



Coasting along

A study of business impacts and regeneration in south east coastal towns

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Executive summary

Coastal towns in the South East have suffered a slow decline since the 1950s and face severe challenges that require urgent action to prevent further deterioration, and to kick start the coastal renaissance. The fragility of the coastal town economies is holding back the performance of the South East region and creating a two-tier economy in which many people have restricted life chances. However, these coastal towns also have strong assets that, given the appropriate support, could drive their economies forward and create better environments for business and residents.

As we demonstrate in this Report, coastal towns are different from other geographical areas – for example, rural and urban – and therefore require different approaches to their economic revitalisation. Despite a history of decline, the poor state of coastal town economies in the UK has only been noticed in recent years. This is reflected in the relative paucity of funding that has reached these towns.

Commissioned by SEEDA, nef's analysis presented in this Report focuses on the positive impacts businesses have on their local areas and their potential to create stronger, more resilient economies that can improve the well-being of residents. .

This Report identifies the role that business can play in regenerating coastal towns and the current barriers to a larger role for business and entrepreneurship. Examining four towns in depth – Eastbourne, Havant, Margate and Worthing – we discover that each has its own history, character, and set of issues, but there are important common trends between them. Following the analysis of each town, recommendations are presented to deliver improvements in key areas.

This report uses the term 'impact' to refer to the to **economic impact** of Small and Medium Enterprises (SMEs) as derived from the nef Local Impact Model (LIM) which has been applied to each of the four Coastal towns (see chapter two) which measures and quantifies the importance and value of key business sectors to the local economy. This takes us beyond standard economic data to give a clearer picture of the scale and extent of the contribution and impacts of SMEs to the local economy. By quantifying the positive impacts that businesses are having on their local areas and presenting evidence of impacts based on firm size and industry sectors, we provide an evidence base that will enable more informed and targeted policy.

Businesses in the four coastal towns are contributing over £350 million per year in direct local impacts. The findings underline the importance of indigenous businesses to their coastal economies and the need to encourage improved supply-chain linkages and greater local employment.

Some coastal towns have a poor record of attracting inward investment and so focusing on this may be unrealistic given the relatively poor transport and communication infrastructure compared with high growth areas of the South East economy. The focus of business support should be on creating a resilient business base, and complementing the role of SMEs with an enhanced focus on recognising and retaining the important contribution of larger 'anchor' firms.

This is reflected in the results of the Local Impact Model for the coastal towns which point to the importance of a balanced business support model for SMEs. **The total impact of micro businesses on the local economy is more than half the business contributions to the local economy, while the average impact of a single medium enterprise can be up to £500 000**, underlining the importance of strategies to retain and nurture these firms given their significance to the local business landscape.

This study found that the enterprise culture is in need of development in some South East coastal towns. Existing business support would benefit from being complemented by proactive community-based enterprise and business support approaches, for example, BizFizz, a community based entrepreneurship support project supported by nef and the Civic Trust and based in 10 communities in England.

Eastbourne, Havant and Margate/ Thanet are singled out for special interventions as their economies are in particularly poor condition and they contain significant areas of deprivation. Eastbourne in particular has the hallmarks of a failing economy and a range of social and economic problems that undermine its potential.

The final section of the Report presents the recommendations for the coastal towns. These build on the potential of the towns and include suggestions on how to embed and support local businesses, how to enhance the retail offers, and how to ensure local people can both participate and drive forward SEEDA's South Coastal Renaissance.

1. Introduction

The coastal towns that form the basis of this Report – Eastbourne, Havant, Margate and Worthing – would, at a first glance, seem to have some particular advantages. They are located in the most prosperous and fastest-growing part of the British economy, sometimes seen as the economic engine of the UK's growth and a regional economy of European and global significance. These coastal towns have among the best climates in the country and their high quality of life makes them increasingly attractive as places to live.

The only major economic national study of the economies of coastal towns, by Beatty and Fothergill which covers the period 1971–2001, found that, far from declining, coastal towns are experiencing increases in population and employment.¹ However, it is important to note that the study focused mainly on labour markets and employment rather than on providing a wider overview of enterprise and regeneration in coastal towns. However, the study presents evidence that employment in the towns is growing and that they remain attractive places to live and work. The study concludes, "The death of the seaside town seems to have been exaggerated."²

However, Beatty's and Fothergill's study and first impressions may be deceptive. The picture is in fact complex. Paradoxically, although coastal towns may be growing in terms of population and employment, unemployment is higher than in adjacent areas, and many of the jobs are taken by in-migrants, often at the expense of local people.

In fact, coastal towns face a series of acute challenges to their development. Currently, many of their economies are unhealthy and lack dynamism; without more successful local economies these areas will continue to struggle. The role of business in creating and retaining wealth in these towns is central to building less fragile economies. In addition, their futures are inextricably linked to the success of the wider economy and this has significant implications for economic policy in the South East.

The economies of coastal towns demand detailed analysis, as they are complex and not amenable to simple classification. Current analyses have tended to subsume coastal towns within analyses of rural or inner-city urban economies thus obscuring the distinctive nature and specific challenges they face.

This Report has three main objectives:

1. To analyse and quantify the positive impacts that local businesses have in the economies of four coastal towns in the South East.

¹ Beatty C and Fothergill S (2003) *The seaside economy: the final report of the seaside towns research project* (Sheffield Hallam University: Centre for Regional Economic and Social Research). Available at <http://www.shu.ac.uk/cresr/pub/The%20Seaside%20Economy%20-%20Final%20Report.pdf> (accessed 4 June 2005)

² Ibid p101

2. To identify practical ways in which local business can contribute to the regeneration of coastal towns in the South East.
3. To identify where SEEDA and other agencies can improve the economic health of coastal towns and ensure greater collective and individual well-being for residents.

There are a number of secondary questions including:

- To what extent is attracting inward investment realistic given some of the competitive disadvantages of coastal towns ?
- What role can enterprise development and entrepreneurship play in diversifying the economy?

The project is structured around four in-depth case studies. These studies investigated the history, economies and challenges facing the following towns:

1. Worthing, Sussex
2. Eastbourne, Sussex
3. Margate/Thanet, Kent
4. Havant, Hampshire.

Recommendations are made for each of the towns regarding key areas for intervention and improvement.

1.1 The development of coastal resorts in Britain

Coastal towns and resorts are deeply embedded in Britain's culture and history. An island country, Britain was the first to develop coastal resorts and by the end of the century had an unparalleled chain of resorts. Their significance to UK culture is reflected in the rich legacy of depictions of high and low culture in coastal towns, ranging from: Richard Attenborough in *Brighton Rock* to Tressell's *Ragged Trouser Philanthropist*, and from Matthew Arnold's *Dover Beach* to the Margate landscapes of Turner, who is recognised as perhaps our greatest landscape painter. The number of metaphors and references that draw upon coastal references is striking. From Winston Churchill's life and death war rhetoric of, "we will fight them on the beaches", to the end-of-the-pier salaciousness of "*What the butler saw*".

Coastal towns are integral to Britain's economic development, closely related to its position as the earliest industrialised and urbanised economy and society. The rise, decline and potential rise again is closely linked to the changing role of leisure in Britain's post-industrial economy and society.

The seaside became prominent in the eighteenth century offering fresh air, clean water and the newly fashionable pastime of sea bathing. The nineteenth century saw the beginning of mass tourism. Newly built roads and railways gave the expanding urbanised upper-working and middle classes access to the coast, while entrepreneurs and local governments provided the amenities and attractions for them to spend their income. Leisure as an entitlement was symbolised by the 1871 *Bank Holiday Act* with its introduction of paid holidays for all workers. Gradually an industrial approach to leisure and a significant leisure-industry sector developed, providing the distinctive range of entertainments and seaside attractions, exemplified by 'end-of-the-pier shows' and lidos.

Between 1880 and 1911, resorts expanded quickly with the population of the 145 resorts in England and Wales growing from 600,000 to 1.6 million.³ A huge diverse range of seaside settlements sprung up, ranging from fishing villages in the North East looking for extra income, to large towns, like Brighton, which had a population

³ Walton JK (2000) *The British Seaside: Holidays and Resorts in the Twentieth Century* by Manchester: Manchester University Press)

of 100,000 by 1911. By the early twentieth century there were nearly 150 resorts with a permanent population of 1.5 million.⁴ As John Walton notes:

“Britain, and England in particular, had a system of coastal resorts whose scale and complexity was unmatched anywhere else in the world.”⁵

The inexorable rise of the coastal town was to continue with seaside towns some of the fastest growing in the country. By 1951, more than 2.6 million people (5.7 per cent of the population) living in resorts. Worthing, Eastbourne and Margate, with their London and South Eastern catchment areas, had more than 50,000 inhabitants. Although reliable visitor figures for this period do not exist, depictions of summertime in these towns and their economic structures indicate large numbers of visitors during the post-war peak.

The boom in tourism did not last. Between 1951 and 1971, the 39 main coastal towns and cities grew more slowly than the country as a whole. The 1960s and 1970s saw an inexorable decline in tourist numbers as package holidays, cheap air fares and ‘guaranteed sunshine’ put the Bed and Breakfasts, piers, funfairs and ‘kiss-me-quick’ offers of the English seaside town under pressure. In the 1930s, 15 million Britons took their holidays in the UK. Even in 1968, the post-war apogee of the holiday market, 75 per cent of all holidays were taken in the United Kingdom. However, by 1999, the numbers had declined to 44 per cent.⁶ During this time, seaside resorts became more and more dependent on the home market with only five per cent of foreign visitors holidaying in the UK visiting coastal towns. This is a cruel paradox for many British coastal towns.

The sea itself began to receive less positive press with perception shifting away from its health benefits. This was compounded by a spate of adverse publicity regarding major oil spills, such as the *Torrey Canyon*, and stories of polluted beaches. This decline in appeal coincided with the raised expectations of the sun and sand in continental resorts, with considerable negative implications for UK resorts.

The English Tourism Council (now Visit Britain) found that over the last 25 years domestic tourism had stayed relatively constant at 100 million trips, but that seaside tourism had dropped to 22 million from 32 million over the same period.

Historically coastal towns in the South East have been dependent, to a lesser or greater extent, on tourism. The accelerated historic and structural decline of the Tourism sector has presented several key choices for coastal towns. However, research for the English Tourist Council found that,

“There is still a demand for trips to the seaside, but that most resorts are falling short of consumer expectations of quality in a number of key areas, such as accommodation, beach facilities, retail opportunities and overall ambience.”

This observation is borne out by the experience in the four coastal towns that we have visited.

1.2 The South East region and economy

The South East is a region of extremes; some parts of the region are among the most affluent in the United Kingdom while others face long-term decline as a result of structural changes in the economy.

The gap between the economic performance of the coastal towns and the rest of the South East region is significant and growing. This uneven growth in the South

⁴ by 1911

⁵ Walton JK op cit

⁶ Ibid.

East is unsustainable in the long run because of the social and economic inequalities it creates; significant lost opportunities result from important areas of the South East lagging behind the fast-growth areas. This uneven growth contributes to a South East economy that contains 'hot spots' in which the economy is overheating while other areas continue to decline.

The Government's *Index of Multiple Deprivation* for 2004 shows that there is a pattern of significant concentrations of deprivation located in coastal towns in the South East. Thirteen of the nineteen local authorities (69 per cent) in the South East that contain more than five Super Output Areas in the 20 per cent most-deprived wards are coastal towns. Nine out of ten of the South East's most deprived wards are in coastal towns or cities.⁷ There are also towns with high absolute levels of deprivation; for example, half of the population of Thanet lives in deprived areas.

The coastal towns can be characterised as places that are 'failing to thrive'. Their growth, and that of the wider South East economy, obscures a set of increasingly intractable economic and social problems. Coastal towns are largely failing to face up to the need to adapt and create more diverse and entrepreneurial economies while preserving their traditional strengths and the attributes of the English coastal town.

Without clear action to address these issues, these towns are at risk of being left behind – coasting along into decline and becoming economic and social backwaters, isolated from the mainstream of the regional economy.

The South East is the second-largest regional economy in the UK with a Gross Domestic Product of £140 billion.⁸ Between 1990 and 2000, the economy grew faster than the national average and is predicted to continue doing so. Financial services, catering, distribution, and hotels are the largest sectors of the economy. However manufacturing remains important with employment and output the third-highest of all the regions. In terms of firm size, nine out of ten firms in the region are small and medium-size enterprises (SMEs). Regional differences mean that there is a significantly higher concentration of large firms in Berkshire and Surrey than in East and West Sussex and Kent.

Business start-ups for VAT-registered businesses and survival rates in the South East are the highest in United Kingdom. Business start-up rates in Windsor and Maidenhead, which have the highest start-up rate in the South East of 73 businesses per 10,000 population, is twice the level of Portsmouth (Havant forms part of the Portsmouth conurbation). Start-up rates for VAT-registered businesses average 21/10,000 in the deprived wards compared with a regional average of 31/10,000.

However, as alluded to by James Braithwaite, Chairman of SEEDA, the South East does not compare so well with other European regions in terms of key indicators, such as GNP and productivity. For example GDP per head in the South East, although the highest in the UK, only ranks 21 out of 23 European Regions in 1999.

The context: coastal towns in the South East

Many of issues facing the coastal towns are summed up in an interview with James Braithwaite, Chairman of SEEDA. This sets out some of the deep-seated problems faced by coastal towns in particular and the South East in general.

"The coastal plains are cut off from transport. We're spending a lot of time and effort to regenerate our coastal towns...the premise is still that the South East is all right and the rest of the country needs fixing...look below the South East's surface and you'll find serious and pressing problems. We certainly don't have world-class transport, we have 80 per cent broadband coverage, but take-up is only 14 per

⁷ Pam Alexander 'Working Toward a South Coastal Renaissance', SEEDA website

⁸ Economic Profile of the South East SEEDA 2002

cent. Our job is about education and getting the skills: not just the skills gap that we know exists, but management skills too. We have one million people who are functionally illiterate. How can you be a world-class region with such a long tail?"

Globally, we are behind the Japanese, the Americans, the French and the Germans."⁹

"Everybody always thinks the job is done in the South East: because we're the best in Britain it doesn't mean we are the best in Europe. We are 34th in the world among regions of our size. There's still a role for the South East to climb higher up that ladder. We're not comparing ourselves with the North East, we're comparing ourselves with the Isle de Paris or Frankfurt or southern California. If we achieve the level, we add to the prosperity of the country; we are not successful in terms of productivity. There are nearly 2.4 million people in East Sussex and Kent, with a GDP of less than the north east of England."

So if the South East is going to catch up or keep pace with its global and regional competitors, the relative decline of the coastal strip needs to be arrested. A healthy and prosperous economy on the coast would enable the South East economy as a whole to punch above its weight."

There are a number of barriers that constrain business and regional competitiveness. These include:

- Inadequate transport infrastructure and congestion.
- Skills shortages – one million people lack basic skills.
- Affordability of property.
- Low productivity growth.
- High levels of economic inactivity.

The South East's ability to close this gap with its competitors is to a large extent bound up with improving its economic performance in under performing areas, such as the coastal towns. The widening regional disparities also lead to an unbalanced and unsustainable regional economy, as well as social exclusion.

This point is borne out by a closer look at the subregional economies for each of the coastal areas in the study.

- GDP in East Sussex where Eastbourne is located is the third lowest GDP in the country below Liverpool, Newcastle and Glasgow
- Havant's economy is similar to a Midlands industrial towns and has significant disinvestment by large employers in recent years
- Margate's had the weakest economy and the highest levels of poverty and deprivation of the towns studied.
- Worthing has the strongest economy of the four studied but this conceals significant gender inequality in the labour market with women's wage rates only 70% of the male equivalent and high levels of unpaid care for women.

In East Sussex, the county within which Eastbourne is situated, GDP per head is the third-lowest in the country and is below Liverpool, Newcastle and Glasgow.⁹ East Sussex has high levels of economic inactivity and a weak industrial base. However, East Sussex has a higher-than-national-average proportion of people in work and lower unemployment.¹⁰

Havant has a weak economy in an underperforming sub-region and its local economy is overshadowed by Portsmouth which provides about half the jobs in the

⁹ Hansard column 4197 November 2002

¹⁰ SEEDA (2002) *Economic Profile of the South East*

conurbation. The South Hampshire economy is weaker than the Hampshire and South East economies and Havant is performing less strongly than South Hampshire. Havant's economic landscape has been compared with that of a Midlands industrial town and, in recent years, has experienced significant disinvestment by major businesses and employers. Though parts of Havant borough are affluent, there is a significant concentration of disadvantage in the Leigh Park area with poor educational outcomes and limited employment opportunities.

Margate has the weakest of the four coastal town economies. Margate forms part of the Thanet local authority area. A study of the Thanet economy in 2002 concluded, with characteristic understatement, that, "All is far from well in the local economy at present...a broader base for the economy is desperately needed."¹¹ Growth in employment has been slower than most seaside towns and there are substantial structural problems with the local labour market. Almost all the job growth in Thanet is accounted for by immigration of the 30+ age group to the detriment of longer standing local residents who have to commute out of Thanet to find work (sometimes as far away as Canterbury). It also has the highest overall concentration of poverty and deprivation of the four towns studied.

Compared with the other coastal towns, Worthing has the most resilient economy. However, while West Sussex county has a Gross Value Added per capita per annum of £13,844, higher than national figures, it is lower than the regional average of £14,293. The proportion of economically active and unemployed people is lower than the South East and nationally.

The average gross weekly wage of employees is lower in West Sussex (£457) than in the South East and Great Britain as a whole. There are stark differentials in pay between men and women, particularly between low-paid men and women. On average women earn £10.31 an hour compared with £13.85 for men, that is 70 per cent of men's weekly wages. There is a high amount of unpaid care, especially performed by women, with 12 per cent of women compared to 1 per cent of men listing caring as their main activity.¹²

¹¹ Beatty C and Fothergill S (2002) *A case study of Thanet*

¹² Census Bulletin (2002) *Economic Activity in West Sussex*, (West Sussex County Council and Adur, Arun and Worthing Teaching Primary Care Trust).

1.3 Key characteristics and challenges facing coastal towns

1.3.1 What makes coastal towns and resorts different and distinctive?

Coastal economies have a significantly different economic ecology than other areas and do not fit neatly into traditional economic typologies and models employed by practitioners, such as inner and outer urban areas. Coastal areas are often included as part of rural areas and lumped together with market towns for the purpose of analysis and regeneration funding. The Government to date has not accepted coastal towns as a distinct economic category, despite their having a set of features and characteristics that set them apart from other areas. Closer understanding and recognition of these distinctive features and needs is required in order to develop effective policy solutions. This section examines what makes coastal towns distinctive and different.

The sea, 180-degree hinterland and peripherality

At the risk of stating the obvious, the sea itself is a defining characteristic of the local coastal economy, reinforcing the peripherality of coastal towns. The sea, whether at high or low tide, determines the limits and borders of coastal towns. For some ports and seaside villages, the sea is an important economic resource providing revenue and employment via shipping or fisheries and contributing to the economy of the town through port and warehousing facilities. For the coastal towns and resorts considered in this study, however, the sea itself provides a physical barrier to development and is largely economically unproductive in its own right. These towns face the disadvantages of having a 180-degree hinterland potentially limiting their market to half the size of that enjoyed by most neighbouring towns.

Poor transport infrastructure, isolation and remoteness

Poor transport connections make links to local towns and urban centres difficult. Often there is only one major road in and out of the area and local businesses complain of severe congestion during peak months. The result is unreliable transport times with the associated costs these bring for businesses. The seasonal nature of transport demand can make it difficult to justify improving roads when competing against other road schemes facing all-year-round increases in demand.

The decline in freight services means that rail is no longer a realistic option for business transport to and from the coastal towns, while passenger services are often costly and unreliable. Branch line closures (the Beeching cuts) ended some direct rail lines to resorts such as Eastbourne. This compounds the economic and physical isolation facing many coastal towns. The seasonal nature of the economy means that the off-season months have lower levels of economic activity and can seem particularly bleak for businesses and residents. Relatively poor transport and communication infrastructure can serve to compound the sense of isolation and peripherality.

The transport infrastructure and seasonal pressures on the road networks can make coastal towns less attractive as places for businesses to remain, locate or re-locate. Being isolated from local, regional and national markets is a serious constraint for businesses. SEEDA has identified weak economic infrastructure as the main explanation for the under-performing economic status of the South East coastal town strip. SEEDA does not spell out the nature of this infrastructure but poor transport links and the consequent isolation of the coastal towns for the south eastern economic mainstream would seem to be key factors. Our analysis supports this conclusion, though it outlines a range of other challenges and their potential solutions.

Distinctive urban and morphology

Coastal towns have a distinctive geography and urban morphology making them difficult to fit into traditional economic morphology studies. For example, neither

Burgess's Concentric Ring Model nor Hoyt's Sector¹³ urban land use model has significant explanatory power for coastal towns and are inappropriate.¹⁴ Indeed, there is a lack of appropriate frameworks and typologies with which to explain and analyse coastal towns

The main seaside or coastal road is likely to be a distinct and separate focus for hotels, shops and visitor attractions, often located some distance from the central business area. Links between these two areas can be surprisingly poor with little footfall and throughput, and inadequate signposting between the two focal points. In Worthing, a council officer interviewed observed that it is quite possible to visit the town centre and be unaware that the coast is less than two minutes' walk away. This paucity of local signage and links creates an unhelpful separation between the town centre and its coastal assets.

