SOUTH EAST ENGLAND DEVELOPMENT AGENCY

BOARD MEETING ON 23 JULY 2009

ITEM 4

AREA TEAM UPDATE - SUSSEX

Recommendation

The Board is invited to **NOTE:**

a) The current position of the two Diamonds for Investment and Growth located in Sussex and the opportunities and challenges for economic development that they present. This builds on the presentation made to the Board in June from South East Diamonds for Investment and Growth (SEDFIG) group on the collective opportunities for the 8 South East Diamonds.

b) The status of current SEEDA investments in Gatwick Diamond and Brighton and Hove Diamond.

The Board is invited to **CONSIDER** the priority actions that resulted from the Board dinner discussion set out below.

Sussex

1. The Sub Region of Sussex is economically and culturally diverse. The Gatwick Diamond and the Brighton and Hove Diamond are identified as two of the eight regional Diamonds for Investment and Growth in the Regional Economic Strategy (RES). Sussex spans all three economic contours defined in the RES: Inner South East – Gatwick Diamond, Rural South East covering East and West Sussex and Coastal South East which includes Hastings and other coastal areas, many of which demonstrate high levels of economic and social deprivation and the Brighton and Hove Diamond.

Diamonds for Investment and Growth

2. The 8 Diamonds for Investment and Growth are identified in the Regional Economic Strategy (RES) as the 'sub regional functional areas' and identified as having the potential to act as a catalyst to stimulate prosperity across the region. These areas were given priority because they had concentrations of people, employment, building assets, knowledge, transport, creativity, culture and diversity that would support growth. It was recognised that this growth would not be achieved without the necessary infrastructure investment – social as well as physical.

3. As outlined by [redacted] presentation at the June Board meeting, the characteristics of the Diamonds are that they:
   - Account for 60+% of regional GVA
- 55% of total regional employment
- 50% planned housing growth to 2026

Gatwick Diamond

4. The Gatwick Diamond lies to the south of London and is centred around Gatwick Airport and the key urban area of Crawley but also includes towns of Horsham, Reigate, Redhill, East Grinstead, Burgess Hill and Haywards Heath.

5. The economy of the Gatwick Diamond is driven by linkages with London and strong international connectivity via Gatwick Airport. The transport sector, particularly wholesale, warehousing and logistics, has acted as a driver of growth in recent years, alongside growing financial and business services sectors.

6. The area benefits from a strong competitive position, with rates of employment and labour productivity in excess of regional and national trends and high average weekly earnings.

7. The Gatwick Diamond has a strong base of established, global brand name companies, and a powerful presence of foreign owned companies. It has well-established key sectors in finance, advanced engineering, aviation, construction and pharmaceuticals.

Key Facts - The Gatwick Diamond:

- Population of 650,000. and workforce of 390,000
- Economy valued at £13 billion and accounts for 9% of employment and Gross Value Added in the S E region
- Crawley is home to 45% of employment in the Gatwick Diamond
- Skills base is above the UK and regional averages except Crawley where the workforce is generally low skilled (Crawley NVQ L3 rate – 17%, SE L3 rate 28%.

Barriers to Growth

- Crawley particularly demonstrates low aspiration levels among school leavers, low qualification attainment levels and low skills levels
- The business start up rates, levels of enterprise and innovation are low
- Underdeveloped knowledge economy and levels of investment
- Significant levels of in-commuting resulting in serious traffic congestion
- Airports low ranking on business routes to leading business locations and emerging markets

Current position

8. The Gatwick Diamond Initiative (GDI) is a **business led private / public sector joint venture** managed by Surrey Economic Partnership and West Sussex Economic Partnership, supported by SEEDA, Local Authorities, LSC, Business Link and Higher and Further education providers to facilitate and co-ordinate actions that will improve the economic performance of the area.

