

Policy and Resources Select Committee

8 December, 2011

Building for Growth: Investment in infrastructure to support growth

Report by Chief Executive and Executive Director Finance and Resources

Executive Summary

In October, the County Council's debate demonstrated a strong determination to sustain and grow the local economy. Members asked the Deputy Leader and the Cabinet Member for Finance and Resources to look at the possibility of allocating a capital expenditure (not revenue) investment fund and identifying a programme of projects to accompany it.

To help to improve the economic picture in West Sussex over the next few years the County Council needs to take a more proactive leadership role to champion growth and support business activity this needs to focus on measures which will stimulate:-

- local economic growth;
- investment by private business;
- job creation, skills development; and
- investment in projects hindered by the economic slowdown that are well advanced in terms of planning, but struggling to confirm funding.

This approach would see the County Council working in partnership and investing in projects that offer good prospects for sustainable economic growth.

Section 2 of this report and the appendix provide details of the programme for investment. Section 3 explains the timeframe and process for allocating the budget and setting up the programme, whilst section 6 sets out the resource implications.

Recommendation

That the Committee is asked to support the proposal to establish an investment fund of up to £15 million and a programme to improve prospects for economic growth in the county, comprising the projects identified within the report.

1. Why West Sussex needs investment

- 1.1 In October, the County Council asked the Deputy Leader and the Cabinet Member for Finance and Resources to look at the possibility of allocating a capital expenditure (not revenue) investment fund and identifying a programme of projects to accompany it. The debate demonstrated the County Council's strong determination to sustain and grow the local economy.

- 1.2 The sluggish economic climate within the country is being mirrored in the West Sussex local economy. Economic growth has slowed over recent years. Business start-up rates have dropped from almost 70 new businesses per 10,000 residents in 2004 to below 50 in 2009. The economy under performs with overall productivity and wage levels below the regional average. GVA (Gross Value Added - a measure of the value of goods and services produced in an area) in West Sussex has been dropping further behind that of the South East, England and the United Kingdom, as shown below.

GVA per head at 2008 prices (ONS)

Geography	1995	1997	1999	2001	2003	2005	2008
UK	11,270	12,682	14,020	15,353	17,044	18,538	21,103
England	11,244	12,700	14,138	15,409	17,160	18,589	21,049
South East	11,312	12,898	14,709	16,277	18,075	19,509	21,681
West Sussex	11,771	13,139	14,299	16,011	17,779	18,591	19,931

- 1.3 Unemployment levels are on a par with the South East. However, in Adur there are only 54 jobs per 100 residents of working age; in Arun 56 per 100 residents of working age; and Horsham 75 per 100 residents of working age.
- 1.4 To help to improve this economic picture over the next few years the County Council needs to take a more proactive leadership role to champion growth and support business activity this needs to focus on measures which will stimulate: -
- local economic growth;
 - investment by private business;
 - job creation, skills development; and
 - investment in projects hindered by the economic slowdown that are well advanced in terms of planning, but struggling to confirm funding.
- 1.5 An injection of both visible support and finance from the County Council would help deliver short-term improvements for the economy, employment, increased activity and a sense of confidence for growth in West Sussex. Whilst short-term benefits have merits in themselves the programme should also seek the support and longer term investment of other parties. These together will result in sustained returns, jobs and growth in West Sussex. The opportunity to drive this programme in partnership with district and borough councils and to work with the Coast to Capital LEP and the three spatial partnerships further enhances the effectiveness of the County Council's investment.
- 1.6 This approach would see the County Council working in partnership and investing in projects that offer good prospects for sustainable economic growth.

2. The Programme of Investment

- 2.1 A significant capital expenditure investment programme should deliver ongoing long-term benefits, and accord with the County Council's policy of

developing a strong local economy by working in partnership. It should also align with the Government's recent statements about the need for public investment to bring forward infrastructure, kick-start development, and protect and create jobs. Eric Pickles (Secretary of State, Communities and Local Government) and Justine Greening (Secretary of State, Transport) stated in the Growing Places Fund Prospectus: "Careful prioritisation and financial management allows us to do more to help support growth in our localities and get developments moving."

- 2.2 Looking to address the broader needs of the community, as well as maximising opportunities through external support, the proposal is for four key strategic projects which will have countywide benefit. The County Council should also support projects that help to meet needs within the three quite distinct economic areas within the county: the Gatwick Diamond; the rural economy; and the coastal strip.