The paradox of growth and decline

Coastal towns continue to grow because they are seen as attractive places to live and they are not suffering the acute population and employment losses or property value declines found in 'one-industry' towns and declining industrial areas. Indeed, employment appears to be growing, with one major study showing that there are now one-third more jobs in seaside towns than there was twenty years ago.¹⁵ However, how many of these jobs go to local residents versus those taken by in-migrants is a key issue. In addition, the quality of the jobs created is in question, with many in the low-wage service sector. This growth in employment may explain some of the reluctance and tardiness of government to address the social and economic problems facing coastal towns.

As the Local Government Association reports, coastal resorts tend to have higher crime and unemployment rates than other areas and contain low levels of economic activity (eight per cent below the national average) and high levels of part-time (and often low-wage) employment.¹⁶ These areas have many symptoms of decline:

- Out-of-date visitor attractions.
- Unattractive town centres.
- A range of severe social problems including high rates of substance abuse.
- Pockets of severe deprivation.
- Ageing and uneven population structure.
- Lack of entrepreneurial culture.
- Dependence on a single industry.
- Poorly maintained housing.
- Lack of civic and business leadership.

There is a real paradox of growth and decline that lies at the heart of the challenges faced by seaside towns in the South East of England.

Industrial towns with a view? Tourism and coastal resorts

John Walton succinctly sums up the economies of coastal towns,

"At bottom, the seaside resort is an industrial town selling access and enjoyment of a desirable environment. Its dominant employments involve servicing the needs of visitors and residents, building and maintaining accommodation, selling goods and entertainment, keeping up an attractive

¹³ e-mail from Ruth Townsley nef Associate to author.

¹⁴ Beatty and Fothergill *op. cit.*

¹⁵ Beatty and Fothergill *op. cit.*

¹⁶ Local Government Association Coastal Special Interest Group Report on Coastal Economic Development.

*environment, sustaining a sense of security, moving people to and fro and ministering to their daily needs.*¹⁷

The situation of British coastal towns has some parallels with the fates of some of the American coastal towns, such as Asbury Park, New Jersey (as immortalised by Bruce Springsteen in his first album *Greetings from Asbury Park*). These towns were thriving in the 1960s and but had become 'ghost towns' by the 1990s as Americans increasingly chose the guaranteed sun and Disney package holidays in Florida and the extravagant casinos of Las Vegas and Atlantic City.¹⁸

Peter Moore, chair of the English Tourism Council Resort Regeneration Taskforce, in discussing the UK experience argued that:

*"The decline in resorts has been slow and subtle but therefore difficult to detect, but none the less serious for all that. It has left the resorts more dependent on their role as a place to retire or residential, weakening the economy while placing new demands on public services."*¹⁹

Historically, tourism has played a significant structural role in the economies of coastal towns and resorts in the South East. The resorts face key challenges in diversifying their economies and reducing their dependence on the tourism sector. A key focus of this Report is on the role enterprise development and entrepreneurship can play in diversifying and strengthening the economy.

In addition to addressing these core questions, the towns must meanwhile ensure that they continue to attract visitors with a tourism 'offer' that is in tune with the modern requirements of a changed tourism market.

1.3.2 Seasonality

The economies of coastal towns are seasonal, peaking during the spring and summer months between April and September. Employment and economic activity peak during this period with a range of temporary and part-time jobs in hotels, restaurants and the services sector. In-migrants, rather than local residents, take many of these jobs.

Access to regeneration funds

Unlike other declining industries, such as steel making and coalmining, tourism has not been recognised as such. Moreover, perhaps as a result of the physical isolation of coastal towns, their perceived good quality of life and continued population growth, warning signs of economic decline and deprivation were slow to be recognised. As John Walton points out, these trends were identifiable by end of the 1960s.²⁰ However, the issues were not recognised as a regeneration problem requiring specific action until the turn of the millennium! In fact, no coherent targeted regeneration programme was directed at coastal towns until the late 1990s. The English Tourist Board's *Tourism Development Action Plan* gave some support to Torquay and Morecambe to modernise their tourism facilities from 1986, and followed on with a few local initiatives in resorts in the 1990s, but these efforts were largely piecemeal. Until 1999, seaside towns were not eligible for European Union structural funding, a major disadvantage given its availability to other areas facing similar levels of economic structural change.

Moreover, as the British Resort Association (BRA) argues, struggling resorts did not receive central government support like inner cities and did not get money for regeneration.²¹ This is borne out by the record on two of the major sources of government regeneration funding, Single Regeneration Budget (SRB) and Neighbourhood Regeneration Fund (NRF) funding.

The BRA notes that in 1998 that:

¹⁷ Walton *op. cit.* p.143

¹⁸ Ibid.

¹⁹ Locum Destination Review October 2003

²⁰ Walton *op. cit.*

²¹ Andy Beckett Albion Limited The Guardian 23 May 2005

“Regrettably, access to SRB funding is severely limited. Few resorts currently qualify for assistance and where they do, tourism related issues often fail to be recognised as meeting the socio-economic criteria necessary to access funding.”²²

Coastal resorts received less than 5 per cent of funding in SRB Rounds 1–3 and less than 3 per cent in Round 4. By Round 5, the Government had shown signs of recognising the problems and announced in 1998 that SRB would be used to target areas of deprivation outside the main area that had hitherto received funding. Coastal towns were specifically targeted and 44 of the bids for Round 5 were for regenerating coastal towns. The creation of the Regional Development Agencies (RDAs) has helped to focus attention on coastal towns. Their regeneration appears as a priority in some Regional Economic Strategies (RES) and features in SEEDA’s priority regeneration areas and Area Investment Frameworks. Over the last five years there has been a significant increase in SRB/Single Pot for coastal towns and major coastal town renaissance initiatives in Hastings and Bexhill.²³

Few resorts – and none of the towns studied in this report – are in the 88 local authority areas that received Neighbourhood Regeneration Fund (NRF) resources. The 2000 *Index of Deprivation*, which was used as the basis for NRF funding, is not an effective mechanism for highlighting areas with more localised concentrations of deprivation in resorts. Members of Parliament representing coastal towns also argue that local-government-funding formulas failed to pick up the specific needs and demand in coastal towns for social services. In 1998, Southend estimated its shortfall for Social Services alone at £2.5 million, largely as a result of the ageing population becoming more dependent on social and health services.

This story has important implications for public policy on regeneration. Funding schemes and measures of deprivation at a European and national level were insufficiently dynamic and flexible to pick up a trend of decline in seaside resorts that set in from the 1960s onward. This failure meant that there was inadequate provision and insufficient action to prevent further decay and decline. As a result, urgent remedial action has become even more necessary if the situation in coastal towns is to be remedied, let alone to provide the basis for the ‘Coastal Town Renaissance’ that is so often discussed.

The results of this oversight are stark. As Andy Beckett pointed out in the Guardian

“The result was a coastal England that became a familiar symbol of national decline during the 1980s and early 1990s: boarded-up buildings, dirty sand and shingle, residents and tourists who always looked defeated to visiting journalists.”²⁴

A mobile and transient population

The availability of relatively cheap and plentiful rental accommodation in the form of B&Bs and small hotels, and the quality of life offered by south coast resorts, have made coastal towns an attractive location for benefit claimants. This provides a useful source of income for proprietors facing declining revenues from tourism. As a result, concentrations of claimants have built up in particular resorts bringing with them a new set of needs that place significant financial and managerial pressures on a range of public services. Claimants based in the coastal towns are facing services that are under severe pressures, stigmatisation, social exclusion and isolation from long-term residents. This has been a particular problem for resorts such as Brighton, Bournemouth and Margate.

²² Quoted in Hansard 2 December 2002 column 826

²³ SEEDA (2004) *Coastal Town Regeneration* 12 May 2004

²⁴ Andy Beckett op cit

The cycle of property decline

The decline in tourism has had serious consequences for the physical state of streets and neighbourhoods. B&Bs tend to cluster in streets adjacent to one another and to the sea front. The decline in tourism income for B&Bs has led to a cycle of decline with the first closure of a B&B in a street being swiftly followed by the closure of other neighbouring establishments. These premises then either remain vacant or are converted into unlicensed 'Housing of Multiple Occupation' providing low-quality rentals. The properties are poorly maintained and whole streets and neighbourhoods begin to take on the characteristics of slums, affecting property values and making the resorts less attractive to visitors.

Low-wage, Low-skill jobs

The character of employment is another important factor. There are a large number of low-wage, low-skill, and part-time jobs concentrated in the service sector of the economy, particularly in hotels, restaurants and ancillary sectors. These jobs have relatively high turnover rates and generally do not provide attractive long-term job prospects for young people. This has two main effects. The first is that little wealth is created for local people, making it difficult to break out of the low-wage cycles. Secondly, young, potentially highly productive people are tempted to leave the area to seek better employment opportunities.

The informal economy

No significant studies exist of the role and nature of the informal economy in coastal towns. However, leading commentators expect that there is a relatively large informal economy in the hotel, restaurant and entertainment sectors, with 'cash-in-hand' and undeclared income playing a major role.²⁵ There may be a great deal of untapped potential in this informal economy and this will be explored later.

Asymmetric demography

Resorts have become increasingly attractive as retirement and residential areas. Retirement has brought an influx of economically inactive elderly and very elderly residents with subsequent heavy demands on social and health services. Citizens looking for a 'life change' or attracted to the environment and quality of life of coastal towns have relocated to resort towns. At the younger end of the age range, school leavers and graduates tend to leave the towns because they are attracted to better educational and work opportunities in London and thriving parts of the South East.

The population structures of coastal towns tend to be particularly uneven. Fothergill found virtually no in-migration of the 25–35-age-group but rather a high out-migration rate for this cohort.²⁶ Conversely there is significant in-migration from the over-35 population and there is a large concentration of elderly people reflecting the town's retirement and residential roles. Add to this the presence of a large transient population, and there are significant weaknesses in the likely entrepreneurial and productive labour force.

Social problems

Many coastal towns face a set of deep-seated and interconnected social and economic problems, particularly drug and alcohol abuse, high long-term sickness rates and 'benefit tourism'. Moreover observers have pointed to a disturbing pattern with some of the country's highest suicide rates in coastal resorts; two of the top eleven were in South East seaside towns.

"Suicide rates in Britain are at their lowest level for 30 years, but a high proportion of them take place in seaside towns. There were large regional

²⁵ E-mails to author from Professor Williams, University of Leicester and Aaron Barbour Street UK. Conversation with Andrea Westall, Deputy Director, nef.

²⁶ Beatty and Fothergill also found that "the age structure was skewed with young people leaving and older population groups arriving" *op. cit.*

*disparities across England and Wales. The highest suicide rates were in Blackpool, where there were 23.7 deaths per 100,000 population, followed by Torbay, Middlesbrough, Brighton and Hove, Conwy, Boston, Eastbourne, Neath Port Talbot, Wyre Forest and Barrow-in-Furness) seaside towns/resorts in bold*²⁷

Office for National Statistics

Unemployment and economic inactivity

Unemployment is generally higher in seaside resorts than the national average. In some resorts it is twice the national average, and in some areas, the rate is comparable with the rates of inner city areas. The level of unemployment is often hidden and is higher than it initially appears. Resorts are often situated in large travel-to-work areas where the aggregate unemployment rate is lower, obscuring a higher local rate in the resort – three-quarters of the seaside towns studied have unemployment rates higher than those in adjacent areas, and, in some cases, unemployment is much higher. Secondly, there is hidden unemployment not captured in the figures. There are large numbers of economically inactive, including the long-term sick and women carers, many of whom are single parents who want to work. Beatty and Fothergill found that the real unemployment figure is 60 per cent higher than the official figures.²⁸

Creating a diversified and entrepreneurial economy in which tourism can continue to play a role is key to the future of thriving coastal towns.

All of these factors have combined to place traditional coastal resorts under severe pressure. Accommodation in British seaside resorts is of variable quality with the 'offer' from the traditional B&B looking somewhat dated and tired with often poor-quality accommodations. At the same time, more up-market accommodation is often relatively expensive and has trouble competing on a 'value-for-money' comparison with continental equivalents.

1.3.3 Beach facilities.

Once again beach facilities suffer in comparison with competitors. Visiting Eastbourne and Worthing, there is little in the way of modern, state-of-the-art entertainment available on the beachfront. This was highlighted as a key issue in interviews with business and economic development staff. Worthing Pier, an attractive art-deco structure with great potential as an iconic centre piece for the resort, has little to offer the daytime visitor, especially families. It has a forbidding games arcade (blacked-out windows), a theatre offering a range of traditional variety concerts and a nightclub holding low-priced all-nighters. The Lido, also an attractive seaside feature for families, is awaiting redevelopment and currently provides a limited offering.

The retail sector often looks dated and unattractive. Many streets show signs of clone towns with 'tired' shopping centres, a preponderance of second- or third rank chain stores, and little to differentiate them from any other shopping centre in the South East.

In 1999, the Consumers' Association concluded:

"The overriding impression of our traditional resorts is of ageing infrastructure, tired ideas and low quality accommodation."

Moreover the trend in declining visitor numbers creates a vicious circle where it is difficult to generate or justify private-sector investment in better visitor facilities without an assurance that more visitors will be attracted. Without the extra investment, facilities become more and more inadequate and useless for customer needs.

²⁷ Office for National Statistics source: netdoctor.co.uk/news 11 March 2005

²⁸ Beatty and Fothergill op. cit.

One observer commented:

*"It would take a huge growth in day visitor and short stay business to supplant the long-stay business that the resorts are losing...they need to start thinking of themselves not as places where tourism dominates but as places where it simply plays an important role. Places to live and work and offering high quality day visitor, short break and conference destinations."*²⁹

A major study of the economies of coastal resorts concluded:

*"The British seaside tourist industry should not be written off as in terminal decline. Clearly there have been structural changes, but the resilience of employment in large swathes of the service sector in seaside towns' points towards a surprisingly successful economic adaptation in the tourist economy. There is a large and viable seaside tourist trade that needs to be nurtured ."*³⁰

However this perhaps underplays the low-job quality and low-wage/skill nature of much employment.

The challenge for coastal towns in the South East is to move toward a diversified economy while retaining a significant role for tourism that is in tune with the needs of today's more selective customers. The answer may be to develop them as places to live, with a range of attractions and facilities that appeal to residents' leisure interests in the hope that those precise elements would appeal to people as a place to visit.

²⁹ Locum Destination Review Autumn 2003

³⁰ Beatty and Fothergill op. cit.

2. Coastal towns profiles and economic impact model results

This section of the Report presents profiles of the economies of each of the four coastal towns, setting them in their wider sub-regional context. The profiles also contain the results and analysis of **nef**'s Local Impact Model (LIM) for each town.

The LIM aims to measure and quantify the importance and value of key business sectors to the local economy. This takes us beyond standard economic data to give a clearer picture of the scale and extent of the contribution and impacts of SMEs to the local economy.

In disadvantaged areas, like those in the coastal towns studied, there are typically fewer employment opportunities and less wealth than in other more affluent areas. The role of the business sector is particularly important to revitalising these economies. Without a vibrant business base that benefits the local economy, the coastal towns will not move beyond their current economically fragile states.

It is widely accepted that regeneration is more sustainable where business engagement and connectivity between businesses and communities in deprived areas are high. Prevailing economic wisdom automatically associates business presence with positive local impact, but in reality, it is hard to provide evidence of what constitutes effective business impact at the local level. At a regional policy level, understanding the key elements that create positive business impacts within deprived areas is vital to maximising money flows from businesses within these areas to excluded communities.

The extent of benefits created in deprived areas rests, at least in part, on the degree to which businesses employ local people and purchase goods and services from the local businesses where they are based. In simple terms, if businesses employ people locally, the incomes earned by these employees will contribute to economic development if a proportion is then spent locally. Similarly, if an organisation purchases goods or services from a local firm, the supplier will receive income, some of which will be spent in turn on local procurement and on local employees.³¹

The key to understanding businesses' local impact is a careful evaluation of their spending and employment patterns. This spending is an essential component of the money circulating and re-circulating in a local economy and a determinant of the wealth an area is likely to generate and retain. Without sufficient money flowing through a disadvantaged area that incorporates local people, it is not possible to escape low incomes and low-wealth economies.

³¹ Ward B and Lewis J (2002) *Plugging the Leaks* (London: **nef**); Sacks J (2002) *The Money Trail* (London: **nef**).

Spending of businesses is examined in three areas:

1. Spend on employing local people.
2. Purchase of local goods and services.
3. Financial and in-kind contributions to the local area, for example, donations to local schools and staff time devoted to local schemes.

Through examining these three areas of spending, insights can be gained into individual firm's impacts and its wider effects on the local economy..

This study focuses on four major sectors of the economy in the coastal towns studied:

1. Production industries (e.g. manufacturing)
2. Retail
3. Hotels and catering
4. Property and business services

Property and business services correspond to the Real Estate, Renting and Business Activities sector in the Standard Industrial Classifications. This includes all real estate activity, renting of machinery, computer and related activities, and a wide range of business services including legal, advertising, cleaning and consulting.

These sectors have been selected because of their importance to the economies studied and because robust data is available for analysis. However, to provide additional insight, where possible, analysis is included of other industry sectors.

Examining how impacts vary by firm size and by industry sector can help inform policy-making targeted at regeneration. Impact modelling provides approximate values for business effects based on rigorous data analysis. The results presented here provide a basis for investigating firms' impacts and for designing policies to enhance businesses' roles in coastal economies. The methodology and parameters of the LIM are presented in Appendix A.

2.1 Eastbourne

- Eastbourne is situated in a weak and rapidly declining sub-regional economy and the gap with the rest of the economy is widening. East Sussex has a Gross Value Added (GVA) per head of only £9,983; only 69 per cent of the national average. It was 80 per cent in 1995.
- Businesses in Eastbourne contribute a total of £120.7 million to the economy in terms of impacts as outlined on page 19.
- Micro firms contribute by far the largest proportion of that impact, with nearly 63 per cent of the total.
- However, medium-sized firms have considerable average impacts per firm.
- The property and business-service sector makes the largest total impact on the local economy, followed by the production and retail sectors. Hotel and catering is now only the sixth-largest sector, reflecting the decline of tourism in the economy.
- Average company impact in the production sector is higher than in the retail, hotel and catering and business services sectors. Medium-sized companies provide the biggest average economic impacts. Retail businesses are generating relatively high average impacts pointing to the importance of this sector in generating local impacts on a firm-by-firm basis.
- In terms of SME firm size, micro businesses form the largest component of the retail and hotel and catering sectors with medium-sized businesses forming the largest section of the production sector.
- Average full time earnings are £417 per week compared with a South East average of £537. The percentage of the workforce earning under £250 per week is 33 per cent compared with 19 per cent for the South East and 23 per cent for the UK respectively.
- 80 per cent work in sectors where the wage levels are less than the national average

- Poor educational outcomes have led to skill mismatches with 16 per cent of the workforce having no qualifications compared with 11 per cent nationally.
- The service sector comprises 80 per cent of the economy.
- The average firm employs 12 people.
- Eastbourne is experiencing relatively fast population growth and this is forecast to continue.
- Poor transport infrastructure (road and rail) reduce the attractiveness of Eastbourne for inward investment or as a place to do business.

Eastbourne was essentially a small fishing village until the nineteenth century. Its emergence as a seaside resort dates from the opening of the railway line in 1849. Described as a “town planned by gentlemen for gentlemen”,³² in the second half of the nineteenth century elegant streets and boulevards were developed and the Winter Gardens and the pier opened in the 1870s. According to the Community Strategy, Eastbourne is located where the “chalk uplands of the South Downs, the Southern Vale Weald and the Coastal Marshes or Levels meet at the sea”.³³

Reverse J.K. Galbraith's famous dictum about private affluence and public squalor, Eastbourne is characterised by public affluence and private squalor. There is an attractive pier and seafront that was created at the apogee of mid-Victorian Britain, but this is juxtaposed with concentrations of unfit housing, high rates of mental illness, crime, poor access to services and high concentrations of deprivation. Eastbourne exhibits many of the characteristics of both a peripheral and a 180-degree economy, with poor transport links to other parts of the country and its rural hinterland. Business take-up and use of ICT and broadband appears to be patchy with many businesses unaware of how to unlock the potential of ICT to enhance their business offer.³⁴ This is vitally important since ICT can play an important connectivity role in improving communication, identifying new market opportunities, reducing costs, and streamlining procurement processes. These advantages could help to counteract Eastbourne's peripherality and poor transport infrastructure mentioned above.

2.1.1 The East Sussex context

To understand the position of Eastbourne it is necessary to examine the East Sussex context. East Sussex has a population of approximately 500,000 with the highest proportion of elderly residents in the England. Gross Value Added (GVA) in East Sussex is £9,983 per annum, which is only 69 per cent of the national average and represents a decline from 80 per cent in 1995. East Sussex's GDP per head is the third-lowest in the country, below Liverpool, Newcastle and Glasgow.³⁵ However, East Sussex has both a higher-than-national-average proportion of people in work and lower unemployment. East Sussex has high levels of economic inactivity and a weak industrial base.³⁶

Small firms dominate the economy but growth in VAT-registered businesses is below the South East average. Average gross weekly wages for those working in East Sussex at £445 are 17 per cent (£91) below the South East average – the lowest average wage in the South East (excluding the Isle of Wight).