9. The sub-region has been benchmarked internationally against other airport sub-regions. The resulting Future Plan describes a bold vision “by 2016 the Gatwick Diamond will be a world class, internationally recognised business location achieving sustainable prosperity”

10. The plan to transform the sub regional economy is based on 3 critical themes:
    - *Inspire*: create a flourishing, knowledge intensive economy, based on high skills, that encourages innovation
    - *Connect*: regionally, nationally and globally.
    - *Grow*: smart growth of the built environment, based on sound and sustainable strategic planning and maximising the resources of the region
11. New Governance arrangements are in place that have the support of 2 County Councils, West Sussex and Surrey and 6 Local Authorities, global businesses including Gatwick Airport and key stakeholders.

Challenges

- Supporting businesses to develop knowledge assets and encourage links to Universities to create a talented workforce
- Stimulating investment, research and innovation
- Maintaining and improving connectivity that will support business growth whilst reducing its impact on the environment
- Creating appropriate physical development which meet the needs for future businesses and communities and is strategically planned across the 6 Local Authorities
- The sale of Gatwick Airport and maximising its role as a local development asset

Strategic Opportunities

12. Within the Gatwick Diamond, there are a number of opportunities that will support economic growth where SEEDA are focusing on:

13. *Strategic Influencing*
    - The new governance arrangements have been agreed by both the public and private sector. The main Board is business-led and SEEDA are well represented across all levels of the new structure
    - A strong working relationship continues to develop between Gatwick Airport and SEEDA as the Airport moves to divest itself from BAA and prepares for the sale. SEEDA is working closely with the airport management team to ensure that airport plays a full role in the economic development opportunities for the Gatwick Diamond

14. *Innovation and Enterprise*
    - Creation of a University Centre in Crawley. Through a partnership led by University of Brighton and supported by SEEDA, Central Sussex College, West Sussex County Council, Crawley Borough Council, a proposal was submitted to HEFCE (Higher Education Funding Council) for University Challenge funding that would if successful, support the development of the University Centre.
    - Innovation and Growth Team (IGT) – partners are currently developing a business plan to submit to SEEDA that will expand the remit of the Enterprise Hub to create communities of Innovation and Growth and deliver specialist services to businesses that have potential for significant growth.

15. *Inward Investment*
    - To maximise opportunities to attract and retain international inward investment companies, SEEDA and partners are developing a proposition that will market the strengths of the Gatwick Diamond to potential inward investment companies. SEEDA also funds a dedicated Investor Development Manager for Gatwick Diamond

16. *Connectivity*
    - Working closely with the Airport to ensure that the £1 billion capital improvements support the economic growth of the wider Gatwick

Diamond sub region. Exploring with new Airport owners once in place, potential to develop business routes into global economic markets e.g. India and China]

- Addressing congestion through co-ordinated and imaginative regional and local infrastructure developments

Brighton and Hove Diamond

17. In contrast to the well supported and distinct Gatwick Diamond, the area for the Sussex Coast Diamond with Brighton and Hove at its heart has yet to be clearly defined.
18. However, SEEDA has identified the Sussex Coastal strip between Worthing and Newhaven as a priority area for sustainable economic growth, with the Shoreham Harbour developments and major schemes in Brighton and Hove City at its heart. However, this area still makes the Brighton Coastal Diamond the third smallest in terms of population and the employment rate is lowest, with just 72% employment compared to 79% across the South East.

Economies of Brighton and Hove, Adur and Newhaven:

19. **<u>Brighton and Hove</u>**
    - Brighton is relatively densely populated with a population of 248,000 of which 42% are between 25 – 49 years old.
    - Supports a workforce of 170,000 working in an economy worth £3.2 billion with 32,000 attending the two Universities – Sussex and Brighton
    - Over 50% of the working population are employed in 2 sectors: Business and Financial Services and the public sector.
    - B&H added nearly 23,000 jobs to its economy between 1998 and 2005, representing a total growth of 19% compared to the UK average of 8%.
    - The Creative Industry sector employs around 16,000 people (10.7%) and is recognised as an important economic driver in the City
    - Based on *the Index of Deprivation*, Brighton and Hove is ranked at the 79^{th} most deprived area in England (within the most deprived 25% of all LAs)
    - **<u>Newhaven</u>** has a resident population of 11,144 with a higher than average proportion of young people and single parent families. Compared to the surrounding area, Newhaven is a deprived area. Unemployment in Newhaven is above the East Sussex average and 37% of the unemployed have been out of work for more than 6 months.
    - Education attainment levels in Newhaven for all ages are significantly below average.
    - A dominance of manufacturing employment and relatively small proportion of employment in business services
    - Operational port, predominantly Ferry services and in French ownership
    - **<u>Adur</u>** is the most deprived ward in West Sussex and is becoming relatively more deprived. The number of people without qualifications is one of the highest in t he UK and Adur has the least number of sites available to deliver training.

- In recent years Adur has seen a large increase in the number of new household family formations and an influx of families from Brighton and Hove attracted by lower house prices.
- Operational port at Shoreham and brownfield sites for development

Current Issues

- The concept of a 'Diamond for Investment and Growth' is not 'owned' by public or private sector, a real impetus is yet to be developed.
- Brighton & Hove City has established a reputation for innovation and creativity especially in the context of other UK coastal locations, but it is 'enterprise ready' not an 'enterprise engine' and it remains more a city of enormous potential rather than a city of solid achievement. It needs to address its weaknesses to maintain its positive momentum towards a thriving, sustainable knowledge economy.
- Average earnings in the city are below national levels and GVA remains below regional levels**.** Graduates from the two Universities, Brighton and Sussex, tend to stay in the City but often in low level jobs, creating more high value added jobs is a major issue.
- The City also suffers from a lack of quality business space.

<u>Adur</u>

- A need to:

- build on the higher levels of manufacturing and jobs in high tech industries, to provide more professional level occupations and critically target high growth sectors and encourage investment into the area.

<u>Newhaven</u>

- A need to:

- drive employment growth through niche skills e.g. high tech manufacturing
- support the towns development within a wider sub-regional economy.

Challenges and Strategic Opportunities

20. Across Brighton and Hove and the wider functional area there are a number of opportunities to support economic growth where SEEDA is currently focusing:

21. *Strategic Influencing*
    - A new approach will need to be considered if a more functional Diamond for Investment and Growth is going to emerge. Initial conversations would suggest that this should be supported and driven by the business community and the Shoreham development where a strong partnership exists may be the catalyst for that approach.
    - A Sussex Coastal Economic Forum, chaired by Jim Brathwaite has met to consider joint opportunities but is at embryonic stage.
    - The low carbon / renewable energy agenda opportunities being explored with the EU and European Investment Bank could provide a driver for a Diamond across Sussex coast Shoreham to Hastings

Innovation and Enterprise

22. Partners across Brighton and Hove and East Sussex are currently developing a business plan to submit to SEEDA that will create communities of Innovation and Growth and deliver specialist services to businesses that have potential for significant growth. The zone will cover East Sussex and Brighton and Hove.

Inward Investment

23. B&HCC have recently completed a Business Investment and Retention Strategy. To support this, SEEDA would be interested in developing an inward investment proposition to support the City Council's efforts but consideration should be given to broadening this strategy to reflect the wider sub-region.

Development opportunities

Shoreham – Strategic investment with Adur DC, Brighton and Hove City Council, West Sussex County Council and Shoreham Port, as a new growth point for sustainable business development and new homes.

24. .*Preston Barracks* –
    - This site is owned by B&HCC and was originally purchased with SEEDA AIF funding. SEEDA requirements for the original scheme were for mixed use development that supported economic development and jobs. The decision by the Preston Barracks project Board (B&HCC Board) not to continue with the revised scheme from the development consortium, Crest and Hyde Housing has opened the way for the University of Brighton. The City Council has invited them to formally submit an outline proposal of the site

    - It is not anticipated at this stage that SEEDA will fund any of the development of Preston Barracks beyond our original investment in purchasing the site. Rather we will provide expert advice on master planning and delivery vehicle if required and facilitate partner engagement to ensure this development supports the strategic priorities for education and skills across the city.

