

Environmental & Community Services Select Committee

22 June 2016

Bold Ideas Update

Report by Executive Director Residents Services

Executive Summary

A healthy West Sussex economy will attract, retain and grow businesses that will provide high value employment for local residents and produce high quality products and services. The Future West Sussex Plan 2015 – 2019 identifies championing the West Sussex economy as one of the County Council's three priorities for the next four years, and a range of economic priorities are being progressed, including a number of *Bold Ideas*, intended to act as a catalyst to help address economic challenges.

The focus for scrutiny

The Report provides an update on progress on the Bold Ideas, and previews the forthcoming decision for the Bognor Regis Bold Idea.

Recommendation(s)

- 1) To scrutinise progress with the Bold Ideas
- 2) To consider the forthcoming decision for the Bognor Regis Bold Idea

1. Background

- 1.1 The Environmental and Community Services Select Committee has received previous reports on the approach to the economy, to achieve the ambitions of the Future West Sussex Plan 2015 – 2019.
- 1.2 Previous reports confirmed that a West Sussex Asset Baseline Assessment by the County Council, supported by KPMG, identified a number of economic challenges, and recommended the Council takes a proactive approach to addressing them through setting strategic objectives to:
 - create and attract more high value jobs (with a resulting positive impact on GVA)
 - address some of the geographical differences across the county
 - attract more people of working age, particularly those with the potential to be the wealth creators for our economy.

1.3 It was agreed to prioritise and pursue five Bold Ideas as a key feature of the work to grow the West Sussex economy. The Bold Ideas are intended to act as a catalyst to economic activity to address West Sussex's economic challenges. The investment aims are to:

- Maximise opportunities for economic growth from existing assets
- Maximise opportunities for economic growth from the creation of new assets
- Stimulate economic interventions to maximise unique opportunities or competitive advantage for economic growth
- Act to lead, invest, facilitate and influence public and private sector markets to benefit priorities
- Work with local partners to attract investors, developers and market leaders to work with us to generate growth
- Maximise opportunities to develop a skilled and talented workforce to support economic growth
- Work to leverage Local Growth Fund, European funding and other external funding to support economic priorities and business growth

1.4 The main benefits driving the Bold Ideas are set out below. The programme is assumed to be securing benefits to at least 2021, in line with current capital programme allocations:

- Increase in high value jobs
- Increase in GVA
- Increase in inward investment
- Increase in commercial floor space
- Business growth including business start ups
- Significant leverage to deliver priorities from private and public sector, and external funding sources including EU funding

1.5 The purpose of the report is to provide an update on progress with the Bold Ideas, and to provide a preview of the forthcoming decision for the Bognor Regis Bold Idea, scheduled for later in the summer.

2. Update on Progress

2.1 A *summary* of progress and the latest position on the five Bold Ideas is set out in Appendix A. Four of the Bold Ideas are currently being progressed, either in their entirety or in stages to work towards the overall aims and benefits: Beautiful Outdoors, Health and Life Sciences, Bognor Regis Creative Digital Hub, and Leverage Gatwick. For Chichester High End Finance, the proposal was to look at establishing Chichester as a business centre for high-end finance or professional services. The first phase involved securing the digital connection speeds that would be needed to encourage businesses to relocate. For a variety of reasons this was not viable for Chichester on its own. We are now considering with partners a countywide scheme on digital connectivity.

- 2.2 For each of the Bold Ideas, business cases have been or will be developed for scrutiny and decision. Where the Bold Ideas are seeking funding from the capital programme, the business cases will be subject to capital programme governance through the Economy Hub and Strategic Capital Investment Board. The business cases include an assessment of costs, benefits and risks and are, or will be, assessed in the context of their contribution towards achieving economic regeneration and growth.

3. Bognor Regis Creative Digital Hub Decision

- 3.1 West Sussex County Council, the University of Chichester, Arun District Council and other key partners are working together to progress the Bognor Regis Bold Idea, to help address the specific economic and demographic challenges of the town. The University's planned Engineering and Digital Technology Park, alongside evidence of the enormous contribution digital and creative businesses can make to the economy and quality of life coastal towns, has led to a firm focus on the creative digital sector as a catalyst to economic growth.
- 3.2 The proposed project aims to develop within Bognor Regis a creative community of young entrepreneurs who can grow exciting new businesses and attract other young, like-minded people to the town, with the establishment of a creative digital hub in the town centre being key to the plans.
- 3.3 Work is underway to galvanise and stimulate the sector, and feasibility work for a creative digital hub at Bognor Regis railway station is entering its final phase. A final business case is scheduled to be considered by the Strategic Capital Investment Board (SCIB) later in the summer, and subject to approval, an officer decision (non-key) with Cabinet Member consultation will be taken.
- 3.4 The Select Committee is invited to scrutinise progress with the Bognor Regis Bold Idea, the options considered, and the approach to operating and delivery plans, including resource implications.