The latest *Index of Deprivation* figures show East Sussex as the most deprived county in the South East. The availability of social housing is very limited and has

³² Walton *op.cit.*

³³ *Shaping a Future Together* Eastbourne Community Strategy 2005-2020

³⁴ Conversations with Economic Development officers and Eastbourne hub director. Interviews with local businesses.

³⁵ Hansard column 4197 November 2002

³⁶ SEEDA (2002) *Economic Profile of the South East*

actually fallen as proportion of the overall available housing over the last 25 years.³⁷

Eastbourne has a population of 91,000. This population continues to grow, expanding by 8.3 per cent between 1991 and 2003; it is projected to grow by 7.6 per cent by 2011. The 2001 Census reported an increase in the number of young people and 30–59-year-olds but little change in the number of elderly residents. There appears to be two overall trends (but more data is needed):

1. Parents moving to the area so their children can attend (largely private) schools.
2. More general inward migration from people looking for an improved quality of life.

Eastbourne faces considerable stress on its housing stock as a consequence of house prices increasing significantly in the past decade.

- High ratio of wages-to-housing costs means locals are priced out of the market.
- Only 30 per cent of public housing meets the Government's Decent Homes Standard. Repair and upkeep is a particular problem for the elderly and disabled.
- There is a significant shortfall of affordable housing. The East Sussex Area Investment Framework estimates that 450 units are needed by 2006 but only 100 have been built.

Transport

Eastbourne has relatively poor infrastructure, both rail and road, and this serves to reinforce its peripheral situation. Given the transport difficulties, people largely do not choose Eastbourne as a place to commute from or to locate or re-locate businesses.

The A27 remains a major problem and Eastbourne still feels the effects of the Beeching cuts. Though there are high rates of car ownership in the county, almost half the households without cars live in Eastbourne and Hastings. Gatwick Airport is one hour away but the overall picture is of limited transport connectivity and communications.

Deprivation

The figures from the 2004 *Index of Deprivation* paint a clear picture of local concentrations of deprivation in Eastbourne.

³⁷ *ibid*

Table 1: Index of deprivation 2004 for Eastbourne

| | Number of SOA's in bottom 10% IMD | Number of SOAs in bottom 20% | Most deprived SOA ranking, out of 32,482 SOAs in England. 1= most deprived. |
|--|---|---------------------------------|---|
| Overall I.D. | 1 | 4 | 2730 |
| Living Environment | 2 | 7 | 2100 |
| Health and Disability | - | 5 | 3953 |
| Income | 0 | 8 | 3507 |
| Barriers to Housing and Services | 9 | 25 | 492 |
| Education and Skills | 63 | 7 | 2237 |
| Crime | 84 | 48 | 455 |

Aside from other patterns of crime, there is evidence of a high level of substance abuse particularly regarding crack cocaine. Health outcomes are also generally poor and one in four people suffer some kind of mental health problems. Eastbourne has one of the highest suicide rates in the country (a pattern also exhibited in other coastal resorts).

2.1.2 The economy

Seventy-three and a half per cent of the population both live and work in Eastbourne (the highest proportion in East Sussex). Indeed, Eastbourne is a small net importer of labour.³⁸ Average gross full-time earnings are £366 per week, compared with £443 per week for the South East. Taking 100 as the average wage for the UK, wages in Eastbourne score 87 compared with the South East score of 106. The low-wage nature of the Eastbourne economy is underlined by the fact that more than 33 per cent receive wages of under £250 per week compared with 23 per cent for the UK and 19 per cent for the South East and 80 per cent of the workforce work in sectors in which wage levels are less than the national average.

There are two large public-sector employers in Eastbourne: East Sussex County Council with 2,000 employees, and the District General Hospital with 4,000 employees.

The manufacturing sector is under stress, with printing and distribution seen as likely to decline further. Smith and Ouzman (Queen's Award for Enterprise 2000) and Whiteline Windows, (the South East's largest producer of windows and conservatories), are examples of innovative and forward-looking companies that have chosen to locate in Eastbourne. Eastbourne is particularly proud of its group of four international pump manufacturers, forming a 'pump' cluster (page 41 of report for further details). SEEDA has also identified print and media, and tourism as other potential clusters.

³⁸ Conversation with Economic Development Officer; research and information briefing note East Sussex County Council; New Earnings Survey 2000.

Table 2: Employment structure: sectoral analysis

| Type and industry sector | Number employed | % of total employment |
|--|-----------------|-----------------------|
| Full-time | 20,992 | 57.7 |
| Part-time | 15,384 | 42.3 |
| Manufacturing | 2,846 | 7.8 |
| Construction | 927 | 2.5 |
| Services | 32,542 | 89.5 |
| Distribution, hotels & restaurants | 12,750 | 35.1 |
| Transport & communications | 1,248 | 3.4 |
| Finance, IT, other business activities | 4,158 | 11.4 |
| Public admin, education & health | 12,588 | 34.6 |
| Other services | 1,799 | 4.9 |

In October 2004, five wards had unemployment equal to or higher than the national average. Parts of the Devonshire, Langley and Hampden Park wards have the second highest unemployment levels in East Sussex.

- Employment at 79 per cent is below the South East and East Sussex.
- Nearly 22 per cent are economically inactive (South East average 17.9 per cent).

There is a clear two-tier employment structure in Eastbourne comprised of senior managers and a very substantial second tier of unskilled workers.³⁹ This problem is proving to be self-sustaining. Educational outcomes in Eastbourne are poor, except in the local private schools:

- Over 16 per cent have no qualifications (compared with 11 per cent nationally).
- There are skills mismatches with employers who complain that the workforce is low skilled.

Business in Eastbourne

According to the Council website, Eastbourne has a vibrant and growing economy with key strengths across a number of sectors. However this is belied by the figures for GDP and GVA quoted earlier. There are thriving businesses and some large firms, including Lloyds Bank and Gardner Books (distributors for Amazon.com) that employ significant numbers (see Table 3).

Despite these large firms, the majority of businesses in Eastbourne are in the small-business sector.

- Two per cent of firms employ more than 100 people but provide 38 per cent of total employment.
- The average firm employs 12 people (2002).
- The service sector comprises 80 per cent of the local economy.

There is a low level of VAT-registered businesses; 65 per cent of the business stock against a county average of 75 per cent.⁴⁰

³⁹ Conversation with economic development officer Eastbourne Council

⁴⁰ The Eastbourne and District Enterprise Agency and the Chamber of Commerce have a target of increasing the number of VAT registered business by five per cent.

Table 3: Ten largest businesses in Eastbourne

| Company | Principal activity | Turnover (£m) | Employees |
|---------------------------------|-------------------------------|---------------|-----------|
| Little Group Ltd | Book Supply | 137.8 | 974 |
| Gardners Books Ltd | Wholesale booksellers | 136.8 | 945 |
| C. Brewer & Sons Ltd | Decorators/Builders Merchants | 92.3 | 954 |
| Birchwood Garages Ltd | Motor Retail | 71.2 | 311 |
| Cibus Group Ltd | Meat Processing | 48 | 252 |
| Anglo-Dutch Meats | Meat Processing | 43.8 | 191 |
| A. Jones & Sons | Retail Footwear | 41.9 | 755 |
| Birchwood Garages (T.Wells) Ltd | Motor Retail | 34.5 | 108 |
| Hotchkiss Group Ltd | Air Conditioning | 30.5 | 355 |
| Eastbourne Motoring Centre | Motor Trades | 27.8 | 93 |

Despite these large firms, the majority of businesses in Eastbourne are in the small-business sector.

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- The average firm employs 12 people (2002).
- The service sector comprises 80 per cent of the local economy.

There is a low level of VAT-registered businesses; 65 per cent of the business stock against a county average of 75 per cent.⁴¹

Table 4: Churn and stock of VAT-registered firms

| VAT-registered firms | Number of firms | Percentage of total |
|------------------------|-----------------|---------------------|
| Registrations | 265 | 12.5% |
| Deregistrations | 230 | 10.8% |
| Stock (at end of year) | 2,125 | |

Source: VAT Registrations/Deregistrations by Industry (2003)

Tourism

Eastbourne Council's *Tourism and Seafront Strategy* recognises that tourism is an important employment sector but that it is predominantly low paid and low skilled. The Council aims to work with local colleges to provide training to create higher-value jobs. Proposals for safeguarding existing jobs include a new cultural centre (near the Art gallery) and tourism jobs at Fisherman's wharf. Medium-term opportunities are identified as developing Eastbourne as a gateway to the South Downs National Park.

Eastbourne attracts significant conference tourism that leads to relatively high spending. Investment to safeguard and compete in this competitive market has

⁴¹ The Eastbourne and District Enterprise Agency and the Chamber of Commerce have a target of increasing the number of VAT registered business by five per cent.

been identified as a priority and may help to expand the length of the tourist season.

Town centre redevelopment/retail

Town centre development hopes to create 1,000 jobs attracting higher quality and a wider range of shops. Hitherto low spending power has resulted in a profusion of discount shops; however, the talk is of High Street names and a retail offer like those provided by Brighton, Tunbridge Wells and Bluewater. This may well be unrealistic given current provision and demand.

Regeneration: Seaside Road

Over the past five years £12 million has been invested in Seaside Road to regenerate and recreate an improved retail and housing offer. The Council aims to extend this approach to adjacent neighbouring streets that face similar problems. English Heritage and the Civic Trust have highlighted this as good practice.

The Cultural Quarter

SRB funds are being used to re-locate the Towner Art gallery from the Old Town to Devonshire Ward (one of the most deprived wards). The Gallery will be situated next to the Congress Theatre to create a cultural centre with the aim of developing a cultural hub.

Sovereign Harbour

At the Sovereign Harbour area development, lead by Karrilon (ex Tarmac), 3,000 homes are to be built with many weekenders buying property. However, Eastbourne Council has highlighted the failure to stimulate the local economy and provide work for local people. Local labour was not used in building and the development has largely failed to incorporate community facilities. The Sovereign Harbour project seems like a missed opportunity to regenerate the local economy.

2.1.3 The local impacts of business

The following analyses present data drawn from the Local Impact Model when applied to businesses in Eastbourne.

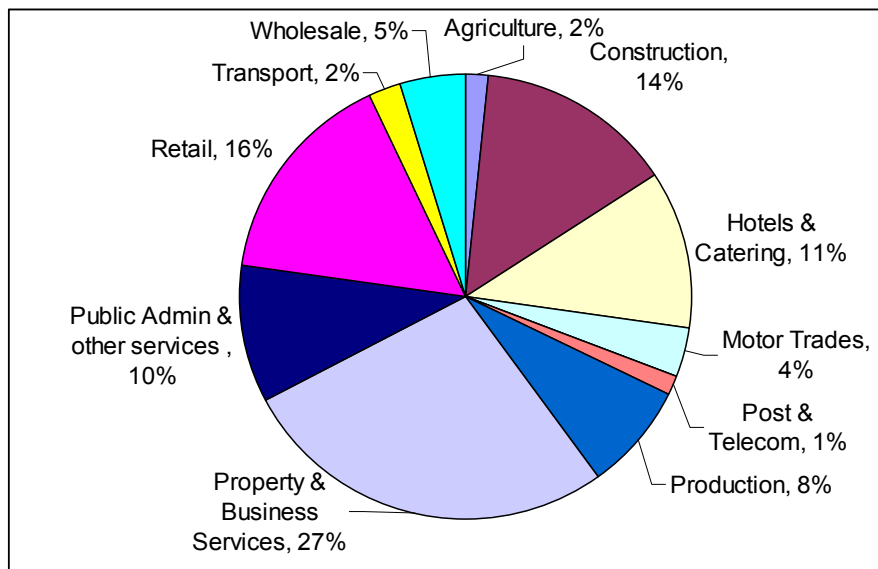


Figure 1: A sector analysis of Eastbourne enterprise⁴²

⁴² Source: IDBR (adjusted to eliminate large businesses)

As Figure 1 illustrates, the property and business services sector is significantly larger than other sectors in Eastbourne based on business distribution. Retail, construction, and hotels and catering follow in this order.

Table 5: Sector distribution of enterprises in Eastbourne, Tower Hamlets and Great Britain

| | Eastbourne | | Tower Hamlets | | Great Britain | |
|-------------------------------|-----------------------|------|-----------------------|------|-----------------------|------|
| | Number of Enterprises | % | Number of Enterprises | % | Number of Enterprises | % |
| Agriculture | 30 | 0.02 | 5 | 0.00 | 137,480 | 0.09 |
| Construction | 255 | 0.14 | 260 | 0.04 | 182,145 | 0.11 |
| Education | - | - | 40 | 0.01 | 11,045 | 0.01 |
| Health | - | - | 45 | 0.01 | 8,880 | 0.01 |
| Hotels & Catering | 205 | 0.11 | 460 | 0.07 | 111,055 | 0.07 |
| Finance | - | - | 195 | 0.03 | 10,075 | 0.01 |
| Motor Trades | 66 | 0.04 | 85 | 0.01 | 65,510 | 0.04 |
| Post & Telecom | 25 | 0.01 | 100 | 0.02 | 15,395 | 0.01 |
| Production | 139 | 0.08 | 610 | 0.09 | 140,335 | 0.09 |
| Property & Business Services | 493 | 0.27 | 2,390 | 0.36 | 445,090 | 0.28 |
| Public Admin & other services | 180 | 0.10 | 660 | 0.10 | 136,490 | 0.08 |
| Retail | 285 | 0.16 | 720 | 0.11 | 184,695 | 0.11 |
| Transport | 40 | 0.02 | 205 | 0.03 | 58,225 | 0.04 |
| Wholesale | 85 | 0.05 | 780 | 0.12 | 105,115 | 0.07 |
| | 1803 | | 6,555 | | 1,611,535 | |

Source: IDBR (where Eastbourne figures are adjusted to eliminate large businesses)

On the whole Eastbourne's enterprise distribution reflects the national picture as seen in Table 5. One of the major differences is in the higher proportion of hotel and catering companies in Eastbourne compared with the national picture, reflecting Eastbourne's tourism status. Eastbourne also has a bigger construction sector compared with the national landscape. It has a slightly bigger public administration sector, as large as in a typical inner-city area where the public sector is often one of, if not *the* dominant employer. The plan for continued expansion of the Health Service and other public administration underlines its strategic importance as a local employer given the weakness of the wider local economy.

The Tower Hamlets distribution has been included to allow comparison between Eastbourne and a more deprived inner-city location in London. Here we can see that the major differences are the property and business services sector, which is significantly larger in Tower Hamlets. Also relatively bigger in Tower Hamlets is the

wholesale sector – this reflects the relatively favourable logistical conditions needed for wholesale activities that are present in an inner city location.

The absence of education, health and finance companies in Eastbourne’s distribution is a reflection of their low numbers and they are not captured in the Local Impact Model.

Table 6: Firm distributions by size in Eastbourne⁴³

| Firm size: | Micro | Small | Medium | All |
|------------------------|-------|-------|--------|-------|
| Number of firms | 1,694 | 91 | 18 | 1,803 |

Table 6 indicates the predominance of micro firms in Eastbourne.

Table 7: Size distribution of impact values

| Firm size: | Micro | Small | Medium | All |
|--------------------------|------------|------------|------------|-------------|
| Total Impact (£s) | 75,778,644 | 32,404,774 | 12,542,188 | 120,725,605 |

Table 7 shows that businesses in Eastbourne contribute a total of £120.7 million per year towards their local economy. Figure 3 illustrates total impacts in Eastbourne by firm size and reveals the contribution of micro firms in terms of local impacts with nearly 63 per cent of total local impacts in Eastbourne.

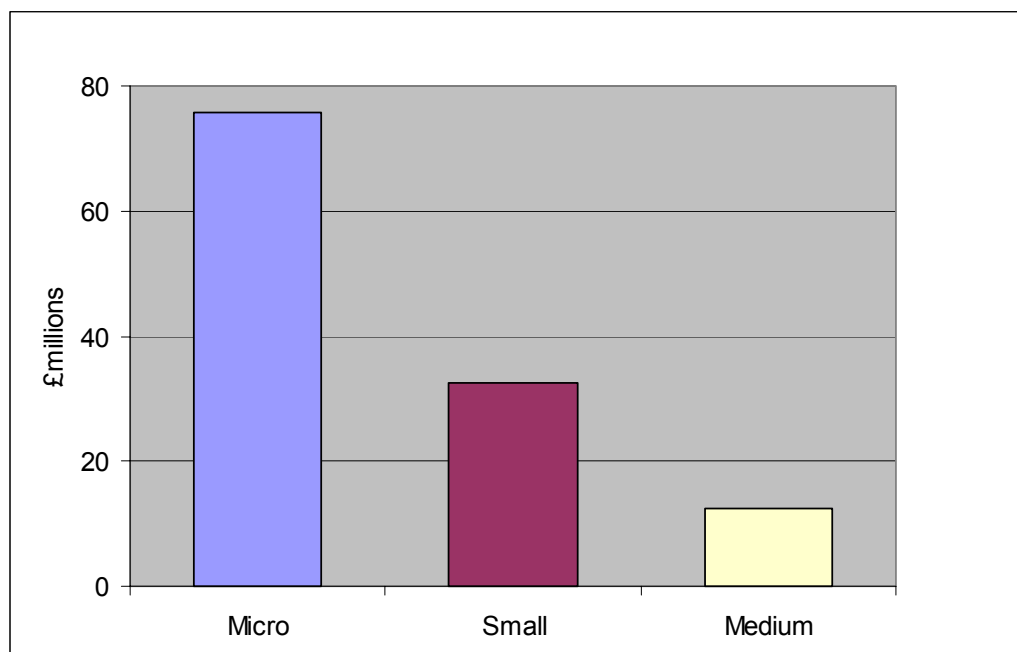


Figure 2 Size distribution of total impact

⁴³ SBS/EU definitions of business size based on turnover. The sizebands are based on the small business service categories. These approximate to micro firms having turnover up to £1.4 million, small firms between £1.4 million and £7 million and medium firms having turnover between £7 million and £25.5 million.

Clearly, micro firms have a very significant role in the Eastbourne economy but it is important not to under-estimate the importance of other SMEs.

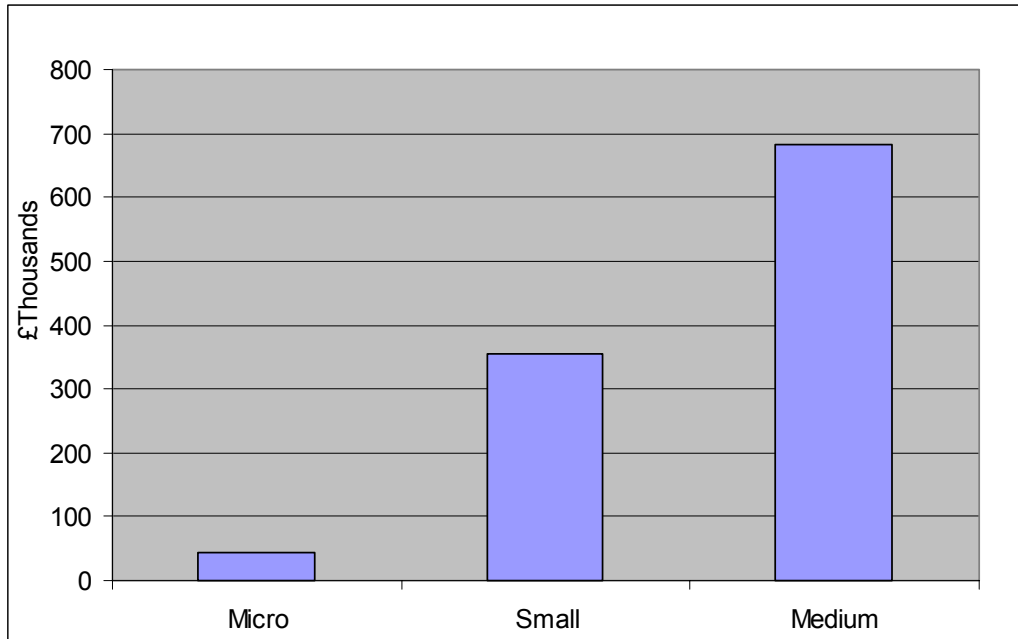


Figure 3: Size distribution of average impacts

Figure 3 presents average impacts by company size and demonstrates the opposing relationship between the contribution of different firm sizes to total and average impacts. It shows that micro firms generate impacts through their high numbers while small and medium companies make significant contributions through the high impacts created by each individual firm.

An industry sector view

Tables 8a and 8b below give total and average impact values for each sector in Eastbourne. The greatest contributors include production, retail, and property and business services. Graphs representing this data can be found in Appendix A.

The four key sectors in this analysis are the subject of Figures 4 and 5. They show the distribution of total and average impact values across the four sectors: hotels and catering, production, property and business services and retail sectors. As illustrated in table 8a, these sectors, with the exception of hotels and catering, are the most significant contributors to the local economy.

In the hotels and catering sector micro firms have the most significant impacts, reflecting the number of small businesses providing accommodation, small restaurants and eateries. There are no medium-sized businesses in the data for Eastbourne in this sector.

As Figure 4 illustrates, total impacts are more evenly distributed within the production sector, with medium-sized firms making the largest contribution but complemented by significant impacts, particularly for micro firms.