25. *Brighton Convention Centre* –SEEDA is working closely with Standard Life and Brighton and Hove City Council on revised proposals for the Convention Centre and to reduce any potential SEEDA funding to below £10m, as required by IDAB. We remain committed strategically to its development and recognise its importance to the City, the sub-region and the South East. However, there is no funding proposed in the budget to 2011.
26. *Falmer Stadium* – SEEDA is investing £5.3 million in the enabling infrastructure for the football stadium which will enhance access to the 'academic corridor' of the proposed infrastructure works will contribute towards the regeneration and development of the corridor and also the wider economy of the Brighton area – improving transport links between Universities of Brighton and Sussex and the city centre and creating a major new gateway to Brighton from the East.

CONCLUSION:

- Gatwick Diamond is a strong functioning economy. SEEDA interventions include core programme funding and strategic support. There are opportunities to do more to support and influence further growth.
- The Board is asked to comment on suggested approaches to developing the Brighton and Hove Diamond with Shoreham Harbour project at its heart.
- The Board is asked to consider if anything captured at the Board dinner discussions challenges our approach to supporting the Brighton and Hove Diamond.

Area	Activity	Description	2008-11 Funding level
Brighton and Hove	Shoreham Port	SEEDA is investing in the Master planning and enabling stage of the project which includes economic assessments and consultancy support.	£2,500,000 – to March 10
Brighton and Hove	South East Dance	AIF Legacy project – to support the creation of a creative dance space and administration /business centre in Brighton	£165,000 to March 10
Brighton and Hove	SOLD (Sector Originated Learning and Development	AIF Legacy Project - A partnership project which is to provide support to businesses and employees in the Retail and Tourism sectors within the City of Brighton and Hove	£170,000 to March 10
Brighton and Hove	Brighton and Hove Community Stadium	SEEDA is investing £5.3 million in the enabling infrastructure for the football stadium which will enhance access to the “academic corridor”. The Academic Corridor follows the A27 main road (Lewes Road) into Brighton and comprises a cluster of educational institutions	2009 –10 - £2,350,000 2010-11 - £2,650,000 Total - £5,000,000
Gatwick Diamond	Gatwick Diamond Coordinator	Support a position to coordinate the activities across the Gatwick Diamond	£50,000 – to March 09
Gatwick Diamond	DTZ Feasibility Study	SEEDA has been working with the University of Brighton, Crawley Borough Council, Central Sussex College and West Sussex County Council to undertake a feasibility study that considered the demand and property appraisal for the proposed University Centre in Crawley	£70,000
Gatwick Diamond	Business Link – Surrey and Sussex	Business Link services in Sussex and Surrey are funded by SEEDA. Business Link provides free business support and advice and is open to all businesses and individuals thinking of starting a business. Business Link services are currently funded across Surrey and Sussex and not specifically for the Gatwick Diamond	Surrey - £3,474,976 Sussex - £4,592,590
Newhaven	Physical development and vision for Newhaven	SSEDA have been working closely with East Sussex County Council, Lewes District Council and engaging other stakeholders to create a physical development and vision for Newhaven.	£480,000 – Conclude March 2010
Newhaven	NEWCP	AIF Legacy Project - Newhaven Community Employment Partnership is a recognised model that has successfully addressed worklessness and economic inactivity in Newhaven.	£20,000 – to March 2010
West Sussex and Brighton & Hove	Sub-Regional Partnerships (SRPs)	Across Sussex SEEDA supports these partnerships to bring together Business and the Public Sector in agreeing and aligning priorities and investment at local and Sub-Regional levels	WS - £165,000 pa B&H - £100,000 pa
Brighton & Hove and West Sussex	Investor Development Managers x 2	SEEDA supports two IDMs who work with strategically important companies to retain and support their growth in the Sub-region	£130,000

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