4. Alternative Options Considered

- 4.1 The economy priorities have been progressed following a West Sussex Asset Baseline assessment undertaken by leading economic experts (KPMG) appointed by the County Council. A range of options were considered in forming the overall plan. As each Bold Idea progresses, a range of options have been and are considered, to inform full business cases when required.

5. Consultation

- 5.1 Proposals have been discussed with key stakeholders including the Local Enterprise Partnership, West Sussex Economic Partnerships and districts and boroughs.

6. Resource Implications and Value for Money

- 6.1 The development and delivery of the Bold Ideas is funded through the annual economy base budget; the approved capital programme; the SEP Economy Reserve (£5 million economy transformation fund allocation agreed by the Leader Decision Report in December 2014); and through leveraging external funding (to date, mainly from the LEP Sustainable Transport Fund and from the Coastal Revival Fund).
- 6.2 The Bold Ideas budget 2016/17 is shown in Appendix B. The Bold Ideas indicative allocations in the capital programme are shown in Appendix C.
- 6.3 The resource strategy is based on a number of principles, with the return on investment in achieving the benefits key. Each individual project will have a commercial strategy within its business case, and any potential investment will be assessed against critical success factors, value for money, and the likelihood of securing benefits.

7. Risk Management Implications

- 7.1 There is a risk that international, national or local economic factors may result in the proposals not delivering the intended benefits. To minimise this risk the proposals have been identified following a full asset baseline assessment and detailed business cases will include a full consideration of risk and risk mitigation.

8. Impact of the proposal

- 8.1 The proposals have been identified as those most likely to support economic growth in West Sussex. An Equality Impact Report has not been included in this report, as the impact will be assessed as the proposals and business cases are developed for each individual proposal.

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Appendices

Appendix A: Bold Ideas update paper

Appendix B Bold Ideas Budget 2016/17 (at 1 May 2016)

Appendix C: Bold Ideas indicative allocations in the capital programme

Background Papers

No Background papers

Appendix A

Set out below is the rationale and current status for each of the Bold Ideas, with a progress summary, benefits, deliverables, 16/17 milestones and timeframe set out for each.

Beautiful Outdoors

Rationale

The main aim of the Beautiful Outdoors is to promote West Sussex to a younger target market (defined as those aged 25-45 years), with a focus on those living in London and the wider South East. The intention is to increase awareness of the county as a destination, to increase the number of staying visitors, and to benefit the rural economy and rural businesses. A key feature of the offer is the South Downs National Park, as one of the most significant national parks with close proximity to London. The number of visitors from London is low, spend per head is low and few people who visit stay overnight.

There is a great opportunity for West Sussex – urban dwellers spend significant time and money pursuing outdoor activities; younger generations (the millenials) rank fitness and health above most other activities; and the cycling market is growing hugely. Many others regularly walk and hike. A key part of the work to date has been to link the needs of London's professionals and the outdoor beauty and close proximity of the South Down National Park.

Progress

During summer 2015 a campaign was delivered to both attract the target market, and to encourage local residents to get out and enjoy all that West Sussex has to offer. An evaluation of the 2015 campaign and a business case for the 2016 digital campaign were approved by the Economy Board. A key development in 2016 is a partnership with the Coastal West Sussex Visitor Economy Group to feature and promote the coastal offer, including water activities. Key performance indicators for the 2016 digital marketing campaign include over 100,000 hits to the campaign web site, attracting 5000 social media followers, featuring 40 new businesses, and supporting at least 25 businesses with digital development activities.

Alongside the marketing campaign and local events, the County Council has been identifying and investing in key improvements to cycling and walking infrastructure in and around the South Downs. Following a successful bid to the LEP Sustainable Transport Fund, WSCC is managing a £450k programme over two years. This investment will deliver 15 separate capital schemes. Together they will deliver three improved road crossing points on the South Downs Way, over 5.5km of surfacing improvements, 160 new steps, and seven destinations benefitting from improved signage.

The Beautiful Outdoors is being managed through a Project Group, with two main areas of focus: the marketing campaign and associated business development work, and the delivery of the capital infrastructure improvements.