Property and business services have an impact distribution more similar to that of the hotels and catering sector. Although small businesses contribute £4.6 million in direct local impacts, the micro-sized businesses are the largest contributors at £16 million.

The retail sector is interesting in the importance that micro-sized retailers play to the local economy. The importance of these relatively modest sized businesses is clear.

Table 8a: Total Industry sector impacts in Eastbourne

| Total Impacts | | | | |
|-------------------------------|--------------|--------------|---------------|------------|
| | Micro | Small | Medium | All |
| Agriculture | 335,976 | 104,932 | 0 | 440,908 |
| Construction | 8,104,811 | 3,645,947 | 0 | 11,750,758 |
| Hotels & Catering | 10,771,906 | 609,239 | 0 | 11,381,145 |
| Motor Trades | 5,948,269 | 3,596,457 | 1,366,305 | 10,911,031 |
| Post & Telecom | 480,134 | 0 | 0 | 480,134 |
| Production | 7,400,872 | 4,680,529 | 8,902,904 | 20,984,305 |
| Property & Business Services | 16,023,829 | 4,614,341 | 466,808 | 21,104,977 |
| Public Admin & other services | 5,396,010 | 3,408,941 | 0 | 8,804,951 |
| Retail | 10,228,863 | 5,977,171 | 0 | 16,206,035 |
| Transport | 5,115,873 | 2,122,226 | 0 | 7,238,098 |
| Wholesale | 5,972,102 | 3,644,990 | 1,806,171 | 11,423,263 |

Table 8b: Average Industry sector impacts in Eastbourne

| Average Impacts | | | | |
|-------------------------------|--------------|--------------|---------------|------------|
| | Micro | Small | Medium | All |
| Agriculture | 11,199 | 0 | 0 | 14,697 |
| Construction | 33,275 | 319,020 | 0 | 46,081 |
| Hotels & Catering | 53,541 | 159,925 | 0 | 55,518 |
| Motor Trades | 103,663 | 472,035 | 1,093,044 | 164,695 |
| Post & Telecom | 19,205 | 0 | 0 | 19,205 |
| Production | 66,703 | 245,728 | 989,212 | 150,966 |
| Property & Business Services | 34,302 | 201,877 | 150,416 | 42,800 |
| Public Admin & other services | 31,303 | 447,424 | 0 | 48,916 |
| Retail | 36,877 | 784,504 | - | 56,863 |
| Transport | 141,360 | 557,084 | 0 | 180,952 |
| Wholesale | 82,509 | 478,405 | 361,234 | 134,391 |

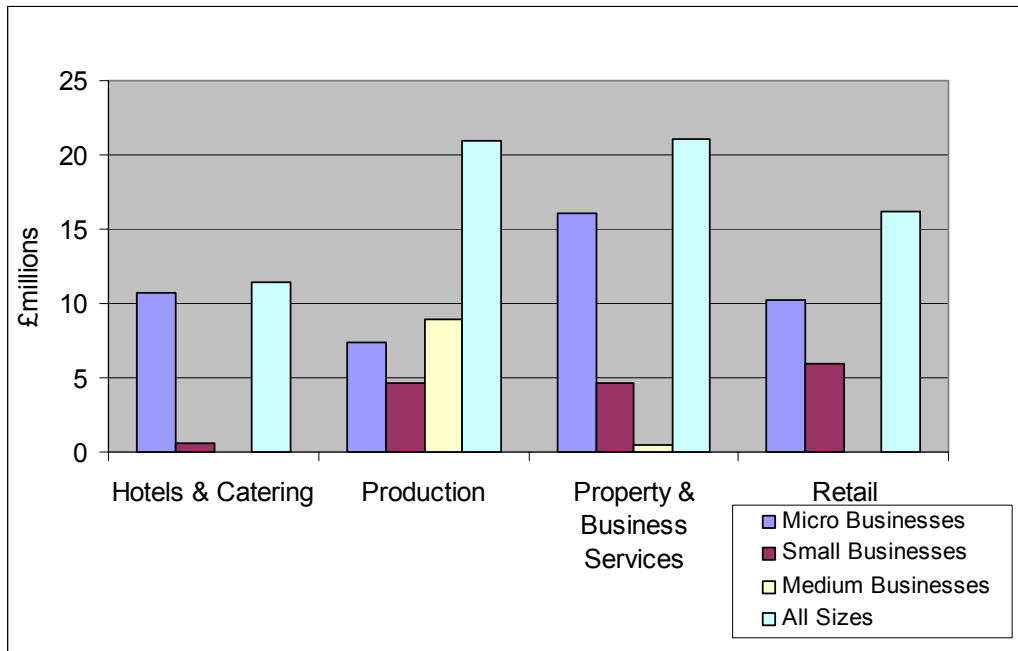


Figure 4: Size and sector distribution of total impact values for four key sectors in Eastbourne

Micro businesses play a large part in the contribution of all enterprises to the local economy. Production companies as a whole are the largest contributor of the four key sectors.

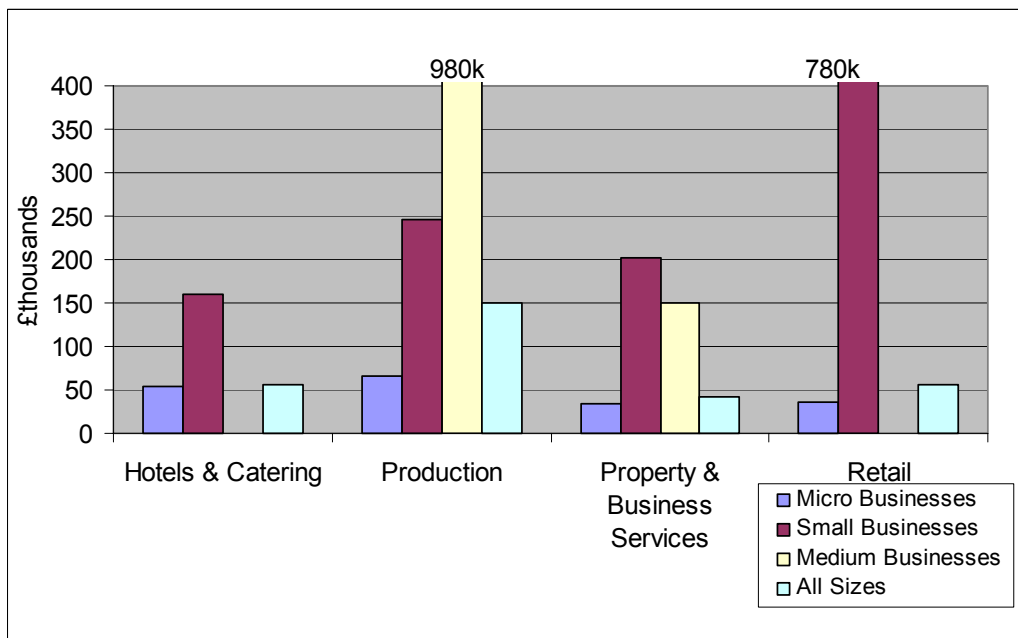


Figure 5: Size and sector distribution of average impacts for four key sectors in Eastbourne

Having analysed the contributions of the four sectors to total impacts in Eastbourne, it is important to examine the average impacts of firms.

Figure 5 illustrates that the average impacts of all companies in the production sector is considerably higher than in the other sectors. Within the production sector, medium-sized businesses are generating the highest average impact values compared with those generated by small firms in other sectors (this reflects the lack of medium-sized businesses in these sectors). What is clear from examining average impacts is the importance of the production sector. However, another clear finding is the relatively high average impacts of retail businesses. Despite their lower total contribution, these businesses are clearly having very significant local impacts on a firm-by-firm basis.

2.1.4 Recommendations for Eastbourne

Eastbourne's precarious economy is defined by its location in a declining sub-regional economy characterised by high rates of economic inactivity and a weak economic base. Combined with Eastbourne's peripherality, poor transport and communications infrastructure, low-wage economy, acute housing and health needs (symbolised by substance abuse and one of the highest suicide rates in the country), this means that it faces very significant challenges. There is also a need for clear civic leadership and a clear image and branding for the town.

- SEEDA should launch a task force to act immediately to avert economic decline. The priorities should be: business retention, supply-chain linkages, skills deficits, liveability, business premises, short-term transport solutions, promotion of positive business impacts.
- SEEDA and Eastbourne Borough Council should prepare a strategy to attract cultural industries and retail to the cultural quarter in Devonshire Ward and to ensure that wealth is retained. In order to succeed, it needs to be combined with action on the liveability agenda to improve the environment and tackle crime.
- The decline of local independent retail in Eastbourne is a key concern for local businesses. SEEDA should work with Eastbourne Borough Council to use its planning and general powers to improve the resilience of and preserve local independent retail outlets.
- SEEDA should ensure that future developments in Eastbourne take account of the requirement for community facilities and use the local labour, unlike in the Sovereign Harbour example.
- SEEDA should explore the potential for piloting a community-based approach to stimulating entrepreneurship and business culture in Eastbourne, such as Bizfizz, to complement and enhance the work of the Eastbourne Hub.
- Local businesses feel that opportunities for them to tender and run services at festivals and events in Eastbourne were not being maximised. Eastbourne Borough Council should work with local businesses to streamline procedures and maximise take up.

2.2 Havant

- Businesses in Havant have a total direct local economic impact of £45 million.
- Each firm has an average impact of £66,190.
- In terms of firm size, the majority of the impacts are generated by the town's micro businesses, while the highest average impacts come from the medium-sized businesses.
- The impact of a medium-sized firm is almost £0.5 million per annum. Consequently attracting and retaining a single firm of this size has significant implications for the local economy.
- Construction, production and property and business services are the sectors generating the most impact.
- Retailers make lower-than-average impacts on the local economy.
- Business start-up rates and survival rates are higher than the national average.
- Transport links to London and to the rest of the South East are relatively good in contrast to other coastal towns covered in the report.
- Much of Havant borough is affluent but there is a significant concentration of multiple deprivation in the isolated Leigh Park area.
- Havant has an economic profile similar to a Midlands industrial town and has been dependent on a declining manufacturing sector facing disinvestment and major structural change.
- High house prices and lack of affordable childcare may be factors explaining high staff turnover and recruitment and retention problems.

2.2.1 The East Hampshire and Portsmouth context

Havant is a town of 117,000 people and forms part of the wider Portsmouth conurbation comprising Fareham, Gosport, Havant, and the city of Portsmouth itself with a population of 500,000. Part of South East Hampshire sub-region, Havant is situated in Hampshire.

Havant comprises four neighbourhoods: Emsworth (which describes itself as the gastronomic capital of the South East), Waterlooville, Hayling Island and Havant. Its origins can be traced to Roman times when it was the crossroads between two major Roman roads. It grew into a market town serving the rural hinterland, with rapid post-war growth. Portsmouth expanded, characterised by affluent residential housing for commuters as well as major overspill housing estates built and still managed by Portsmouth City Council.

Havant is a town of contrasts with areas of great prosperity (in both regional and national terms) but also with pockets of substantial and persistent multiple

deprivations. Average income in Havant is £19,300 per annum (2003) and 79 per cent of households own one or more cars.

House prices in the Havant Borough are unaffordable based on the average income. Average house prices are £117,000 whereas a mortgage based on three times the average income would only raise £44,000, though the area's housing is considered more affordable than in many other areas of the South.⁴⁴

2.2.2 Geography

The Wards

Havant Borough is made up of 14 wards. Poverty is concentrated in the four wards in the Leigh Park area of the town, which are characterised by high levels of multiple deprivations. Absolute levels of deprivation are in contrast to the relatively affluent areas of Havant that surround them.

The key issues faced in these areas are:

- Poor housing
- Low educational attainment
- Low incomes
- Limited employment prospects
- High levels of child poverty
- Ill health

There has been significant investment in tackling these problems in Leigh Park and Weecock Farm, for example, through SRB programmes. However, there is much left to do.

Relative poverty

An analysis prepared by Havant Borough Council for each ward found that:

- In Barncroft, 34.6 per cent were income deprived, 14.4 per cent were employment deprived. Barncroft is the 853rd most deprived ward according to the 2000 Index of Multiple Deprivation (out of 8414 wards in England).
- Bondfield is the 870rd most deprived ward in England. 58.4 per cent of children under 16 are from income-deprived families..
- In Battins, 34.3 per cent are income deprived and 56.7 per cent of households are low income. Battins is the 889th most deprived ward in England.
- In Warren Park, 42.7 per cent of the population is income deprived and 20 per cent employment deprived. In terms of child poverty, 64 per cent live in income-deprived families. Warren Park is the 286th most deprived ward in England.

2.2.3 The economy in Havant

The economy of the local area, unsurprisingly, is dominated by Portsmouth, which provides about half the jobs in the conurbation. Economic performance within and surrounding Havant is relatively poor. The South Hampshire economy is weaker than the Hampshire and South East economies and Havant is performing less strongly than South Hampshire.

Unemployment in Havant is significantly higher than the county average. Hampshire in general and South East Hampshire face particularly acute problems

⁴⁴ Housing Strategy Statement 2000-2007, Havant Borough Council

with recruitment and retention of staff, according to Hampshire County Council. In recent years Hampshire has had the second-highest staff turnover rate in the country.⁴⁵ High house prices and the lack of affordable childcare are two of the key factors.⁴⁶

Havant has traditionally had a larger manufacturing sector, particularly with engineering comprising 15 per cent (of the local economy) compared with the average for manufacturing of 8 per cent regionally. However this sector is now in decline. Major companies situated in the area are Wyeth, and Lockheed. Proctor and Gamble have recently disinvested and moved out of the area as have Autoliv (car components).

Tourism is a key sector with 300,000 staying visitors and 1.89 million day visitors per year.

Key challenges:

- Relatively small economy facing strong competition for inward investment and growth from stronger and more powerful regional and national rivals.
- Dependence on declining manufacturing sector facing major structural change (globalisation, off shoring etc).
- Productivity substantially below regional and Hampshire average.
- GVA growth 58 per cent compared with 83 per cent average for South East.
- Low levels of educational attainment and basic skills.
- Recruitment and retention of staff.
- Skill shortages.
- Unemployment in Havant at 2 per cent is significantly above the regional and county average (1.1 per cent).

Key strengths:

- Business start-up and survival rates higher than national average.
- Significant knowledge economy.
- Good transport links.
- Availability of three major industrial sites (Broadmarsh, Dunsbury Hill and Leigh Park).
- Existing enterprise centres and technology park.

Key players for local businesses

Within SEEDA's *Regional Economic Strategy*, Havant is a SEEDA 'Priority Area for Economic Regeneration' and £20 million has been invested in the Havant area since 1999 through initiatives, including direct development and infrastructure. This has included Enterprise Centres, The Single Regeneration Programme (principally in the Leigh Park area), and the South Hampshire Area Investment Framework (AIF).

The AIF, initially prepared by external consultants, is a key document for regeneration in Havant. It identifies the replacement of manufacturing jobs with

⁴⁵ Hampshire Strategic Partnership (2002) *Shaping our future together A Community Strategy for Hampshire 2004 – 2007* (Hampshire: Hampshire County Council).

⁴⁶ Ibid

high-value-added jobs, particularly in knowledge-based employment. Several key sectors are identified for support, including Marine, Tourism, and Financial and Business services. Key priorities for investment are skills training, key industrial sites, marine technologies, the Enterprise Hubs and Gateways, and social enterprise.

The Havant Local Strategic Partnership has published the Community Strategy *Stronger Together* organised around three key themes: the economy, social inclusion, and the environment. The Strategy includes policies for increasing business start-up and survival rates; creating more local jobs through the development of three major industrial sites in Havant; improving basic skills and educational attainment, regenerating the town centre; and plans for establishing a Business Improvement District by 2008.

Havant Borough Council has economic development staff and provides a range of advice to businesses in the area. It has recently published its regeneration strategy, which takes account of the SEEDA regional economic strategy and particularly the key elements of the AIF for Havant, as well as playing a major part in delivering the Local Strategic Partnership (LSP). The themes of the strategy are:

- Diversifying the economy through growth in high-value-added sectors (i.e. ICT, knowledge economy) while strengthening the construction, retail, tourism and marine base.
- Improving business and innovation support and sustaining growing businesses.
- Establishing a social enterprise sector through best practice network and links with existing social investment organisations, such as Portsmouth Area Regeneration Trust (South Coast Money Line).
- Improving basic skills and employability through education partnerships (Further Education sector and universities).
- Attracting businesses to Leigh Park through the Government's enterprise area initiative.
- Providing affordable housing at key development sites in the borough

Hampshire County Council has published the Hampshire Community Strategy, *Shaping our future together: A Community Strategy for Hampshire 2004–2007* which "provides a framework for all other plans and strategies in Hampshire, and reflects and informs the priorities set for the South East region". It stresses:

- The importance of an integrated approach between LSPs and AIFs.
- Addressing the needs of relatively small (2.2 per cent) and widely dispersed ethnic minority communities.
- Focusing resources on areas of high multiple deprivations.
- Businesses should support and encourage the involvement of staff in community initiatives and volunteering.
- Support the needs of local businesses and the practice of using local suppliers.
- Lobby regional and central government for support to LSPs in addressing local priorities.

2.2.4 The local impacts of business

The following analyses present data drawn from the Local Impact Model when applied to enterprise in Havant.

As Figure 6 illustrates, the property and business services sector is significantly larger than other sectors in Havant based on business distribution. Construction

and production are the next two largest sectors as measured by number of businesses. Havant has a relatively diverse business base with the main standard industry sectors present.

Compared to the national distribution, Havant's construction sector is much larger. It also has a significantly larger production section, which reflects a relatively high manufacturing base. As illustrated in Table 9, when compared to a deprived inner city enterprise distribution such as Tower Hamlets you can see that wholesale, like in Eastbourne, is relatively smaller, as is property and business services.

Table 10 shows the number of businesses and their total and average impact broken down into basic sizebands. Overall businesses in Havant contribute a total of £45 million per year towards their local economy. As in the Eastbourne study, the majority of impact is generated by the town's micro businesses while the highest average impact comes from the medium businesses.

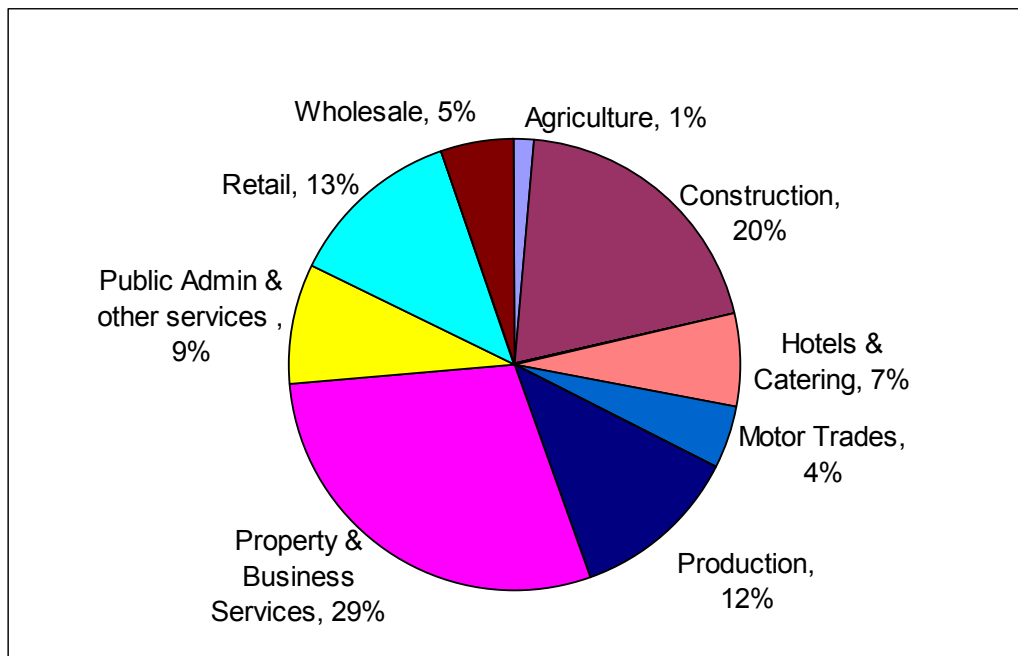


Figure 6: Sector distribution of businesses

Source: IDBR (adjusted to eliminate large businesses)

Table 9: Sector distribution of enterprises in Havant, Tower Hamlets and Great Britain

| Sector | Havant | | Tower Hamlets | | Great Britain | |
|-------------------|-----------------------|------|-----------------------|------|-----------------------|------|
| | Number of Enterprises | % | Number of Enterprises | % | Number of Enterprises | % |
| Agriculture | 10 | 0.01 | 5 | 0.00 | 137,480 | 0.09 |
| Construction | 137 | 0.20 | 260 | 0.04 | 182,145 | 0.11 |
| Education | 0 | 0.00 | 40 | 0.01 | 11,045 | 0.01 |
| Finance | 0 | 0.00 | 45 | 0.01 | 8,880 | 0.01 |
| Health | 0 | 0.00 | 460 | 0.07 | 111,055 | 0.07 |
| Hotels & Catering | 45 | 0.07 | 195 | 0.03 | 10,075 | 0.01 |
| Motor Trades | 30 | 0.04 | 85 | 0.01 | 65,510 | 0.04 |

| | | | | | | |
|-------------------------------|------------|------|--------------|------|------------------|------|
| Post & Telecom | 0 | 0.00 | 100 | 0.02 | 15,395 | 0.01 |
| Production | 82 | 0.12 | 610 | 0.09 | 140,335 | 0.09 |
| Property & Business Services | 197 | 0.29 | 2,390 | 0.36 | 445,090 | 0.28 |
| Public Admin & other services | 60 | 0.09 | 660 | 0.10 | 136,490 | 0.08 |
| Retail | 85 | 0.13 | 720 | 0.11 | 184,695 | 0.11 |
| Transport | 0 | 0.00 | 205 | 0.03 | 58,225 | 0.04 |
| Wholesale | 35 | 0.05 | 780 | 0.12 | 105,115 | 0.07 |
| TOTAL | 681 | | 6,555 | | 1,611,535 | |

Source: IDBR (where Havant figures are adjusted to eliminate large businesses)

Table 10: Firm distributions by size in Havant

| | Micro | Small | Medium | All |
|----------------------|------------|------------|-----------|------------|
| Number of Businesses | 606 | 60 | 15 | 681 |
| Total Impact (£s) | 22,544,865 | 15,318,815 | 7,200,482 | 45,064,163 |
| Average Impact (£s) | 37,215 | 255,567 | 477,256 | 66,190 |

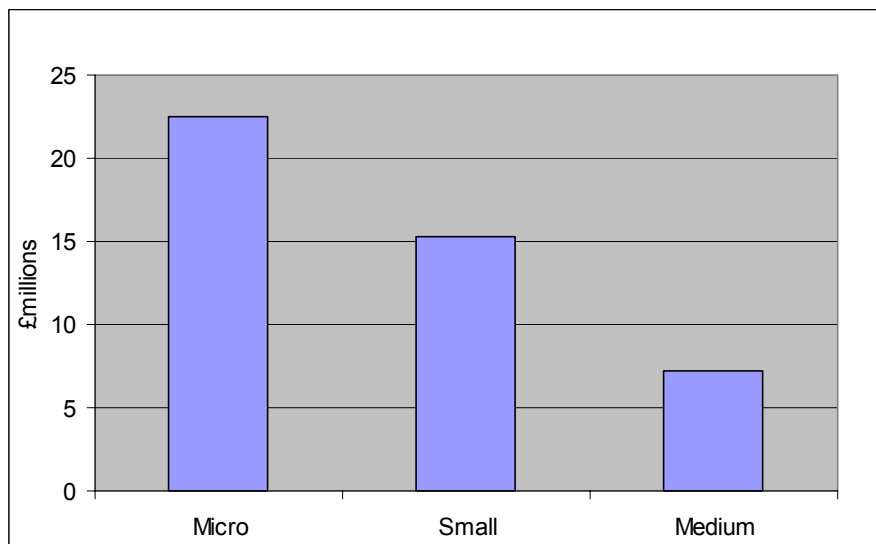


Figure 7: Size distribution of total impact value

Micro firms have a very significant role in the Havant economy contributing £22.5 million per year. However, as in Eastbourne, it is important not to under-estimate the importance of SMEs. Figure 8 presents average impacts by company size.

