeal institutional relocations elsewhere. This would be a mistake. The BBC kick-started the cluster at the Quays' evolution, but further institutional support is needed to build something in Salford that truly challenges London's dominance in these sectors. Moving Channel 4, or the Government Digital Service, out of London to localities other than Salford risks diluting the potential benefits of agglomeration. It could cause real harm to these sectors and the chances of creating a world-class hub outside of the capital- reducing the overall benefits to the regions and to the UK economy. Government needs to approach the question of institutional relocation relentlessly – moving state assets to the places where they will best serve the interests of agglomeration and geographical rebalancing, not trying to give everyone an equal bite of the same apple.

But further success for the Salford cluster is not wholly dependent on strategic wisdom from the centre. There is much that both the city and the city-region can do to shore up the cluster and to steer it to further growth. A clear-sighted and ambitious policy agenda to ensure that the mix and supply chain of skills and talent available to companies grow dynamically is key. This approach should consist of two strands. Firstly, Salford should investigate how it can make sure it has the right residential and commercial space to attract creative practitioners to the city. Secondly, better links to the west of the city region are vital; in addition to growing its own talent, Salford should benefit from the easy flow of talent from Liverpool as well as from Manchester. Liverpool should have access to the economic and employment benefits that such connectivity will bring.

Finally, it is important that as the cluster grows on Salford Quays, so too does its brand power. MediaCityUK and the Greater Manchester brands have both been fundamental to the success of the cluster, but they are not sufficient for the next phase of growth. It is time for Salford's brand to grow as well – and to do so in a way that places the city's emerging strengths as a hub for digital, broadcast and media at its heart.

MediaCityUK and Salford's wider creative economy are at a tipping point where continued business and employment growth will be critical to sustaining the Salford media cluster. Taken together, these measures will safeguard the future of the cluster at Salford Quays and provide it with the platform and the fuel to grow. Without action, there is a real risk that momentum will be lost and this cluster of excellence will fail to reach its full potential. That loss would not only be a tragedy for Salford. It would be an indictment of this county's ability to seriously and strategically develop thriving clusters of growth and innovation outside of London. The stakes are high but the rewards of success are great.

Endnotes

Endnotes

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16 Sir Peter Bazalgette, Independent Review of the Creative Industries, September 2017

17 The Brian Redhead Lecture 2013 - the speech was delivered by the Chancellor of the Exchequer, the Rt Hon George Osborne MP on Friday 24 May 2013 at MediaCityUK.

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22 ‘Actual’ excludes 42 staff who resigned voluntarily; 42 staff who transferred on temporary attachments; and staff employed as freelancers or on temporary contracts.

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24 ITV Studios have also developed a new state-of-the-art production facility in Trafford facing MediaCityUK across the Manchester Ship Canal.

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34 Location Quotients (LQ) measure the dominance/concentration of an indicator relative to a comparator area, in this case England wide. A rating of 1 shows that the position is equal to the national average while a figure above 1 means there is greater dominance/concentration and less than 1 means less dominance.

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37 Retention is defined as the share of students at university in the city who stayed to work there after graduation. Attraction is the share of incoming working graduates that have neither lived nor studied in the area. All cities are defined by their Primary Urban Area, for Manchester this equates to Greater Manchester.

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Prosperity

The UK has some of the highest levels of wealth concentration in the developed world. It has an economy where most mature markets are dominated by a small number of players and the barriers to entry are far too high. It is not an exaggeration to suggest that in many areas, from energy to banking to groceries, the UK has a monopolistic rentier rather than a market economy – a system in which certain individuals or small groups gain market dominance and excessive returns through anti-competitive practices. This conspires against innovation and is detrimental to the small and emergent businesses that generate growth and spread prosperity. Added to this, our education system, by specialising too early and often in the wrong areas, fails to produce students with fully rounded skill-sets. We are simply not equipping our future workforce with the means to safeguard our, and their, economic future. This is one reason why the real value of wages in proportion to growth in GDP continues to stagnate or fall. Our long-term productivity dilemma is a function of market capture and the effective de-skilling of the population.

We believe that shared prosperity cannot be achieved by simply tweaking the market. Britain needs significant demand and supply-side transformation, with new visionary institutions re-ordering our economy. We need long-term solutions that give power over wealth and assets, not simply handouts, to ordinary people. Central to this process of economic empowerment is an ethical, practical and adaptable education that gives people the skills to build their own businesses, or develop their own talents, rather than a conveyor belt to a service industry of low wage and less return.

New financial institutions to promote small business lending are required, and this involves smaller, more specialised and decentralised banks that can deliver advice as well as capital. We wish to explore ways in which all financial transactions can be linked to a wider social purpose and profit, which itself needs a transformation of the legal framework within which economic transactions take place. We believe that the future lies in the shaping of a genuinely social market which would be in consequence a genuinely free and open market. Internalising externalities and creating a level economic playing field in terms of tax paid and monopolies recognised and challenged, remains beyond the scope of contemporary governments to deliver. Such a vision requires new concepts. The viable transformative solutions lie beyond the purview of the current visions of both left and right in the UK

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This report discusses Salford's transformational journey from a former industrial centre to the creative and media hub it is today. It looks at the importance of institutional anchors, like the BBC and ITV, in the development of MediaCityUK and their contribution to a process of regeneration and growth in Salford.

As well as providing important insight into the context, we analyse the threats and opportunities involved in growing the digital and creative sectors in the region. This allows us to make several key recommendations that will support the growth of new and existing industries, in addition to expanding their development within the city, Greater Manchester, and the North West region as a whole.

Future development should enable the potential for relocating digital and media businesses, and further anchor institutions (such as Channel 4 or the Government Digital Service) to the area. By aligning local activity with the UK's Industrial Strategy, we can ensure that investment in the City of Salford leads to the kind of inclusive growth that will contribute to prosperity across the region.

Salford City Council