Benefits:

- Increase in number of visitors to, and spend with, rural and coastal businesses, with direct economic benefit (measured by economic impact assessment and business survey)

- West Sussex established as an active, outdoor short break destination attractive to younger people (measured by digital marketing campaign reach and perception testing)
- Enhancements to footpaths, bridleways and cycle routes in and around the South Downs National Park (with funding leveraged)
- Visitor economy businesses supported to grow through opportunities from the wider Economic Growth Programme (grants and business support)
- Walking and cycling promoted as activities that provide significant health and well-being benefits through local campaigns

Main contribution to programme benefits	Yes
Increase in high value jobs	
Increase in GVA	
Increase in inward investment	
Increase in commercial floorspace	
Business growth	✓
Significant leverage to deliver priorities from private and public sector, and external funding sources including EU funding	✓

Deliverables:

- Target Market Campaign
- Local Campaign
- Cycling and walking infrastructure improvements

16/17 Milestones:

1. Digital campaign launch (May 16)
2. Economic Impact Assessment (Q3 2016)
3. Decision on wave 3 digital marketing campaign (end-2016)
4. Completion of infrastructure improvements through LEP funded programme (March 17)

Timeframe:

- 2014 – 2016 (and then review)

Health & Life Sciences

Rationale

West Sussex is home to a wide array of firms in the health and life sciences sector, ranging from companies that specialise in oncology and MRI equipment (e.g. Varian and Toshiba Medical Systems) to producers of new medications (e.g. Allergy Therapeutics and Novo Nordisk). Many have been established in the county for decades.

The sector is one of the fastest growing sectors globally and as the average lifespan of people lengthens, more medical interventions will be required. In addition, many countries are establishing national medical services to better help their citizens, which will increase the market for bioengineering products. West Sussex is in a strong position to benefit from these global trends, but to do so the county needs to formally market itself as a European capital for health and life sciences. And as other parts of the UK, as well as other countries target these companies, more needs to be done to prevent them from being lured elsewhere from West Sussex.

Progress

The county is progressing a range of significant interventions to help grow the sector.

At the start of 2016 WSCC announced its intention to purchase the former Novartis site in Horsham with the ambition of redeveloping a large part of the site to create a new UK science and business park for med tech, life sciences and related businesses. Work is progressing on our proposed purchase of the site in Wimbleshurst Road, Horsham, and we are drawing very near to the exchange of contracts and completion. The vast majority of the demolition works on site are now complete. We have also appointed a marketing agent for the site (subject to contract), with an initial workshop held to agree roles and how we will work together to achieve our vision for the site.

Work has progressed with the cluster itself, the Health and Life Sciences Cluster (WSHLSC) has now identified over 100 companies. There are over 300 individuals engaged from private business, external sector organisations, academics, local government and the NHS. All stakeholders are regularly updated via a Gov Delivery electronic newsletter and social media networks are being utilised to promote opportunities and raise the profile of the cluster.

WSCC is developing some initiatives (collectively known as the Growth Hub) to support start-ups and SMEs in this cluster throughout the county and is planning a series of events for cluster members with leading sector organisations.

Work is also being undertaken to address the skills gaps for this sector. Companies from the cluster have been actively involved in Coastal STEMfest, an initiative across coastal West Sussex to enthuse the Scientists, Technologists, Engineers and Mathematicians of the future.

In addition to the STEM work, WSCC has focussed on increasing skills through Industry Higher Education partnerships. A University of Sussex Skills and Workforce Development Offer was released to the cluster and followed up by a cross-discipline University of Sussex event, and this has been followed by a similar offer from the University of Brighton.

The main benefits will include:

- Growth in high value jobs, businesses and GVA
- Growth in start-up businesses in the health and life sciences sector
- Inward investment (from businesses nationally and internationally)
- Business growth through increase in international trade
- Protection of employment land, commercial floorspace and associated benefits for business rates income
- Increase in health and life sciences workforce for companies in the sector, to help support growth ambition

Overall programme benefits	Yes
Increase in high value jobs	✓
Increase in GVA	✓
Increase in inward investment	✓
Increase in commercial floorspace	✓
Business growth	✓

Significant leverage to deliver priorities from private and public sector, and external funding sources including EU funding	✓
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Deliverables:

- Health & life sciences park
- Skills & workforce initiatives
- Business growth through Growth Hub activities

16/17 milestones:

- Novartis site acquisition completed (Summer 16)
- Novartis / cluster event (September)
- Procured marketing partner (June 16)
- Procured development partner (TBC)
- Planning permission for redevelopment of Novartis site secured (17/18)
- Supported 10 STEM events across the county involving cluster members
- HE/Industry Partnerships offers completed (December '16)
- Growth hub events organised and delivered (by March 2017)

Timeframe:

- To 2021/22 and beyond

Do more with Gatwick Airport/ Business internationalisation

Rationale

Gatwick Airport is one of the great economic assets of the county. It is the county's ambition to create new economic assets to the south of the airport and to encourage more high value GVA businesses to base themselves in the Manor Royal area. This is equally the case should Gatwick obtain consent for a second runway or not.