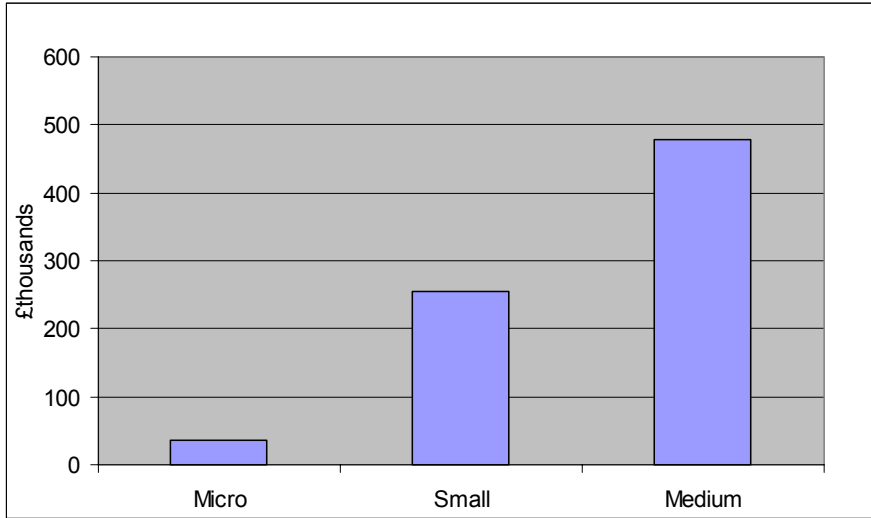


Figure 8: Size distribution of average impact value

This shows that medium-sized firms in Havant contribute on average almost £500,000 per year to the local economy. The addition of another medium-sized firm to this economy would create a significant increase in impact on the local economy.

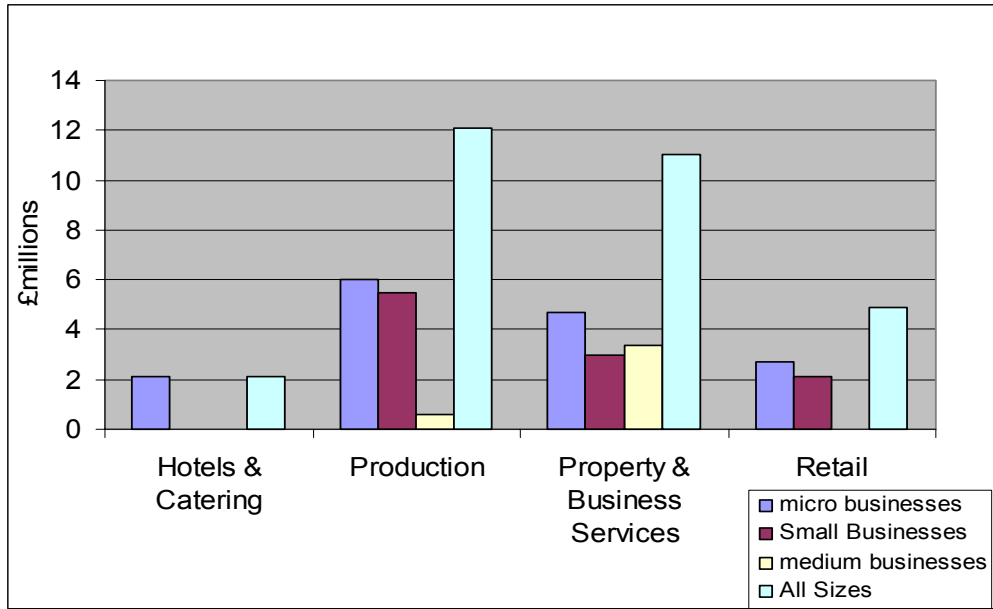


Figure 9: Size and sector distribution of Total Impact Values for four key sectors

Havant's hotels and catering sector's overall impact is kept low because of the absence of small and medium sized companies and the low level of micro firm activity. The retail sector has a similar pattern. The production and property and business services sectors are both boosted by a broad range of impacts across the sizebands.

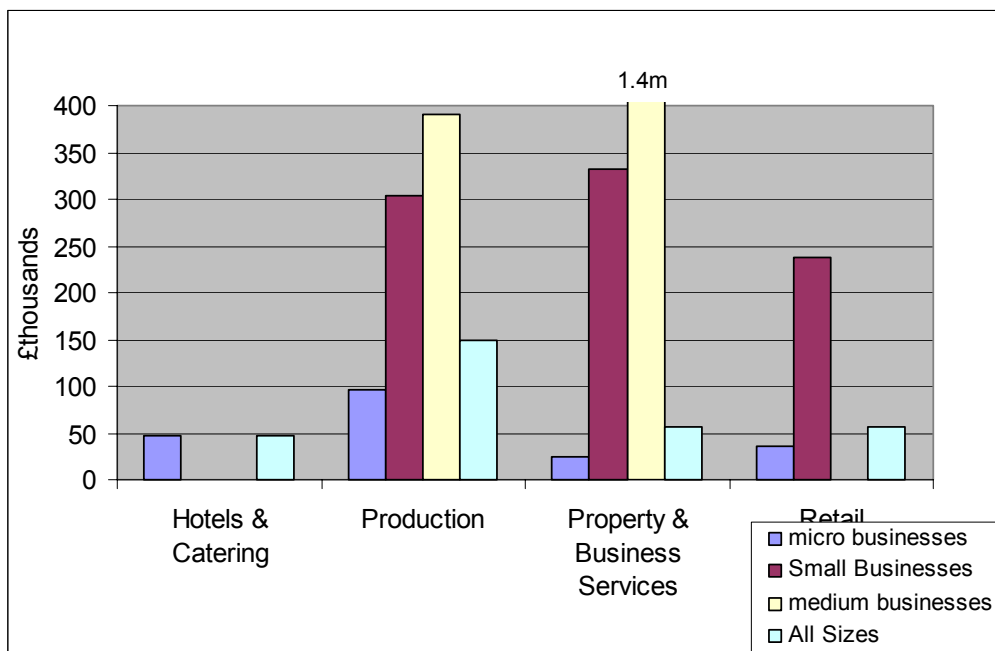


Figure 10: Size and sector distribution of average impact values for four key sectors

Once again Figure 10 illustrates the importance of small and medium-sized firms. It shows that micro firms generate impacts through their high numbers while small and medium-sized companies make significant contributions through the value of individual firms.

Micro firms play a very significant role in the Havant economy contributing £22.5 million of impact per year, but again, as in the case of Eastbourne, it is important not to under-estimate the role of SMEs.

Tables 11a and 11b present the total and average impacts split by micro, small and medium-sized companies within each sector. It shows that it is the construction, production and property and business services sectors that are generating the most impact. Graphs representing this data can be found in Appendix A.

The four key sectors are the subject of Figures 9 and 10. They show the distribution of total and average impact values across hotels and catering, production, property and business services and retail sectors. As is reflected in table 11a, these sectors, apart from retail, are the highest contributors to the local economy.

Table 11a: Total Industry sector impacts in Havant

| Total Impacts | | | | |
|-------------------|-----------|-----------|-----------|------------|
| | Micro | Small | Medium | All |
| Agriculture | 215,748 | 38,803 | 131,565 | 386,117 |
| Construction | 4,383,156 | 3,563,805 | 2,410,362 | 10,357,323 |
| Education | 0 | 0 | 0 | 0 |
| Finance | 0 | 0 | 0 | 0 |
| Health | 0 | 0 | 0 | 0 |
| Hotels & Catering | 2,088,953 | 0 | 0 | 2,088,953 |

| | | | | |
|-------------------------------|-----------|-----------|-----------|------------|
| Motor Trades | 89,758 | 143,011 | 716,974 | 949,743 |
| Post & Telecom | 0 | 0 | 0 | 0 |
| Production | 6,009,843 | 5,501,728 | 586,173 | 12,097,744 |
| Property & Business Services | 4,680,516 | 3,003,751 | 3,355,407 | 11,039,673 |
| Public Admin & other services | 1,775,742 | 167,479 | 0 | 1,943,221 |
| Retail | 2,732,907 | 2,142,496 | 0 | 4,875,403 |
| Transport | 0 | 0 | 0 | 0 |
| Wholesale | 568,242 | 757,744 | 0 | 1,325,986 |

Table 11b: Average Industry sector impacts in Havant

| Average Impacts | | | | |
|-------------------------------|--------------|--------------|---------------|------------|
| | Micro | Small | Medium | All |
| Agriculture | 46,749 | 34,309 | 30,928 | 38,612 |
| Construction | 33,594 | 787,788 | 1,205,181 | 75,601 |
| Education | 0 | 0 | 0 | 0 |
| Finance | 0 | 0 | 0 | 0 |
| Health | 0 | 0 | 0 | 0 |
| Hotels & Catering | 46,421 | - | - | 46,421 |
| Motor Trades | 4,384 | 31,613 | 143,395 | 31,658 |
| Post & Telecom | - | - | - | - |
| Production | 97,082 | 304,043 | 390,782 | 148,439 |
| Property & Business Services | 25,171 | 331,993 | 1,438,032 | 55,944 |
| Public Admin & other services | 32,009 | 37,022 | - | 32,387 |
| Retail | 35,982 | 236,802 | - | 57,358 |
| Transport | - | - | - | - |
| Wholesale | 21,896 | 83,751 | - | 37,885 |

2.2.5 Recommendations for Havant

Havant has a different economic profile from the other three towns studied; it is less dependent on tourism and has a significant manufacturing sector. Indeed, its economic profile is similar to a Midlands industrial town. In recent years, Havant has been affected by disinvestment and de-industrialisation with three major employers relocating in as many years. It has not had a proactive strategy for retaining, sustaining and supporting businesses. Both the town centre and the retail offer in Havant centre are unattractive. The Leigh Park estate, one of the largest council estates in the South East, has significant concentrations of disadvantage; low-skilled workers on the estate have been particularly affected by the business closures.

However, Havant has enormous potential with good transport infrastructure in the form of road and railway links, a strong range of business parks, a pro-active Enterprise Hub covering Portsmouth and Havant, available land for inward investment and further business premises. There are also effective economic partnerships with Portsmouth City Council and opportunities to expand tourism in Emsworth and Hayling Island. Havant could fulfil its potential but this will require strong strategic leadership.

- Reduce economic vulnerability by developing a business retention strategy with medium and large firms in order to reduce manufacturing disinvestment. Havant Borough Council to develop effective strategic business involvement mechanisms for enabling local business to contribute to local economic development and regeneration. Worthing First may provide a useful model for promoting business-led regeneration.
- Promote the town as a good place for sustainable inward investment based on good transport infrastructure and availability of good business premises

at Broadmarsh Business and Innovation Centre and at Langstone Technology Park.

- Exploit Havant's tourism potential through marketing and branding strategies. Develop hotel and transport links to enable Hayling Island to maximise its status as a nationally renowned sailing area. Examine the potential for promoting Emsworth's status as a regional centre of gastronomy.
- Explore the potential for community land trusts to offer a model for land ownership in the Leigh Park area.
- Ensure good quality transport links to Leigh Park to enable residents to compete for jobs across the Portsmouth/Havant travel-to-work area.

2.3 Margate/Thanet

Margate is part of the Thanet local authority area. This study looks at the economy in Thanet. However, this report also draws upon the research data and reports about Thanet where relevant to Margate

-
- A high proportion of the employment growth in Thanet is derived from incoming 30+ age group, leaving many local residents having to commute out of Thanet to find work.
- A particular feature of the Margate economy is the large number of people claiming sickness-related benefits, many of whom, though wanting work have dropped out of the economy.
- In Margate local businesses contribute £25.4 million to the local economy. This figure is substantially lower than the equivalent for the other coastal towns, reflecting the relative fragility of the Margate economy.

- Micro firms contribute £14.6 million, more than half the overall impact of businesses in Margate. Each micro firm has an average impact of £31,000.
- In terms of firm size, small firms generate the highest average impacts in Margate, unlike Eastbourne and Havant where medium-sized firms have the highest average impacts.
- Retail makes the largest contribution to the local economy, with the micro-businesses constituting the largest element.
- Hotel and catering sector, dominated by micro businesses with low average impact values, makes a relatively small contribution to economy reflecting the substantial decline in this sector.
- Unemployment in Thanet is twice the national average and three times the regional average.
- The opening of a large out-of-town shopping centre at Westwood Cross provides a major threat to local retail, which the local impact model identifies as the highest impact sector of the economy.
- The decline in tourism began in 1950s, earlier than in most comparable resorts.
- Margate's physical isolation, poor transport links and lack of suitable business premises led the council to abandon attempts to attract inward investment in favour of a focus on SMEs and high-growth and value companies.
- The Turner Contemporary Art gallery, due to open in 2007, aims to attract high-value visitors to the town, while the historic Margate town centre is to focus on a cultural quarter and independent retail.
- Town centre footfall may be adversely affected by the opening of a major out of town shopping centre (Westwood Cross).
- There is some concern that there are several diverse and potentially conflicting approaches to regeneration that lack a strategic overview and may leave some areas of the town in decline.

2.3.1 The Margate/Thanet context

Thanet claims a rich historical heritage with Vikings landing here, Romans building fortifications and St Augustine, after landing at nearby Ebbsfleet, having brought Christianity to the UK. The Council claims it was England's first seaside resort with tourism beginning in 1736 when it was considered an up-market resort.⁴⁷

Margate exemplifies the classic coastal tourist town cycle, peaking in the 1950s and early 1960s before suffering a drop in the number of visitors with the arrival of cheap air travel in the late 1960s. Margate is linked to London and the South East by the M25/M2 and the A2/299, both of which suffer from congestion. The Council has been lobbying for road improvements. There is a regular train service to London, though journey times are relatively long.

⁴⁷ http://www.tourism.thanet.gov.uk/pages/walking_cycling.aspx

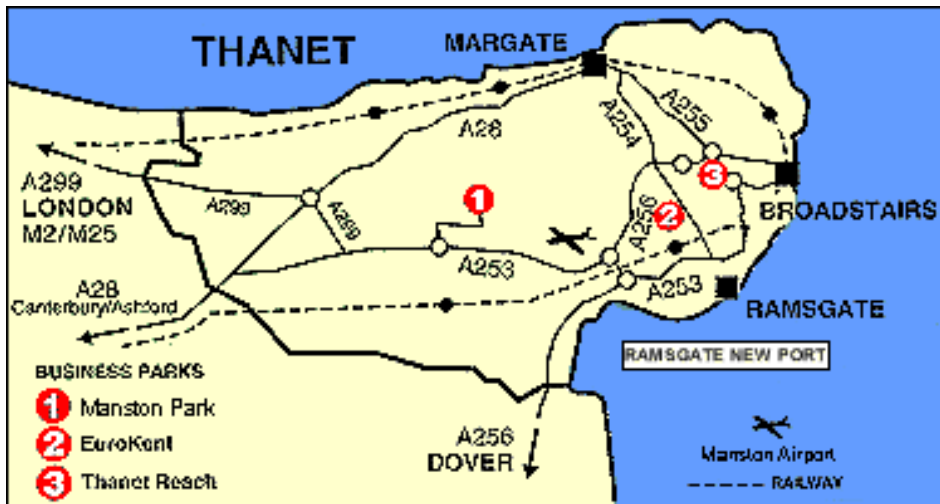


Figure 11: Transport connections to Margate

Source: Thanet council website

Thanet District has a population of 127,000 and is ranked as the 85th most deprived area in the country, according to the 2004 *Indices of Deprivation*. Half the population of Margate within the district of Thanet lives in deprived wards. It qualified for Objective 2 regional development aid from the European Social Fund as well as Single Regeneration Budget funding. In tourism in Margate has been in decline since the 1960s, though it still makes a significant contribution to the local economy.

Margate has been a home to famous artists. JMW Turner visited here often and painted local landscapes and seascapes, while contemporary artist Tracy Emin still lives in Margate. The town hopes to capitalise on this heritage by developing the historic town centre as a cultural quarter with the new Turner Contemporary Art gallery, due to open in 2007 as its centrepiece.

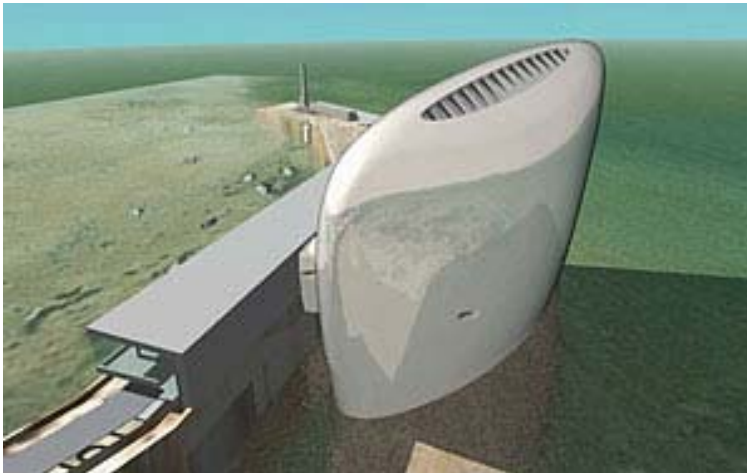
Artists image of the Turner Contemporary Art gallery



Source: Turner Gallery website

The Gallery will provide 7,500ft² of gallery space and will include a café, shop and a restaurant.

Artist's impression Turner Contemporary Art gallery, Margate



Source: Turner Gallery Website

The Margate Media Centre opened in 2004 providing support for media-related businesses. A number of cultural activities and industries are now located in the town centre. These include 'not-for-profit' music and arts organisations, local galleries and arts and crafts shops (including book binders and jewellery makers). The Council's economic development strategy talks of developing new artist galleries and workshops. There is considerable potential for building on this thriving sector by developing the town centre to cater for high-value specialist retail. While a number of the visitor attractions (funfairs etc) are out of date and are eyesores for visitors, there are plans for the redevelopment and upgrading of the Margate seafront.

2.3.2 The economy in Thanet/Margate

A study of the Thanet economy in 2002, concluded with characteristic understatement that, "All is far from well in the local economy at present. ...a

broader base for the economy is desperately needed.”⁴⁸ Growth in employment has been slower than in most seaside towns. There are substantial structural problems with the local labour market. Almost all the jobs growth in Thanet is accounted for by immigration of the 30+ age group to the detriment of longer standing local residents who have to commute (sometimes as far as Canterbury) out of Thanet to find work.⁴⁹ Beatty and Forthergill note “only a big increase in out-commuting to neighbouring areas and further afield has maintained a degree of balance in the local labour market and prevented far worse joblessness”. Creating jobs for local residents and improving public transport to the wider travel-to-work economy are key priorities for Margate and Thanet.