Strategic Investment

- 2.3 Broadband connectivity is an increasingly important feature of everyday living for businesses and residents. However, there are a number of areas that do not have broadband connections and, in some that do, connections can be poor or slow. Broadband Delivery UK has allocated £6.26 million for investment in the communications infrastructure in West Sussex. To release that investment, the County Council will need to match the funding. The combined public sector investment will bring forward private sector investment. The package, which could total £25 million depending on the scale of private investment, will enable much wider access to next generation or "superfast" broadband. It will also bring growth in existing and new businesses, job growth, tourism, business prosperity, reduced social isolation, and easier and cheaper access to services.
- 2.4 The establishment of a community flood prevention fund will help residents and business seeking to prevent flooding of their homes, premises and communities. The County Council, through this project, will contribute some match funding to the resources raised by local communities to attract Government funding in order to reduce the risk of flooding. This will benefit the economy by reducing the time and business productivity lost through flooding, and providing businesses with confidence and certainty. The fund available will total £1.5 million. Further work will be undertaken to draw up the operating criteria for the fund including requirements for match funding.
- 2.5 Chichester Festival Theatre attracts world-class productions and theatre professionals pulling in around £12.5 million per year to the local economy (based on 2009/10 figures). Without investment, the Theatre will be unable maintain its position as a leading regional theatre. The County Council will contribute £1.5 million to the already announced redevelopment project. This alongside proposed investment from Chichester District Council is crucial to unlocking grant funding from the Arts Council in order to achieve the redevelopment. As well as being key to the tourism offer of West Sussex, the project will directly and indirectly support up to 400 local full-time equivalent jobs. Construction work will generate additional jobs. The local authorities' support will bring about a combined public and private

investment package of £22 million. This will support growth of the Theatre's Learning, Education and Participation Programme (LEAP) which, by focusing on establishing a stronger regional hub, increases the participation of young people and provides accessible activities for all. LEAP provides new opportunities to link skills, young people and culture through a growing number of apprenticeships and career ladder initiatives. As well as targeting new areas for satellite activities, LEAP can enhance activities for young people; the target is to reach 54,500 young people in 2016/17 through LEAP. This is in addition to the Technical Youth Theatre and work experience placements. The County Council contribution to the project is conditional on the Arts Council grant being achieved and on the enhanced youth offer. As part of the investment the County Council has also made it clear that its revenue support will cease at the conclusion of the current funding agreement in 2014/2015.

- 2.6 Through a Green Deal (the Government's initiative to support the implementation of energy efficiency measures to households and businesses) retrofit programme the County Council would act as an "anchor" authority, looking to set up a comprehensive, whole house retrofit programme. Initially, the programme could be for a defined set of residential properties - possibly up to 15,000 homes in 2 or 3 locations from an investment of up to £2 million. The programme could include different building types and tenures, involving residents from a range of social and demographic backgrounds. Working with local colleges the programme will help ensure the workforce has the skills required to undertake the work seeking to maintain jobs locally. It is expected that the programme would also generate 400-500 jobs which would be maintained long term as the programme would then be rolled out across the rest of the housing stock in the period to 2020. The County Council investment is subject to approval of a more detailed business case expected in the next six months.

Gatwick Diamond

- 2.7 Manor Royal Business District is the largest single business area of West Sussex and the Gatwick Diamond. However, it is over 60 years old, has been subject to piecemeal development (a feature of complex and fragmented ownership), and has a number of short-comings putting it at risk of losing out to other business parks such as those at Chiswick Park, Hemel Hempstead or Slough. The proposed investment of £600k will help retain businesses key to the local and wider economy. It will also support expanding businesses, and help bring forward key development/opportunity sites by attracting developer interest and new occupiers.
- 2.8 Mid Sussex District Council is keen to develop more starter units for small businesses. Evidence suggests that there is a need for space for new business and also for small, often home-based, businesses to grow into. The aim would be to support enterprise and the development of sustainable job growth on a brownfield site in the ownership of the District Council. With the County Council's support of £600k, the District Council would be able to develop the starter units and meet the other two thirds of the total costs itself.

- 2.9 The main shopping street, West Street, in Horsham Town Centre is outdated and does not support the quality aspirations of Horsham as a retail destination. The current empty retail units within the town are concentrated in this road. Building on the success of the East Street improvements, which have radically transformed the shopping offer and experience, the proposal seeks to undertake similar resurfacing, improved signage and street furniture. The current lack of funds is preventing this programme from going ahead. The County Council is proposing to invest £500k. Working with the District Council this will enable a package of improvements to be put in place that will enhance the retail offer and boost occupancy levels.