It was concluded it was difficult to establish development ideas on the Gatwick campus until the government comes to a decision on the second runway. However, the work to progress leveraging Gatwick for economic growth is being pursued in two main ways:

- The Crawley / wider Gatwick Diamond place and growth plan (part of the separate Place Programme)
- The Health and Life Sciences Bold Idea, very firmly linked to leveraging Gatwick as an international trade gateway

Progress

The focus is on international trade links, seeking to work with a lead partner to lever ERDF funds to support business growth through international trade, and through seeking to lever £3.66m Local Growth Fund Business internationalization and ASEAN Gateway allocation, to support the development of a physical hub for Business Internationalisation as part of the redevelopment of the Novartis site. A business case is due to be submitted to C2C LEP by September 2016.

In May 2016, a submission was made to the LEP to lever further funding from LGF3 to achieve the physical hub building on site to help maximize opportunities.

The main benefits are likely to include:

- Growth in high value jobs, businesses and GVA
- Growth in start-up businesses in the health and life sciences sector
- Inward investment (from businesses nationally and internationally)
- Business growth through increase in international trade, particularly with ASEAN nations
- Increase in the attractiveness of the region as a business location

Overall programme benefits	Yes
Increase in high value jobs	✓
Increase in GVA	✓
Increase in inward investment	✓
Increase in commercial floorspace	✓
Business growth	✓
Significant leverage to deliver priorities from private and public sector, and external funding sources including EU funding	✓

Deliverables:

- International trade business support programme, with focus on ASEAN nations and health and life sciences sector
- Physical hub building as part of Horsham health and life sciences campus, providing a focus for incubation, innovation and international trade activities

16/17 Milestones:

1. Business case approved (Sept 16)
2. International trade/ASEAN trade leverage secured (TBC)
3. Outcome of LEP LGF 3 submission known (by Autumn 16)

Timeframe:

- 2020/21 and beyond

Better Bognor Regis / Creative Digital Bognor Regis

Rationale

Like many coastal towns in the South East, Bognor Regis has lower value employment and an older population, compared with regional averages. However, recently there has been important investment in the area - Rolls Royce is basing its new facility at Oldlands Farm in Bognor Regis; and £8m of Growth Fund has been awarded to the University of Chichester towards the establishment of an Engineering and Digital Technology Park at their Bognor Regis campus. In addition, over £600K has been invested in public realm improvements in the town centre by Arun District Council, West Sussex County Council and Bognor Regis Town Council. The enormous contribution made by digital and creative businesses to the economy and quality of life in towns has been reviewed in the Tech City 2015 report "Tech Nation". The report reviews the impact of digital clusters on the growth of business in a number of UK towns. Among its findings were that 15% of UK companies formed in 2013-14 were digital companies; 74% of digital businesses are based outside London; and one of the clusters reviewed, Bournemouth and Poole, has seen growth of new company formation of over 200% since 2010.

West Sussex County Council, the University of Chichester and Arun District Council want to maximize the impact of this time of increased investment in Bognor Regis

to address the specific economic and demographic problems that the town has traditionally been challenged by. The proposed project aims to develop within Bognor Regis a creative community of young entrepreneurs who can grow exciting new businesses and attract other young, like-minded people to the town.

Progress

The County Council is working with the University of Chichester, Hemingway Design, Wired Sussex, Arun District Council, and Southern Railway / GTR to progress the project. The project involves facilitating the delivery of a shared employment space (Hub) in Bognor Regis, including negotiations with leaseholder of space (Southern rail) to agree terms for the lease of the space; working with Hemingway Design on the concept and branding of the Hub; working with Wired Sussex and the University of Chichester to plan and facilitate the operating model and management of the Hub; and working to devise and deliver a digital connectivity solution to meet the needs of digital businesses.