Historically, tourism was the main driving force of the local economy. The Thanet Tourism website claims that Margate was the first resort to have donkey rides in 1790 and the first to introduce deck chairs in 1898.

A study of Thanet economy suggests that the decline in tourism began in the 1950.⁵⁰ As tourism has declined, there has been a severe lack of investment in upgrading and modernising visitor attractions to appeal to the changing market. This is symbolised by *The Dreamland* amusement park – the largest amusement park on the South Coast whose roller-coaster opened in 1921. It occupies a prime site in the town centre and is currently up for sale. There is also lack of high quality hotel and conference facilities, making it difficult to attract the potentially lucrative business trade.

There are approximately 300 manufacturing companies in Thanet, although the sector has declined significantly as a result of globalisation and outsourcing.⁵¹ Pfizer is located in the borough, providing large-scale employment. The Kent Coal mines provided large-scale employment locally but the last coal mine closed in 1995.

Since the 1990s, Thanet Council has tried to attract large-scale inward investment to Margate. Margate’s physical isolation and lack of suitable business premises made it unattractive to businesses looking to relocate. This approach has now largely been abandoned in favour of a focus on SMEs and an attempt to attract fast-growth companies through the Kent Innovation Centre.⁵² Thanet Council is now concentrating on diversifying the manufacturing base and identifying opportunities for more specialist and niche manufacturing. This is combined with targeting local businesses with the potential to develop into high value businesses.⁵³

Thanet Council points to the emergence of a sign-making cluster with three companies providing significant employment (150–200 employees each) and specialising in printing inks, plastic processing and precision engineering.

There is an emerging cultural industry and media cluster in the Old Town area, and this is seen as a potential growth area with the opening of the Turner Contemporary art gallery and a new media centre.

Business support

There is a low skill base, but any strategy for developing a more skilled workforce needs to be combined with attracting a range of companies requiring a wider skills base. The objectives of the Thanet Business Support Strategy include supporting existing companies, supporting IT development and encouraging start-ups and self employment.

⁴⁸ Beatty C and Fothergill S (2002) *A case study of Thanet*

⁴⁹ Ibid

⁵⁰ Ibid and Interview with Anne Fox, Head of Policy and Strategy, Thanet Council

⁵¹ Interview with Tom McGuckin Economic Development Section Thanet Council

⁵² Interview with Anne Fox.

⁵³ Interview with Tom McGuckin

The Margate Media Centre opened in 2000 to provide specialist support and state of the art facilities for media industries. The Kent Innovation Centre, owned and run by Thanet District Council and located in neighbouring Broadstairs, has identified a number of objectives over the next three years including:

- Improving the start-up and survival rates of ambitious companies in Thanet.
- Improving Thanet SMEs knowledge and access to ICT to equip them to compete in regional, national and global markets.
- Gaining recognition as one of SEEDA's Enterprise Gateways.⁵⁴

Retail

The Council is adopting a two-pronged approach to improving retail opportunities in Margate. A new out-of-town shopping centre is opening at Westwood Cross and is attracting a range of chain stores (for example Debenhams and Next) who would not have been inclined to open up in Margate itself. The Council claims that Westwood Cross is providing a range of new job opportunities and is particularly attractive to Margate residents who have to commute out of town (for example to Canterbury) to find work. However, many of these are likely to be low paid and part time.

Retail in Margate Old Town will aim to focus on galleries, cafés and a range of independent specialist shops, along with a cultural quarter adjacent to the Turner Contemporary Art gallery. A number of new media/cultural businesses have opened up including a not-for-profit community arts centre, music-making opportunities, and social enterprises including a Fair Trade retailer. The Council hopes that shoppers visiting Westwood Cross will also visit Margate Centre.

It remains to be seen whether this is realistic, given the experience of other towns that have experienced a fall off of demand following the opening of large out-of-town shopping centre. There are significant transport problems associated with Westwood Cross. Thanet Council points out that public transport access is insufficient, road links have not been expanded, and parking provision is inadequate.⁵⁵

2.3.3 Employment in Margate/Thanet

Unemployment in Margate/Thanet has been historically high by sub-regional, regional and national standards. Beatty and Fothergill found that unemployment has been consistently higher in Thanet since comparable statistics were first published in 1986; the number of benefit claimants is 50 per cent higher than the national average between 1986 and 2002.⁵⁶

They conclude that "The real level of unemployment in Thanet (and even the claimant rate) remains disturbingly high."⁵⁷ A feature of the Margate economy is the large number of people claiming sickness-related benefits, many of whom, though wanting work, have dropped out of the economy.

Thanet is performing less well than the South East and national averages for all indices, except for self-employment. This is particularly noteworthy in relation to unemployment, which is twice the national average and three times the regional average. Beatty and Fothergill found that there was extensive hidden unemployment and estimated the real rate of unemployment to be above 12 per cent in 2002. Unemployment in February 2005 was 3.5 per cent in Thanet compared with 2 per cent in Kent and 1.5 per cent in the South East.

⁵⁴ <http://www.kentinnovationcentre.com/>

⁵⁵ Interview with Anne Fox

⁵⁶ Beatty and Fothergill op. cit.

⁵⁷ Beatty and Fothergill op. cit.

Table 12: Employment in Thanet

| Category | Thanet % | South East Average % | Great Britain Average % |
|---------------------|----------|----------------------|-------------------------|
| Economically active | 69.8 | 82.1 | 78.2 |
| In employment | 62.4 | 78.9 | 74.3 |
| Employees | 48.9 | 67.9 | 64.8 |
| Self employed | 13.5 | 19.7 | 9 |
| Unemployed | 10.6 | 3.9 | 5 |

Source: Local Labour Area Force Statistics 2000-2004

There are initiatives underway to improve employment prospects and opportunities. The Action Team for Jobs is providing direct support to residents of the six wards in the town with high multiple deprivation: Cecil, Marine, Pier, Ethelbert, Cliftonville, and Northdown.

The Council's regeneration strategy has the following objectives:

- Increase employment opportunities across the business sectors throughout the district.
- Increase average wages to closer to the Kent and national averages.
- Increase GDP to nearer the Kent and national average levels.
- Promote social inclusion/anti-poverty/equal-opportunities activities.

There are a number of large employers in Margate.

Table 13: Large companies in Margate

| Company | Sector | Employees | Turnover (£m) |
|----------------------------|--|-----------|---------------|
| Hornby | Holding Company Services/Manufacturing | 154 | 39.9 |
| Hornby Hobbies Ltd | Toy Manufacturers | 138 | 37.5 |
| Silent Glass Ltd | Curtain Suppliers | 164 | 17.1 |
| Charles River Laboratories | Holding Company Animal Products (rodents, poultry) | 209 | 16.9 |
| Simrad Ltd | Marine Instruments Distribution | 109 | 11.9 |
| Thor Overseas Ltd | Chemical Manufacturers | 50 | 10.8 |
| J.C. Rook and Sons Ltd | Butcher/Retail Meat | 180 | 10.4 |

2.3.4 The local impacts of business

The following analyses present data drawn from the Local Impact Model when applied to enterprise in Margate.

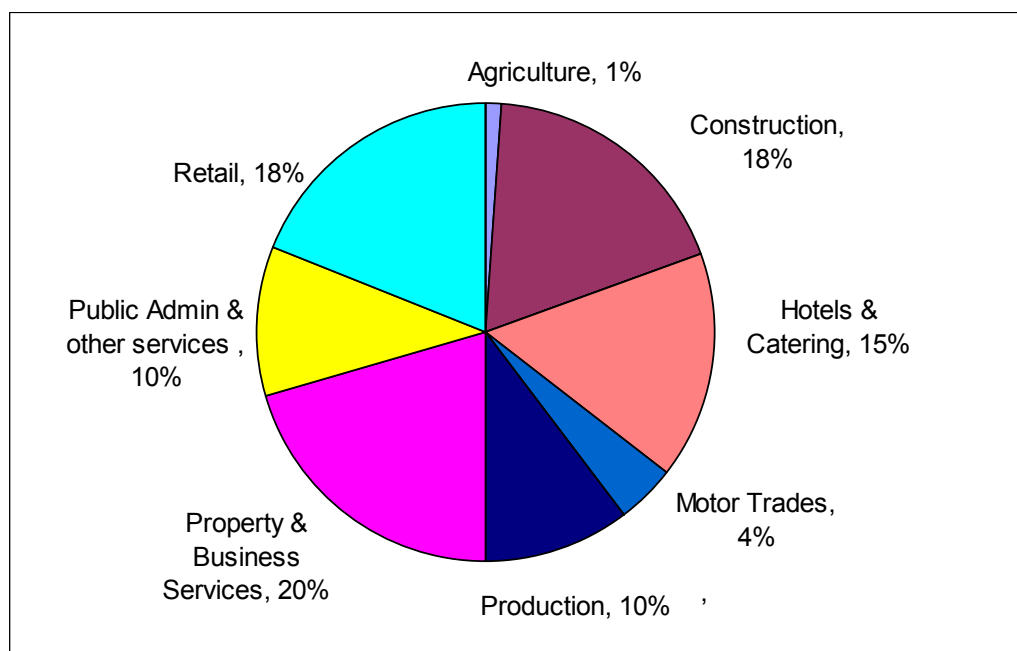


Figure 12: Sector distribution of businesses⁵⁸

Margate is dominated like the other towns by property and business services but closely after that comes retail, construction and hotels and catering.

The most remarkable difference between the distribution of enterprises in Margate, compared with that in deprived inner-city borough Tower Hamlets and the national landscape, is the hotels and catering sector, which is much larger in Margate. The property and business services sector in Margate is significantly smaller than the national and inner-city distribution and also when compared with Eastbourne and Havant in the previous two sections. See Table 14.

Table 15 presents the number of firms and total and average impact values generated by firms across the size bands. Overall, businesses in Margate contribute a total of £25.4 million per year towards their local economy. Micro firms are again the chief contributor to the local economy with an overall impact value of £14.6 million. On average those firms generated £31,000. It is interesting to note

⁵⁸ IDBR (adjusted to eliminate large businesses)

that it is the small firms that have a higher average impact value than the medium-sized firms. This is compared to the distribution of average impact in both Eastbourne and Havant in which medium firms had the higher average impacts.

Table 14: Sector distribution of enterprises in Margate, Tower Hamlets and Great Britain⁵⁹

| Sector | Margate | | Tower Hamlets | | Great Britain | |
|-------------------------------|-----------------|------|-----------------|------|------------------|------|
| | No. Enterprises | % | No. Enterprises | % | No. Enterprises | % |
| Agriculture | 5 | 0.01 | 5 | 0.00 | 137,480 | 0.09 |
| Construction | 95 | 0.18 | 260 | 0.04 | 182,145 | 0.11 |
| Education | 0 | 0.00 | 40 | 0.01 | 11,045 | 0.01 |
| Finance | 0 | 0.00 | 45 | 0.01 | 8,880 | 0.01 |
| Health | 0 | 0.00 | 460 | 0.07 | 111,055 | 0.07 |
| Hotels & Catering | 82 | 0.15 | 195 | 0.03 | 10,075 | 0.01 |
| Motor Trades | 21 | 0.04 | 85 | 0.01 | 65,510 | 0.04 |
| Post & Telecom | 0 | 0.00 | 100 | 0.02 | 15,395 | 0.01 |
| Production | 53 | 0.10 | 610 | 0.09 | 140,335 | 0.09 |
| Property & Business Services | 105 | 0.20 | 2,390 | 0.36 | 445,090 | 0.28 |
| Public Admin & other services | 55 | 0.10 | 660 | 0.10 | 136,490 | 0.08 |
| Retail | 97 | 0.18 | 720 | 0.11 | 184,695 | 0.11 |
| Transport | 0 | 0.00 | 205 | 0.03 | 58,225 | 0.04 |
| Wholesale | 16 | 0.03 | 780 | 0.12 | 105,115 | 0.07 |
| TOTAL | 530 | | 6,555 | | 1,611,535 | |

Table 15: Enterprise numbers, total and average impact values by size in Margate

| | Micro | Small | Medium | All Sizes |
|----------------------|------------|-----------|-----------|------------|
| Number of Businesses | 468 | 28 | 34 | 530 |
| Total Impact | 14,607,653 | 5,329,335 | 5,510,096 | 25,447,084 |
| Average Impact | 31,234 | 191,241 | 159,976 | 48,014 |

⁵⁹ IDBR (where Margate figures are adjusted to eliminate large businesses)

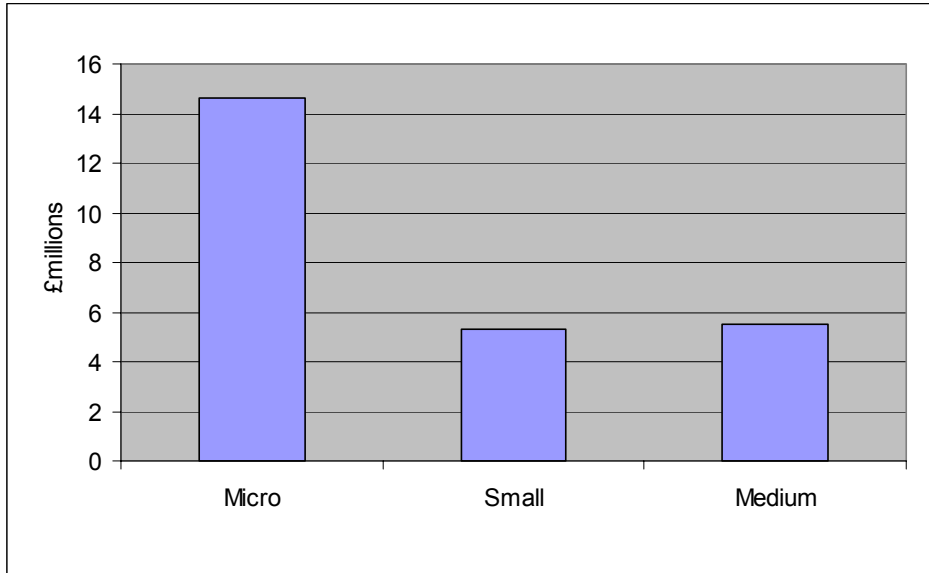


Figure 13: Distribution of total impacts by firm size

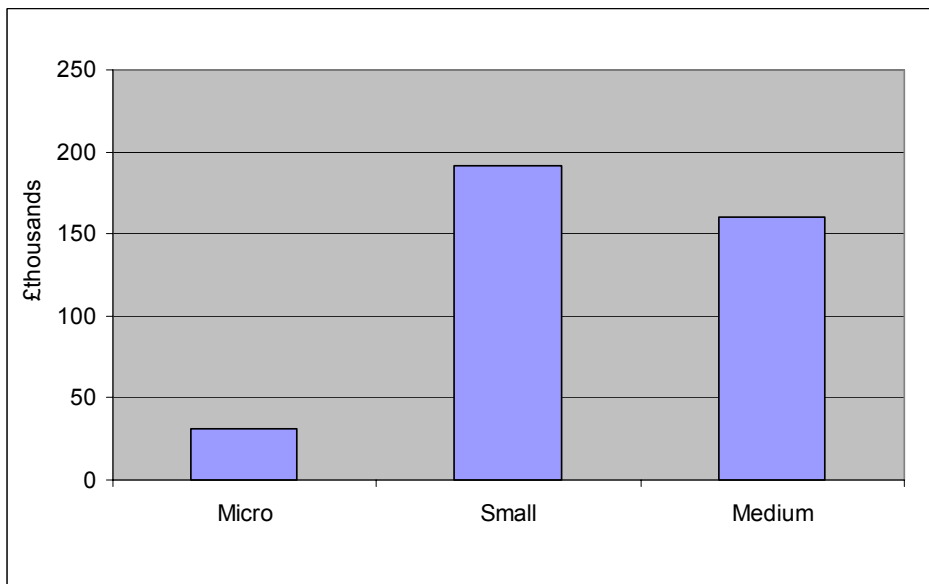


Figure 14: Average impacts by firm size

Figures 13 and 14 illustrate the relative value of the micro, small and medium-sized firms to the Margate economy. Figure 13 shows that micro firms are once again the largest contributors toward total impact. Interestingly there is a divergence from the last two towns in that medium-sized businesses create more impact than small businesses.

Figures 13 and 14 also demonstrate the extent to which small businesses 'punch above their weight' as the average impact is significantly higher than medium-sized businesses despite there being fewer of them. This points to the critical importance of small companies in Margate in terms of impact.

Tables 16a and 16b present the total and average impacts split by micro, small and medium-sized companies within each sector. Production, property and business services, public administration and retail are all the main contributing sectors to the local economy. The hotels and catering sector is relatively smaller. Graphs representing this data can be found in Appendix A.

Table 16a: Total Industry sector impacts in Margate

| Total Impacts | | | | |
|-------------------------------|--------------|--------------|---------------|------------|
| Sector | Micro | Small | Medium | All |
| Agriculture | 195,617 | 45,646 | 0 | 241,263 |
| Construction | 714,929 | 197,105 | 539,206 | 1,451,240 |
| Education | 0 | 0 | 0 | 0 |
| Finance | 0 | 0 | 0 | 0 |
| Health | 0 | 0 | 0 | 0 |
| Hotels & Catering | 1,253,908 | 187,458 | 0 | 1,441,366 |
| Motor Trades | 361,691 | 455,206 | 0 | 816,897 |
| Post & Telecom | 0 | 0 | 0 | 0 |
| Production | 1,590,911 | 769,693 | 2,422,593 | 4,783,197 |
| Property & Business Services | 4,233,522 | 1,064,403 | 0 | 5,297,925 |
| Public Admin & other services | 1,867,406 | 1,144,575 | 1,506,434 | 4,518,416 |
| Retail | 4,091,642 | 496,812 | 1,041,862 | 5,630,317 |
| Transport | 0 | 0 | 0 | 0 |
| Wholesale | 298,028 | 968,436 | 0 | 1,266,463 |

Table 16b: Average Industry sector impacts in Margate

| Average Impacts | | | | |
|-------------------------------|--------------|--------------|---------------|------------|
| | Micro | Small | Medium | All |
| Agriculture | 81,435 | 45,646 | 0 | 44,650 |
| Construction | 9,387 | 55,219 | 35,322 | 15,276 |
| Education | 0 | 0 | 0 | 0 |
| Finance | 0 | 0 | 0 | 0 |
| Health | 0 | 0 | 0 | 0 |
| Hotels & Catering | 15,674 | 93,729 | 0 | 17,578 |
| Motor Trades | 17,518 | 733,557 | - | 38,412 |
| Post & Telecom | 0 | 0 | 0 | 0 |
| Production | 36,364 | 123,151 | 726,778 | 89,685 |
| Property & Business Services | 41,556 | 340,609 | - | 50,456 |
| Public Admin & other services | 45,500 | 546,538 | 127,198 | 82,184 |
| Retail | 44,535 | 158,980 | 520,931 | 58,045 |
| Transport | 0 | 0 | 0 | 0 |
| Wholesale | 30,008 | 159,207 | - | 79,082 |

The four key sectors are the subject of Figures 15 and 16. They show the distribution of total and average impact values across the hotels and catering, production, property and business services and retail sectors.

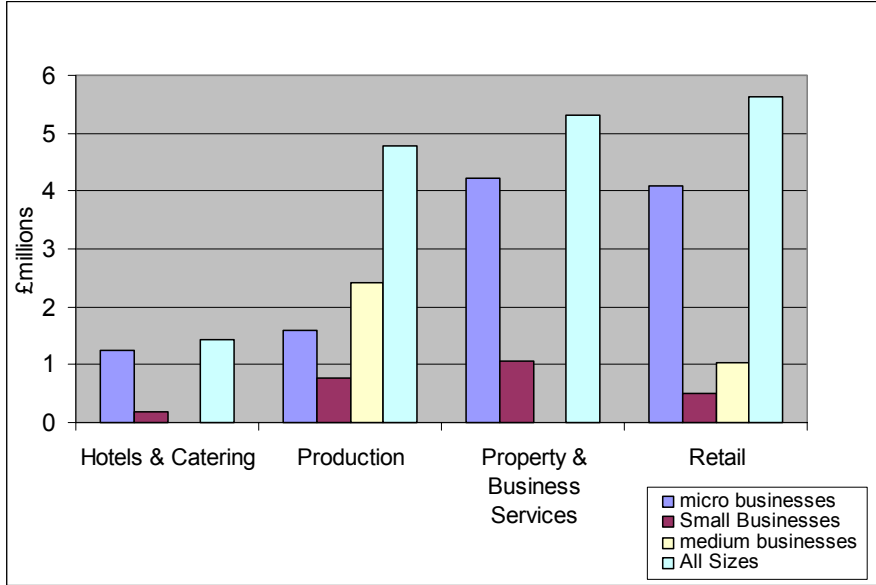


Figure 15: Size and sector distribution of total impact values for four key sectors

The retail sector plays the biggest role in impacting on the local economy of Margate. Of this total, it is the micro businesses that are most active. The hotels and catering sector makes relatively little impact, even though it is one of the largest sectors in the town. This is because micro firms contribute most of the impact in this sector with relatively few small and no medium-sized businesses adding to this total.