Rural Economy

- 2.10 Rural communities including businesses will, of course, benefit greatly from improved broadband services.
- 2.11 West Sussex benefits from a large number of local food producers. Due to low production levels and high distribution costs, these producers struggle to make sufficient profits, hindering growth and job creation. This project seeks to identify new cooperative models of distribution, allowing producers to share costs and develop joint marketing opportunities. The model will be based around smaller distribution areas, seeking an increase in outlet saturation. The model will be developed with key stakeholders including local producers, University of Chichester, Chichester College Brinsbury and Sussex Food Network. The model will, over two years, help 10 businesses continue trading, support 20 businesses to increase their turnover by 20%, retain 20 jobs, create 30 jobs. Once the model has been developed in Chichester District, it could be rolled-out across the County with a significantly increased impact. This project will complement, inform and learn from the local produce project being developed in Horsham. The level of investment the County Council is proposing is £75k.
- 2.12 Horsham District Council and Chichester College Brinsbury (home to a centre of excellence for regional food and drink) are looking to identify and develop retail outlets for local food producers. By building on work by the County Council and the South Downs National Park, this investment can help local businesses grow and reach wider markets across the county. The level of investment the County Council is proposing is £75k. This project will complement, inform and learn from the local produce project being developed in Chichester.
- 2.13 In recent years, information to assist businesses in developing their companies has become fractured. It is believed that social media, such as LinkedIn, Twitter and the web, could assist organisations, such as local authorities and Chambers of Commerce and Industry, to fill this gap. Chichester District Council is seeking to establish a micro-site as a way for local businesses to access support at a local and national level. This site would be developed with local stakeholders and will benefit businesses throughout the District. This proposed level of investment from the County Council is £50k.

Coastal Strip

- 2.14 Economic growth in coastal towns is known to be hampered by a lack of suitable premises. One of the prime targets is knowledge-intensive industries with growth potential including advanced manufacturing and engineering, marine, business services and creative/digital industries. Coast to Capital supported a bid for Bognor Regis as an Enterprise Zone which was unsuccessful. The investment of £600k will help to achieve regeneration in Bognor focussed on the Enterprise Zone bid by attracting higher value employment and raising the aspirations and skills of the workforce.
- 2.15 Worthing faces the challenge of how to reinvent itself in the face of competition from other centres and a slow economy. However, it has the potential to become a more competitive and successful centre as well as being a leisure and cultural destination for visitors. The proposal to invest £300k in improvements to the town centre will provide easier access for tourists, shoppers and visitors. A high quality environment and WiFi will help draw inward investment and employers.
- 2.16 Opening up key development sites will bring forward business for local companies, jobs and improvements to the social and economic infrastructure of our communities. The development of these sites is a particular priority along the coast where appropriate investment will be key to coastal regeneration. Market conditions are such on the coastal strip that sometimes much needed development can stall because the viability of schemes cannot be made to work. There will be a provision of up to £500,000 to assist in this work.
- 2.17 The historic centre of Shoreham is a popular shopping and cultural destination. The proposed investment of £200k, along with contributions from Adur District Council and, potentially, Sustrans, will enhance the public space and improve access to services and facilities, which will stimulate investment in the economy and increase visitor numbers.
- 2.18 The programme and the individual projects all have elements of the following broad criteria:-
- they reflect local projects and priorities (Borough/District Councils, Coast to Capital, area partnerships);
 - they maintain and generate employment opportunities;
 - they make provision for economic growth, suited to new industries and/or sectors important to the West Sussex economy; and
 - they are aligned to the strategic priorities of the County Council.
- 2.19 The programme includes a mix of projects which should deliver wider benefits such as:-
- increased support for vulnerable communities;
 - sustainable development including waste management and energy efficiency;
 - promote local leisure/tourism opportunities to local people, businesses and visitors to the County;
 - faster roll-out of higher speed broadband and adoption of the technologies it supports; and

- specialist construction meeting a particular defined need in the County.