The main benefits will include:

- The creation of dedicated employment space for a high value, high growth sector in Bognor Regis
- The creation of high value employment in Bognor Regis
- Increased graduate retention from the University of Chichester's Bognor Regis campus
- Lowering of average age in Bognor Regis as result of Hub bringing more young people into the town
- Changed perception of Bognor Regis as employment location, with the potential to bring increased private sector investment
- Providing a focal point to inspire young people to engage with this sector
- Creation of 342 m2 employment floor space in a disused town centre location
- Creation of up to 150 workspaces
- Potentially 200 supported businesses

Overall programme benefits	Yes
Increase in high value jobs	✓
Increase in GVA	✓
Increase in inward investment	
Increase in commercial floorspace	✓
Business growth	✓
Significant leverage to deliver priorities from private and public sector, and external funding sources including EU funding	✓

Deliverables:

- Active, collaborative creative digital sector in Bognor Regis
- Creative digital hub space in Bognor Regis Railway Station

16/17 milestones:

1. Governance decision to proceed (Aug 16)
2. Operator secured (Sept 16)
3. Lease with Southern Railway / Network rail agreed (Sept /Oct '16)
4. Launch of hub at station (Feb 17)

Timeframe:

- 18/19 key deliverables for phase 1

High End Finance

Rationale and progress

Chichester has the potential to further position itself as a `high end` business location. If a few individuals in niche finance businesses could be persuaded to relocate their operations or firms to the county, it could act as a catalyst to Chichester becoming an alternative centre for high-end finance or related professional services. Some of these individuals reside locally and commute to London to their offices in the city.

The first phase focussed on securing the digital connection speeds that would form part of the compelling offer to the target audience. For a variety of reasons this was not viable for Chichester on its own. We are now considering with partners a countywide scheme on digital connectivity. The project requires a review and consideration of the way forward, and is currently paused.

Main benefits originally scoped as:

- Impact on step change in Chichester as a place for high end financiers and other professional services to do their business, and associated impact on local economy
- Inward investment through business relocation
- Installation of market leading dark fibre
- Financial return on any equity stake in fibre network

Overall programme benefits	Yes
Increase in high value jobs	
Increase in GVA	
Increase in inward investment	
Increase in commercial floorspace	
Business growth	
Significant leverage to deliver priorities from private and public sector, and external funding sources including EU funding	

Deliverables:

- TBC

16/17 milestones:

- Future of project agreed following options appraisal

Appendix B Bold Ideas Budget 2016/17 (at 1 May 2016)

Current EGP Projects	Total cost	BUDGET SOURCE						
		Base budget	SEP Reserve (only Bos approved)	SI reserve (approved)	Capital prog (WSCC funds)	Capital prog (LEP Growth Fund)	Pooled business rates	Other (EU etc)
BI Beautiful Outdoors (rev)	141,500	0	104,000	0	0	0	37,500	0
BI Beautiful Outdoors (capital)	287,000	0	0	0	183,000	104,000	0	0
BI Health and Life Sciences - Novartis	17,316,000	328,000	0	0	16,988,000	0	0	0
BI Health and Life Sciences - general	75,000	75,000	0	0	0	0	0	0
BI Leverage Gatwick - Business int /ASEAN	1,250,000	5,000	25,000	0	0	1,220,000	0	0
BI Bognor Regis Creative digital hub	250,000	30,000	120,000	0	100,000	0	0	0
BI Chichester High end finance	0	0	0	0	0	0	0	0
BF Business Finance	2,488,000	30,000	0	0	0	2,458,000	0	0
BF LEADER programme	100,000	0	0	0	0	0	0	100,000
EU SPARK project	73,750	0	0	29,500	0	0	0	44,250
EU ERDF Business support project TBC	200,000	0	0	200,000	0	0	0	0
EU Leveraging European funding	25,000	25,000	0	0	0	0	0	0
Annual contributions and misc	247,755	62,755	110,000	0	0	0	75,000	0
Staffing budget (plus LEADER budget above)	522,090	492,545	0	0	0	0	29,545	0
Total	22,976,095	1,048,300	359,000	229,500	17271000	3782000	142,045	144,250

Appendix C Bold Ideas Indicative Allocations in WSCC approved Capital Programme 15/16 to 20/21

Project Title	15/16	16/17	17/18	18/19	19/20 and 20/21	Total Project Cost	From Local Growth Fund
	Actual	Actual	Estimate	Estimate	Estimate	Estimate	
Beautiful Outdoors (capital)	163,000	287,000	500,000	0	0	950,000	335,000
Health and Life Sciences (Novartis)	0	16,988,000	0	0	0	16,988,000	
Leverage Gatwick - Business internationalisation /ASEAN gateway	0	1,220,000	610,000	610,000	1,220,000	3,660,000	3,660,000
Bognor Regis Creative digital hub	0	100,000	900,000	0	0	1,000,000	
Chichester High end finance	0	0	2,000,000	0	0	2,000,000	
Business Finance	1,042,000	2,458,000	1,250,000	0	0	4,750,000	4,750,000
Total	1,205,000	21,053,000	5,260,000	610,000	1,220,000	29,348,000	8,745,000