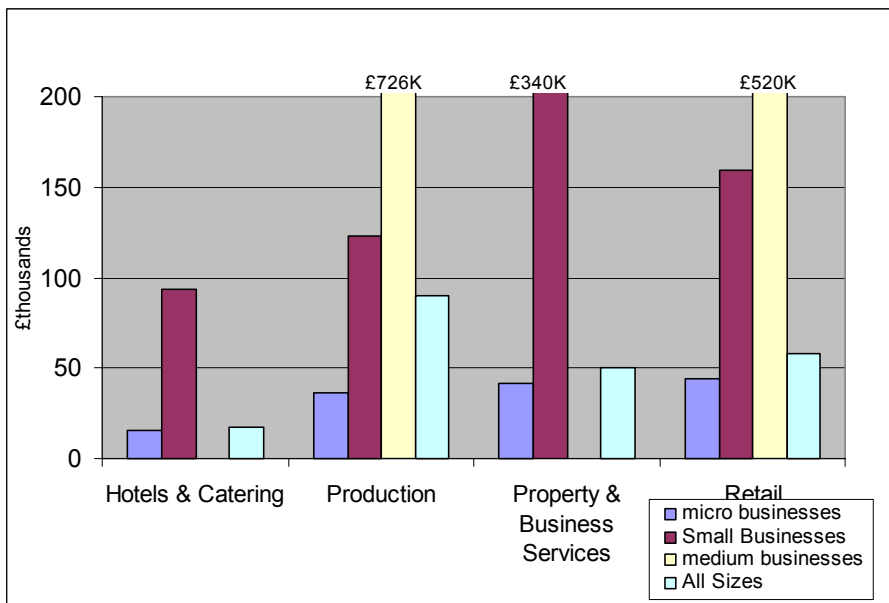


Figure 16: Size and sector distribution of average impact values for four key sectors

Margate's production and retail sectors medium-sized businesses are responsible for the high impact of their overall sector as is illustrated by Figure 16.

2.3.5 Recommendations for Margate

Margate has the highest concentration of deprivation and disadvantage of the four coastal towns studied and is perhaps the town most severely affected by the decline in tourism. Development of the Turner Contemporary Art gallery and regeneration of Margate Old Town offer progress in regenerating the town.

- Develop a longitudinal study of the economic impact of the opening of the Turner Contemporary Art gallery on the local economy. This would measure the benefits that the gallery is generating for local businesses and the local workforce and the wider community. It would also provide a useful case study for SEEDA of the benefits of 'iconic'-buildings-based cultural regeneration.
- Carry out a study to evaluate the effect on retail of the opening of Westwood Cross in Margate Centre with particular reference to the Council's stated objective of encouraging independent high-value retail in Margate Old Town and taking account of the importance of local retention to the Margate economy as demonstrated by the results of the LIM for Margate.
- Develop a coherent and strategic and integrated approach to development in Margate to avoid the danger of very real danger of growth having the knock on effect in some parts of accelerating further decline in other parts of the town.
- Margate is not currently served by a nearby SEEDA Enterprise Hub or Gateway. However, the Kent Innovation Centre may play an important role.

2.4 Worthing

- Businesses in Worthing contribute £168 million toward the local economy, by far the largest contribution of the four towns in this study, reflecting the relative robustness of the economy.
- Micro businesses contribute £80 million to the local economy, almost half of the total impact. Medium-sized firms contribute £63 million.
- There are significant numbers of micro firms but they have small average impacts per firm.
- Finance is the largest sector in Worthing followed by wholesale. Its value to the Worthing economy is highly significant and provides an anchor contributing to resilience and employment that distinguishes it from the more fragile economies of the other towns in the study.
- The average impact per business is £74,000.
- The importance of medium-sized firms to the Worthing economy cannot be overstated. Each medium-sized firm has an average impact value of over £2 million, more than 55 times that of a micro firm and seven times that of a small firm.
- In terms of firm size, small businesses make the most impact in the hotels and catering, production, property and business services and retail sectors.
- Worthing has a large elderly population and the highest number of over 85s in the country. There are relatively few young people (under 15) though this is increasing six times as fast as the rest of the South East.
- Employment rates in Worthing are high but wages are significantly lower than the country average.
- There are a number of large 'blue chip' firms in Worthing which provide a solid anchor of employment in the area.
- There is a thriving cultural industries sector in Worthing.

- The Worthing First business partnership provides a useful model for business involvement in regeneration and a master plan for planning and regenerating Worthing is currently being developed.
- There are signs of a change in the demographics with an influx of young families.
- There is currently no prospect of substantial public investment or regeneration money.
- Transport access to the town is poor. SEEDA is currently funding a feasibility study into improving access.
- The Teville Gate shopping centre is a symbol of urban blight. Strategically placed near the railway station, it provides an unsightly introduction to the Town.
- There is an unpopular large greenfield housing development strongly opposed to by local residents at Titnore Woods. They would prefer to see brownfield site development.
- There is a shortage of leasehold business premises of the kind required by business.

Worthing originated as a series of small villages and its development as a town was closely associated with tourism. It has an Area of Outstanding Natural Beauty to the north, coastline to the south, and rural land to the east and west. The Wealden Woods create a geographical barrier between Worthing and its hinterland rural areas in the East and West.

2.4.1 The West Sussex context

West Sussex has a population of 754,000. The over-60s make up 30 per cent of coastal West Sussex's population and the number of under-15s is below the county average. The county has a Gross Value Added of £13,844 per capita per annum, higher than national figures but lower than the regional average (£14,293). The proportion of economically active and unemployed is lower than the South East and nationally. The average gross weekly wage of employees is lower in West Sussex (£457) than in the South East and Great Britain as a whole. There are stark differentials in pay between men and women, particularly between low-paid men and women. On average women earn £10.31 an hour compared with £13.85 for men or 70 per cent of men's weekly wages. There is a high amount of unpaid care, especially performed by women, with 12 per cent of women compared to 1 per cent of men listing caring as their economic inactivity.⁶⁰

Small businesses and the service sector dominate the economy.⁶¹ The VAT-registration rate is slightly lower than the South East or English average and start-up rates are relatively low. However, employment is forecast to grow, particularly in the service and public sectors, though manufacturing continues to decline. The proportion of highly skilled workers at 19 per cent is less than regional average of 22 per cent.

2.4.2 Worthing

Worthing has a population of 102,844 and the town is comprised of 13 wards. The population has a high number of elderly (and particularly high numbers of the very elderly); 17 per cent are aged over 75 compared with 9 per cent nationally. Indeed, Worthing has the highest proportion of people over 85 in the UK.

⁶⁰ Census Bulletin (2002) *Economic Activity in West Sussex* (West Sussex County Council and Adur, Arun and Worthing Teaching Primary Care Trust).

⁶¹ The Areas Investment Fund estimates that 71.6 per cent of firms employ between one and four staff.

However, the demographics may be changing. In the period 1991–2002 there was a 10 per cent increase in the number of under-15s compared with a decline of 14 per cent in the number at retirement age. The number of young people is increasing at twice the national average growth rate and six times as fast as the rest of the South East. Inward migration is principally concentrated in the 16–24 and 25–34 age groups.

Poor transport links means that Worthing is not particularly attractive for logistics or conference business. SEEDA is part funding a feasibility study into building an East Worthing access road to redress this.

The AIF suggests that there are good road and rail links to Worthing with the A27 serving as a link to the M27, and the A23 to Brighton. However, this is not a view shared by business or Worthing Council who point to severe congestion problems as you enter the town.

Deprivation

Worthing has one ward with concentrated deprivation; the Central Ward ranks 4,742 out of 32,482 Super Output Areas (SOAs). There is a greater proportion of people who are economically inactive through sickness and disability than in the county as a whole; 33.5 per cent of people have a limiting long-term illness and deaths exceed births significantly.

Though near the national average, life expectancy is much lower in Worthing than in other parts of the region. Five per cent more men than the national average have a life-limiting long-term illness. The teenage pregnancy rate at 43.6 per cent, with a 50 per cent abortion rate, is well above the South East and regional average.

Within Worthing, there is considerable affluence alongside the deprivation. The influx of young people, particularly families who have moved in as a result of house prices being relatively reasonable, is leading to a change in terms of range of shops and services (e.g. David Lloyd Centre). This inward migration provides more spending power and opens new markets to improve the retail 'offer'.

Worthing has a high proportion of unfit housing and a high proportion of single households; over 20 per cent are single pensioner households.

Employment levels are high in Worthing but wages are low – £404 per week compared with the West Sussex average of £457. While there are increases in the banking and finance sectors, manufacturing employment is continuing to decline. There has been a significant increase in part-time work for both men and women in distribution, hotels, and restaurants.

Estimates indicate that home working makes up five per cent of the economy and the number of self-employed residents is greater than in West Sussex.⁶²

There is a lower proportion of quality jobs requiring higher skills and qualifications than the sub-regional average.⁶³ The sub-region has low basic skills. There is a high proportion of unemployed school leavers and a high proportion of residents without qualifications. Schools in Worthing are performing below the average national level.

Businesses in Worthing

There are five Blue Chip firms in Worthing – including Southern Water, Norwich Union and Lloyds Register – that provide a solid anchor of employment. In addition, there is significant public-sector employment at the Inland Revenue. The large service sector includes banks, like HSBC, and manufacturing specialists, including Bowers and Wilkins, a world-renowned loudspeaker maker that has

⁶² A study commissioned by Worthing Borough Council. There is no current information about the value of the home-working sector but Worthing Council considers it is important to the economy of Worthing

⁶³ Conversation with economic development officer.

received the Queen's Award for Enterprise. The creative industries are regarded as strong. An Arts and Heritage survey is assessing the economic contribution of this sector to the town. The Economic Development Strategy that Worthing is currently preparing is likely to reflect specific proposals to site a cultural quarter at Teville Gate shopping centre or by the seafront.

Although there is a range of good business units, they have low occupancy rates due to their freehold status; demand is now overwhelmingly for leasehold. The seafront offers substantial development potential with seven sites identified. Development of one of the sites would assist in meeting the shortfall of quality follow-on accommodation for businesses. Worthing Council recently carried out an audit of Industrial Estates to give a clear picture of what is available. It found that there was a wide range of good quality industrial estates. However, all are privately owned so it is difficult for the Council to intervene in these to stimulate business creation and retention.

A five-town network has been established to improve economic co-operation with other towns in the AIF. In addition, businesses in Worthing have access to the SEEDA enterprise hub in Shoreham in the neighbouring local authority of Adur.

Regarding business, there is a promising new network building links between local businesses. Worthing First is a business-led economic partnership with 80 members. As well as businesses, the Federation of Small Businesses, Worthing Chamber of Commerce and the Local Strategic Partnership are involved. The launch in 2004 was an auspicious start with over 200 businesses, including 20 business-support organisations. The conference was part funded by SEEDA.

The Worthing First initiative provides a voice for business and seven working groups have now been established to enable business involvement and input into key priority areas for Worthing. These include workforce development and recruitment; small and home-based business; and industrial estates and large companies.

Issues facing Worthing

Worthing Council has been a hung council for many years and this has resulted in a lack of clear leadership and commitment to economic and tourism policy. In recent years there has been no economic development function at the Council and no coherent approach to tourism. These issues were not seen as priorities and have resulted in there being no clear economic strategy for the town. In addition, there is no existing Master plan for Worthing, although a tendering process is underway. The Council is considering a merger with the adjacent Adur District Council to create a large and more integrated local authority, although it is unclear whether this will provide greater leadership on economic issues.

There are a number of assets in Worthing that could provide greater benefits. The attractive pier is an underused asset and is only active at night for a nightclub, Vaudeville Theatre and an amusement arcade. There is little to attract families. Given demographic changes, there is very little in the way of attractions/facilities for young families.

In terms of town layout, there is no clear linkage between the main shopping centre/town centre area and the Worthing seafront. This has negative repercussions on the number of visitors to attractions. There is also considerable town-centre congestion with the one road to the seafront being very congested. Given the proximity of an Area of Outstanding Natural Beauty there is little prospect of a bypass.

Teville Gate

A national 'eyesore', Teville Gate is a declining shopping centre occupying a key strategic site near the railway station. The centre provides a poor first impression to visitors and its future has been debated for the past 20 years. In April 2004, Radio 5 Live listeners voted Teville Gate as the 'shabbiest' street in Britain. The site is primed for re-development and is currently awaiting a planning application

from developers and owners. There has been some talk about a new swimming pool being developed there and some suggestion that it could house the cultural hub.

In July 2004, there was a major protest march about the redevelopment of Teville Gate highlighting the need for social housing and shops. This was linked to opposition to the development of 850 houses in Titnore Lane on a greenfield site near a nature conservation. A quarter of the houses are social housing and a business park is planned. This was a major election issue at the 2004 Council elections where a single-issue protest candidate standing against the redevelopment received 25 per cent of the votes!

Teville Gate offers the potential to develop niche retail leading down the streets to the seafront and to encourage local ownership.



Key strategies

In the *Economic Strategy for West Sussex County Council*, regenerating the coastal economy is one of the five themes but only £35,000 has been set aside for coastal projects. Other key priorities include: town centre revival; use of brownfield land; and diversification into higher-value-added tourism.

2.4.3 The local impacts of business

The following analyses present data drawn from the Local Impact Model when applied to enterprise in Worthing.

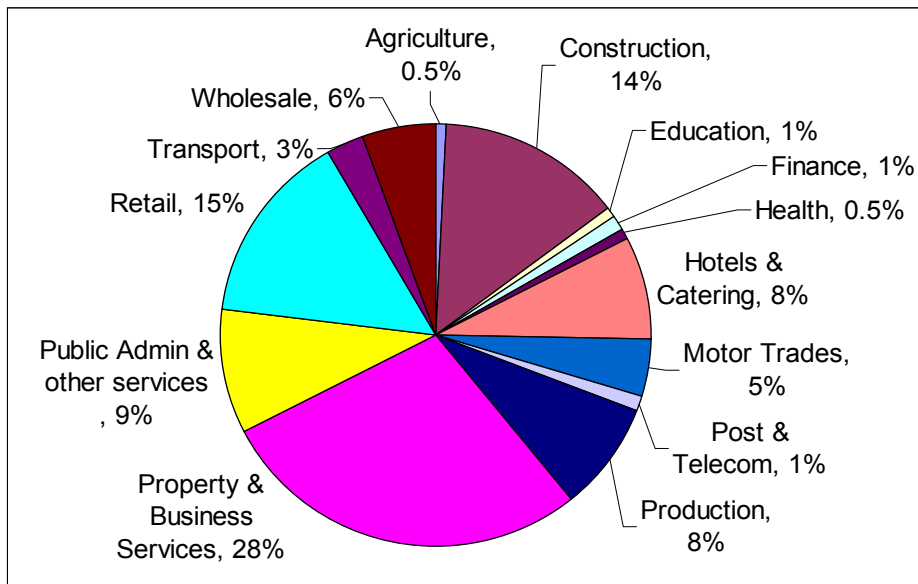


Figure 17: Sector distribution of businesses⁶⁴

Worthing has a diverse enterprise base dominated by property and business services, retail, construction and the public sector.

Table 17 offers a comparison of the sector distribution within Worthing with that of a deprived inner-city local authority (Tower Hamlets) and the landscape across the whole of Great Britain. Comparison with Tower Hamlets shows a significantly smaller property and services sector and wholesale sector, but a bigger construction and hotels and catering which is a similar story across the four seaside towns of this study. When comparing with the national picture it is retail, hotels and catering, and construction that show the greatest variation.

Table 18 presents the number of firms and total and average impact values generated by firms across size bands. Overall, businesses in Worthing contribute a considerable amount (£168 million) per year towards their local economy. Micro firms are again the chief contributor to the local economy with an overall impact value of almost £80 million per year. Small businesses contribute considerably

⁶⁴ Source: IDBR (adjusted to eliminate large businesses)

less than medium-sized companies. This can be explained by the relatively low average value generated by small businesses compared to the £2 million by medium businesses.

Table 17: Sector distribution of enterprises in Worthing, Tower Hamlets and Great Britain

| Sector | Worthing | | Tower Hamlets | | Great Britain | |
|-------------------------------|-----------------------|------|-----------------------|------|-----------------------|------|
| | Number of Enterprises | % | Number of Enterprises | % | Number of Enterprises | % |
| Agriculture | 20 | 0.01 | 5 | 0.00 | 137,480 | 0.09 |
| Construction | 310 | 0.14 | 260 | 0.04 | 182,145 | 0.11 |
| Education | 22 | 0.01 | 40 | 0.01 | 11,045 | 0.01 |
| Finance | 25 | 0.01 | 45 | 0.01 | 8,880 | 0.01 |
| Health | 17 | 0.01 | 460 | 0.07 | 111,055 | 0.07 |
| Hotels & Catering | 175 | 0.08 | 195 | 0.03 | 10,075 | 0.01 |
| Motor Trades | 103 | 0.05 | 85 | 0.01 | 65,510 | 0.04 |
| Post & Telecom | 21 | 0.01 | 100 | 0.02 | 15,395 | 0.01 |
| Production | 190 | 0.08 | 610 | 0.09 | 140,335 | 0.09 |
| Property & Business Services | 642 | 0.28 | 2,390 | 0.36 | 445,090 | 0.28 |
| Public Admin & other services | 210 | 0.09 | 660 | 0.10 | 136,490 | 0.08 |
| Retail | 335 | 0.15 | 720 | 0.11 | 184,695 | 0.11 |
| Transport | 61 | 0.03 | 205 | 0.03 | 58,225 | 0.04 |
| Wholesale | 125 | 0.06 | 780 | 0.12 | 105,115 | 0.07 |
| TOTAL | 2,256 | | 6,555 | | 1,611,535 | |

Source: IDBR (where Worthing figures are adjusted to eliminate large businesses)

Table 18: Enterprise numbers, total and average impact values by size in Worthing

| | Micro | Small | Medium | All |
|----------------------|------------|------------|------------|-------------|
| Number of Businesses | 2,130 | 96 | 30 | 2,256 |
| Total Impact | 79,929,384 | 25,801,391 | 63,073,339 | 168,804,114 |
| Average Impact | 37,529 | 268,194 | 2,079,341 | 74,813 |

Figures 18 and 19 help to illustrate these relative differences:

Medium businesses in Worthing create a significantly large total impact as Figure 18 illustrates. Although micro firms are still the clear winners, medium-sized businesses impact generation approaches this total.

Figure 19 helps to explain the narrow gap between the total impacts created by micro businesses and that by medium-sized businesses as illustrated. Micro firms, although there are a lot of them, have a very small average impact.

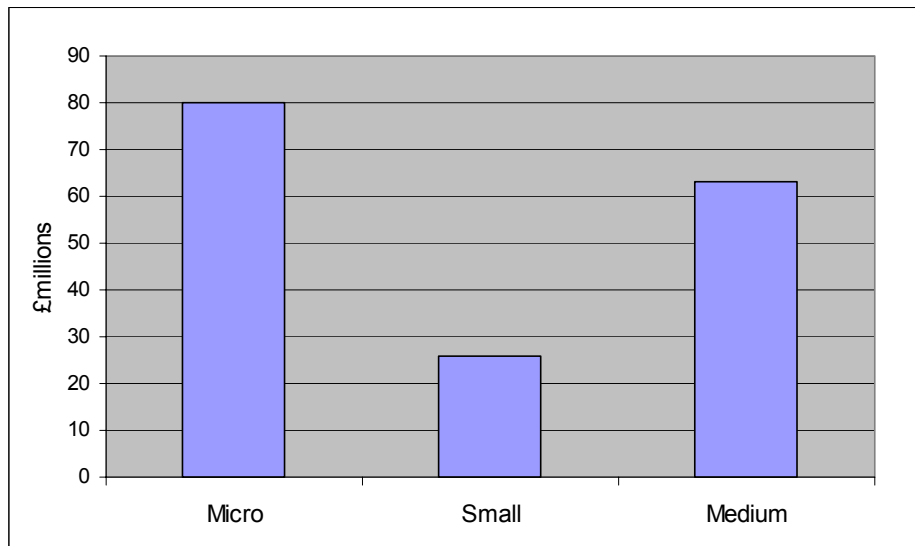


Figure 18: Size distribution of total impact value

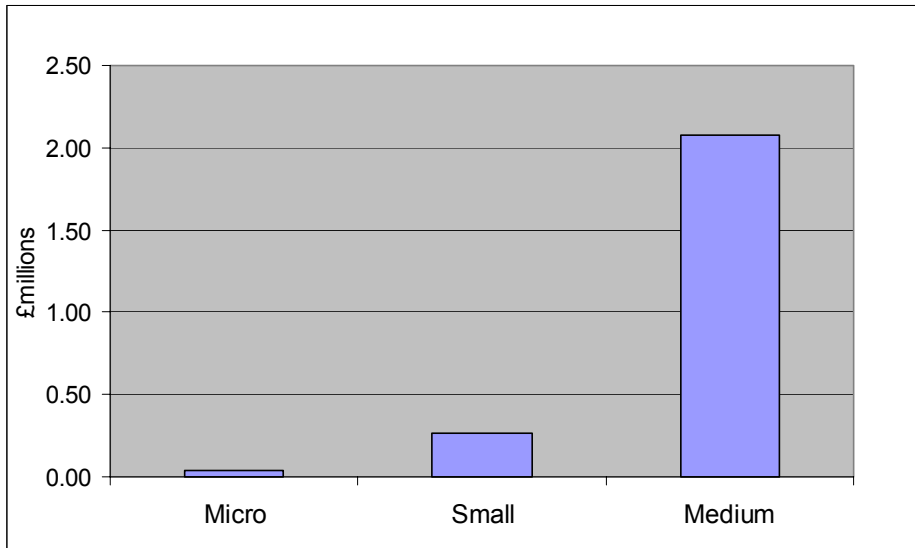


Figure 19: Size distribution of average impact value

The chief sectoral contributors to the local economy include finance and wholesale. The presence of finance sector contributions in Worthing is in contrast to the other towns in this study. There are significant finance businesses that register in the data. This doesn't mean that there are no finance sector impacts in the other towns, but it is likely that they are significantly lower. Graphs illustrating the data in the table above can be viewed in Appendix A.