2.20 More detail on the projects is provided in Appendix 1.

3. Timeframe and process

- 3.1 The Government, business representatives and local organisations have identified the need to kick-start developments that have been stalled. Such developments will both deliver key infrastructure and create jobs. Whilst the Government is looking to bring forward development through its Growing Places Fund, a West Sussex investment programme can help address more local specific needs.
- 3.2 County Council in October resolved to bring forward a programme as a matter of urgency. This report recognises that the projects in the programme are at various stages of maturity. The precise timetable for investment will depend, to some extent, on the detailed arrangements for each project. This might include the need to coordinate with partners' schedules for progressing the projects and securing other external investment. For example, the Government's investment plans for broadband improvements run for 3 years.
- 3.3 It is proposed that final agreement to support the projects would be delegated to the Executive Director for Finance and Resources. The Executive Director would need to see, in consultation with the Cabinet Member for Finance and Resources, a business plan, supported by a well-developed business case including costings, for each project. The Executive Director will also need to be satisfied that the project (or at least the part supported by the County Council) is eligible to be treated as capital expenditure. The plans should include demonstrable financial investment from other sources, clearly defined outcomes and returns to be monitored and evaluated by the project lead. Capital expenditure should only be released as they are spent on the relevant project.
- 3.4 The County Council's initial commitment will be made in the budget for 2012/3. We will review the success of the investment fund at the end of the financial year to consider its impact and benefit.

4. Consultation

The proposed programme of projects has arisen from discussion with the seven Borough and District Councils, as well as with the three sub-regional partnerships, the Coast to Capital Local Enterprise Partnership and other external partners.

5. Equality - Customer Focus Appraisal

- 5.1 A Customer Focus Appraisal has been undertaken and is attached as an appendix to this report.
- 5.2 As a result of the initial analysis, the potential benefits of each project and the associated opportunities have added weight and momentum to the

urgency reflected in the Notice of Motion to the County Council in October, and the resulting debate.

- 5.3 In addition, the programme will look for instances through the projects to maximise the positive benefits of the programme. Benefits for communities and individuals need to be driven by the design, delivery and monitoring of each project.
- 5.4 The analysis also showed the importance of the Executive Director and the Cabinet Member for Finance and Resources seeing, prior to the release of funds, a well-developed business case for each project. These should include demonstrable financial investment from other sources, clearly defined outcomes, and returns to be monitored and evaluated by the lead organisation of each project.
- 5.5 The County Council should press individual projects for wider benefits including access to training and employment opportunities, including those who might be more vulnerable or have particular needs; opportunities for local training, development or employment; and physical access to facilities for all where events might be hosted.

6. Resource Implications and Value for Money

- 6.1 Overall, the County Council's capital expenditure investment programme amounts to about £388 million over this year and the next 2 financial years. Much of this is devoted to schools, highways and children's and older people's service facilities.
- 6.2 The Cabinet Member for Finances and Resources is considering plans to accelerate currently planned capital expenditure for the years 2014/15, 2015/16 and 2016/17 and expend the monies in 2012/13 and 2013/14. Bringing forward these schemes will benefit the economy in general and, in particular, provide work for local contractors. These schemes will amount to around £35 million and relate, in the main, to schools, roads and fire stations.
- 6.3 The Cabinet Member for Finances and Resources has identified a potential fund of up to £15 million to support this package of new projects. The programme will be funded from a mixture of capital grant for 2012/13, borrowing, revenue contributions from underspends, and additional receipts. This will be allocated as part of the budget-setting process for 2012/13, and be subject to scrutiny and approval by the County Council. This £15 million investment is part and parcel of the County Council's overall capital programme, but comprises new money. This overall investment of £50 million represents a tangible sign of the County Council's desire to kick-start growth in the West Sussex economy.
- 6.4 The County Council's investment is a contribution to each project. As the detail in the appendix shows for some projects this is match funding alongside other investors.

7. Risk Management Implications

The risks associated with each project (including those relating to the return on investment) should be identified in the relevant business plan on an individual case-by-case basis. The management of risks will be handled by the lead organisation for each project, and the parties charged with delivering the project.

8. Crime and Disorder Act Implications

There are no foreseeable crime and disorder implications associated with this proposal.

9. Human Rights Act Implications

There are no identifiable human rights implications involved in the investment of funds to support economic development and growth in West Sussex.

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Appendices

[Appendix 1:](#) The Programme of Investment
[Appendix 2:](#) Customer Focus Appraisal

Background Papers

The Chichester Festival Theatre Economic Impact Study 2010 Final Report
WSCC bid for the Broadband Delivery UK support
Coast to Capital Enterprise Zone proposal for Bognor Regis
Coast to Capital Enterprise Zone proposal for Manor Royal
Mid Sussex District Plan Consultation Draft October 2011
Worthing Evolution Town Centre and Seafront Masterplan October 20

Agenda Item No. 5