The four key sectors are the subject of Figure 22 and 23. They show the distribution of total and average impact values across the hotels and catering, production, property and business services and retail sectors.

Table 19a: Total industry sector impacts in Worthing

| Total Impacts | | | | |
|-------------------------------|--------------|--------------|---------------|------------|
| Sector | Micro | Small | Medium | All |
| Agriculture | 144,052 | 11,783 | 108,667 | 264,502 |
| Construction | 8,665,794 | 5,308,825 | 4,114,139 | 18,088,759 |
| Education | 1,354,808 | 234,310 | 0 | 1,589,118 |
| Finance | 5,555,951 | 1,545,842 | 21,753,419 | 28,855,212 |
| Health | 1,310,512 | 116,335 | 0 | 1,426,847 |
| Hotels & Catering | 7,370,054 | 551,451 | 0 | 7,921,505 |
| Motor Trades | 2,639,103 | 1,357,482 | 10,772,904 | 14,769,489 |
| Post & Telecom | 135,825 | 42,059 | 387,865 | 565,748 |
| Production | 9,306,445 | 4,429,827 | 0 | 13,736,272 |
| Property & Business Services | 17,486,464 | 3,124,921 | 2,106,458 | 22,717,843 |
| Public Admin & other services | 10,448,862 | 5,265,460 | 0 | 15,714,322 |
| Retail | 11,506,728 | 817,169 | 0 | 12,323,897 |
| Transport | 406,397 | 106,980 | 1,548,430 | 2,061,807 |
| Wholesale | 3,598,387 | 2,888,948 | 22,281,457 | 28,768,792 |

Table 19b: Industry sector impacts in Worthing

| Average Impacts | | | | |
|-------------------------------|--------------|--------------|---------------|------------|
| Sector | Micro | Small | Medium | All |
| Agriculture | 8,003 | 11,783 | 108,667 | 13,225 |
| Construction | 29,264 | 412,254 | 4,114,139 | 58,351 |
| Education | 67,740 | 117,155 | 0 | 72,233 |
| Finance | 336,101 | 445,566 | 4,350,684 | 1,154,208 |
| Health | 87,367 | 58,167 | 0 | 83,932 |
| Hotels & Catering | 42,966 | 158,948 | 0 | 45,266 |
| Motor Trades | 28,359 | 195,637 | 3,590,968 | 143,393 |
| Post & Telecom | 7,990 | 21,029 | 193,932 | 26,940 |
| Production | 53,903 | 255,367 | 0 | 72,296 |
| Property & Business Services | 28,153 | 225,178 | 287,244 | 35,368 |
| Public Admin & other services | 50,592 | 1,517,691 | 0 | 74,830 |
| Retail | 35,833 | 58,884 | 0 | 36,788 |
| Transport | 7,189 | 30,835 | 1,548,430 | 33,800 |
| Wholesale | 34,404 | 277,566 | 2,228,146 | 230,150 |

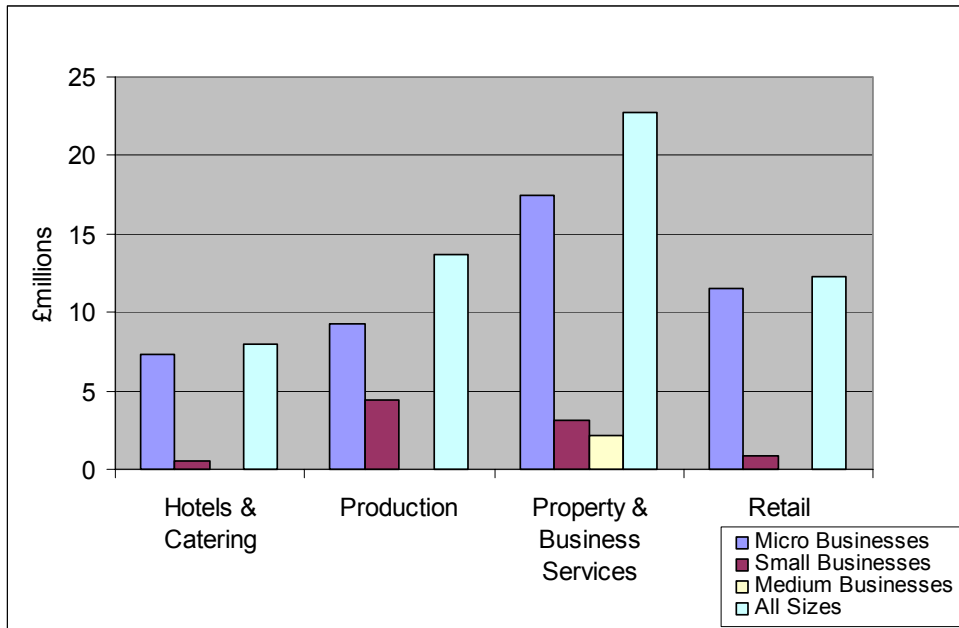


Figure 20: Size and sector distribution of total impact value for four key sectors

Figure 20 shows that the property and business sector is the main generator of impact in Worthing. There are no medium-sized businesses in any of the four sectors except for property and business. Despite this, Worthing contributes significantly higher impacts compared with the other towns. Although this observation needs further investigation, it helps to illustrate the important role small and micro businesses can play in the impact of enterprise on the local economy.

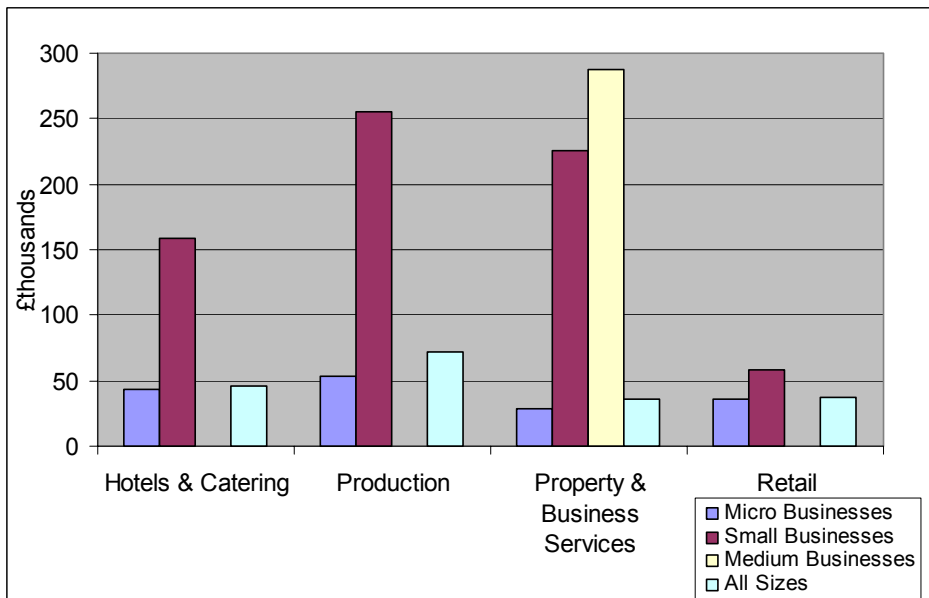


Figure 21: Size and sector distribution of Average Impact Value for four key sectors

Figure 21 shows that small businesses are the powerhouses of impact generation in the four key sectors of Worthing.

2.4.4 Recommendations for Worthing

Worthing has a relatively diverse economy compared with the other towns in this study and few areas of disadvantage. However, it has suffered from a lack of clear civic leadership, strategy and vision in adjusting to the changing pattern of tourism and regarding its retail offer. Business is playing a role in addressing this through the Worthing First partnership and input into an Economic Development Plan and Masterplan of the area.

- Worthing Council and Worthing First to identify a solution for redeveloping the Teville Gate shopping centre, which occupies a key gateway site close to the railway station and continues to decline.
- Develop better linkages between the seafront and main high street shopping area. Encourage the development of a distinctive retail offer, particularly in the streets leading to the seafront.
- The cultural industries and retail sectors in Worthing are important local clusters. Efforts should be made, through a viable cultural quarter, to embed these in the local economy. The impacts on the local economy should be measured and tracked.
- Exploit the full potential of Worthing Pier and enhance its attractiveness to a more diverse range of users, particularly families.
- Develop a strategy for attracting new retail and business that will meet the currently underserved market needs of the over-30s and families as the demographic make-up of Worthing changes.
- Worthing Council to build on the success of Worthing First which provides a useful model for business-led regeneration and involve entrepreneurs and local business in regenerating Worthing.
- Worthing has a good range of medium and large firms providing skilled and semi-skilled employment opportunities. Worthing Borough Council to work closely to ensure that they are embedded in the local economy.

2.5 Comparing impact patterns between the four towns

Table 20 provides an analysis of enterprise levels and total and average impact values for each town of the study. It is not intended to be a performance league for each town as there are many other factors not displayed here that can explain disparities. It is intended to allow comparison between impact levels and enterprise landscapes.

A comparison of the data on impact for the four towns highlights some interesting similarities and differences about the enterprise landscape.

One of the most striking facts is the relatively low value of the hotel and catering sector to the local economy of the coastal towns. In all four towns this sector, the mainstay of the traditional tourism sector, has average impacts at well below the overall average for each town, highlighting the transition to the post-tourism economy in each town.

Retail also emerges as making a contribution impact with below average impact. Only in Margate is the contribution greater than average.

The production sector emerges as key to the economies of most of the coastal towns studied, generating the highest average and total impacts in Havant and Margate and the third highest in Eastbourne.

The construction sectors pre-eminence in terms of the number of firms is not reflected in impact, with the exception of Havant, the average impact is small.

The importance of anchor firms is exemplified by the finance sector in Worthing, giving them a major competitive advantage compared with the other towns in this study. Economic development officers in Worthing highlighted the relative resilience of the Worthing economy as being based on its success in attracting and retaining a range of financial services businesses which contribute to the local economy and provide significant employment.

Table 20: Enterprise levels and impact trends across the four towns

| | Eastbourne | | | Havant | | |
|-------------------------------|--------------|--------------------|---------------|------------|-------------------|---------------|
| | No Firms | Total Impact | Avg Impact | No Firms | Total Impact | Avg Impact |
| Agriculture | 30 | 440,908 | 14,697 | 10 | 386,117 | 38,612 |
| Construction | 255 | 11,750,758 | 46,081 | 137 | 10,357,323 | 75,601 |
| Education | 0 | 0 | 0 | 0 | 0 | 0 |
| Finance | 0 | 0 | 0 | 0 | 0 | 0 |
| Health | 0 | 0 | 0 | 0 | 0 | 0 |
| Hotels & Catering | 205 | 11,381,145 | 55,518 | 45 | 2,088,953 | 46,421 |
| Motor Trades | 66 | 10,911,031 | 164,695 | 30 | 949,743 | 31,658 |
| Post & Telecom | 25 | 480,134 | 19,205 | 0 | 0 | 0 |
| Production | 139 | 20,984,305 | 150,966 | 82 | 12,097,744 | 148,439 |
| Property & Business Services | 493 | 21,104,977 | 42,800 | 197 | 11,039,673 | 55,944 |
| Public Admin & other services | 180 | 8,804,951 | 48,916 | 60 | 1,943,221 | 32,387 |
| Retail | 285 | 16,206,035 | 56,863 | 85 | 4,875,403 | 57,358 |
| Transport | 40 | 7,238,098 | 180,952 | 0 | 0 | 0 |
| Wholesale | 85 | 11,423,263 | 134,391 | 35 | 1,325,986 | 37,885 |
| Total | 1,803 | 120,725,605 | 66,945 | 681 | 45,064,163 | 66,190 |

| | Margate | | | Worthing | | |
|-------------------------------|------------|-------------------|---------------|--------------|--------------------|---------------|
| | No Firms | Total Impact | Avg Impact | No Firms | Total Impact | Avg Impact |
| Agriculture | 5 | 241,263 | 44,650 | 20 | 264,502 | 13,225 |
| Construction | 95 | 1,451,240 | 15,276 | 310 | 18,088,759 | 58,351 |
| Education | 0 | 0 | 0 | 22 | 1,589,118 | 72,233 |
| Finance | 0 | 0 | 0 | 25 | 28,855,212 | 1,154,208 |
| Health | 0 | 0 | 0 | 17 | 1,426,847 | 83,932 |
| Hotels & Catering | 0 | 1,441,366 | 17,578 | 175 | 7,921,505 | 45,266 |
| Motor Trades | 21 | 816,897 | 38,412 | 103 | 14,769,489 | 143,393 |
| Post & Telecom | 0 | 0 | 0 | 21 | 565,748 | 26,940 |
| Production | 53 | 4,783,197 | 89,685 | 190 | 13,736,272 | 72,296 |
| Property & Business Services | 105 | 5,297,925 | 50,456 | 642 | 22,717,843 | 35,368 |
| Public Admin & other services | 55 | 4,518,416 | 82,184 | 210 | 15,714,322 | 74,830 |
| Retail | 97 | 5,630,317 | 58,045 | 335 | 12,323,897 | 36,788 |
| Transport | 0 | 0 | 0 | 61 | 2,061,807 | 33,800 |
| Wholesale | 16 | 1,266,463 | 79,082 | 125 | 28,768,792 | 230,150 |
| Total | 530 | 25,447,084 | 48,014 | 2,256 | 168,804,114 | 74,813 |

This is confirmed by the findings of the Local Impact Model for Worthing which point to its value to the Worthing economy in comparison to the other coastal towns studied. The total and average impact of the relatively few firms in the finance sector is more than five times greater than next most important sector, wholesale. It is six times larger than the transport sector in Eastbourne, the second largest across the coastal towns.

The significance of the public sector to the economy of disadvantaged communities with relatively weak economies, is a recognised phenomenon in inner cities and industrial towns and is also present in coastal towns. In Margate, which has the highest levels of disadvantage and the most fragile economy, the public services and administration sector provides the second largest impact; whereas in Worthing it is only the 11th largest sector out of 14. This underlines the importance of ensuring that opportunities for maximising the value of public procurement exist to support local supply chains. Recent work done by **nef** with Northumberland Council revealed that £1 spent with local suppliers was worth £1.76 to the local economy and only 36 pence when spent outside the local area.

3. Business in the coastal towns

An important element of the research used to produce this study involved direct interviews with businesses based in the four towns. The aim of the interviews was to obtain a business voice on key subjects highlighted in this report.

The following are the main areas covered in this section:

- Main challenges facing business in the four towns;
- Analysis of business support in the area;
- Challenges and advantages for businesses engaging with their communities;
- Analysis of the extent to which businesses can source locally.

3.1 Challenges for business

The four towns have a unique set of challenges for businesses. The towns are based in either remote or congested areas of the South East. Unsurprisingly, transport issues are high on the list for many businesses. Also problematic are the availability and suitability of business premises.

Transport and communication infrastructure

Road and rail links have the effect of isolating businesses and causing problems for travelling either between towns on the south east coast and or through the region to London. The infamous A27, synonymous with severe congestion, was mentioned in every interview with local businesses and public officers based in Worthing and Eastbourne.

The daily gridlock around Eastbourne is a common cause for complaint. Adrian Teulon, CEO of the maintenance firm CMB GB, needs to visit clients around the region but the congestion has a negative effect on his business:

“I have to leave Eastbourne by 5.00am to get out in time.”

Train lines are gradually being expanded in some areas but Ray Mason at Eastbourne’s enterprise agency Edeal says the opportunities for companies to use rail-based freight services are minimal. The majority of companies rely mainly on road transportation for their company logistics.

While there are undoubtedly plans to ease congestion through relatively small interventions, it is clear that investment in transport infrastructure on a grand scale is unlikely. Efforts to expand the road network have been under consideration for a long time and are fraught with difficulties, not least given the high quality of the environment within and surrounding the towns. Substantial natural conservation areas flank Eastbourne and Worthing in particular.

In the Margate/Thanet area many companies claim the limited transport networks make the area seem very isolated. Peter Davies, Managing Director of Southern Antennae, the Broadstairs-based installer of satellite and security systems notes:

“The biggest problem we have here are the roads and infrastructure. It’s hard to get in and out of the area quickly. It’s much easier for businesses based in Canterbury, for example, which have much better access to the rest of the economy.”

The situation in Havant is slightly better for transport infrastructure relative to the other towns in this study. Tony Gillie of IT specialist ‘Tony Gillie’ in Havant admitted it had been just this reason that had attracted the company to the area.

“We chose Havant because of its good transport links which makes it easy for workforce to get here.”

Broadband as a solution to ease transport gridlock

Forward-thinking enterprise policy-makers might be wise to consider business development in sectors that are perhaps less reliant on physical infrastructure. Ray Mason at Edeal is already thinking along these lines. Edeal applied for project funding through their local Area Investment Framework to create Broadband East Sussex – a project dedicated to promoting the use of broadband in the region, incorporating a broadband infrastructure implementation, training programmes, and schemes to promote the understanding of online business practices. Progress has been made but there is still a long way to go.

“So far all Eastbourne parishes are now broadband-connected. Business take-up has been slow; some are using for email, others to a greater degree. We’re trying to get companies to explore more advanced ecommerce applications. There is a lot of work still to be done – there are still a few businesses who are using dial-up or no emails at all.”

Ray Mason, Edeal.

In Worthing, efforts to make business less dependent on physical transport through broadband implementation have recently been thwarted. According to Mr Brackin, who heads the marketing consultancy Extra Sensory Perception, a recent programme to implement a broadband infrastructure ended in disaster recently when the system crashed and people had to revert back to the old dial-up access methods.

“Businesses I know were tearing their hair out.”

These set-backs are unhelpful in encouraging broader adoption and improving communication links.

Problems with business premises

There is overwhelming pressure on the scarce supply of development-ready land across the South East. The focus of attention is often on housing-market pressures, but there are also significant difficulties for businesses. A common issue raised in our interviews with businesses in the four towns is the lack of appropriate business accommodation, the difficulty of acquiring land for such development and the obstacles faced by companies wishing to refurbish accommodation they currently occupy.

In Eastbourne there appears to be a tendency for landlords to sit on property waiting for high financial returns.

“It’s better for a land developer to develop for residential accommodation so few sites become available.”

Ray Mason, Edeal.

Many companies that want to remain in their towns are faced with significant obstacles when it comes to converting or refurbishing buildings for office use. Greg Bridge, Managing Director of Bridges Insurance Brokers in Margate, has faced

considerable delays and frustrations in converting property to facilitate the firm's expansion.

"The trouble comes when you try to get council planning departments to move quickly enough. We needed to convert other parts of the Victorian building we are based in to accommodate the expansion of our business. We needed to move as fast as the pace of our rapid expansion but planning responded very slowly. It has caused huge problems."

Bridge was tempted to move out of Margate to an interim business park but decided to stay because he believes the local community is one of the reasons the company thrives. However, he notes "all the pressures are to move out, though".

Mike Johnston-Fagg, project manager at music training specialist Pie Factory Music is having a similarly frustrating experience trying to set up a business in Margate:

"We're trying to refurbish a building that is completely wrecked. To get it up to scratch we need to spend three quarters of a million on it but it won't be worth that much to sell on. If we can't get a grant to finance this, we won't be able to do it."

Fagg explains that the problem lies in the property market:

"One of the biggest issues is that the buildings aren't worth the value of money that people want for them. Landlords sit on the properties because they want more money than they can get. Meanwhile the buildings fall further into decline."

Worthing has similar problems according to Dan Thompson of the new media company, Baby Lamb.

"We need the Council to slacken its regulations when it comes to offices and other business use venues. There are a lot of great buildings around the town but the council won't subsidise their use."

The situation regarding the availability of business property is dire: the enterprise base can only expand if there is space in which to do so. However, the property market and restrictions on refurbishing mean business accommodation is unable to expand. This is an issue for all the coastal towns in the study where high demand for property and resulting inflated land values are common.

There is recognition of this problem among public officials and councillors. Councillor Bob Lacey's vision for business units in Eastbourne is one that incorporates not only the physical building but also shared administration and reception facilities.

"We'd like to provide business units that offer free banking, legal advice and accounting and also shared admin and reception facilities ... Businesses just don't have time to take their calls. They're too busy out there drumming up business and getting the job done, so we need to provide the front-of-house that gives them the professional edge."

Lacey's idea has merit and there are many precedents for creating supported incubator and business space throughout the UK.

3.2 Business support

Business support was a popular subject among the companies contacted through our direct research. Opinions varied across the towns but most felt that there was some value in the support offered but thought that services could be marketed better.

Alan Wrigley of the Margate-based marine electronics firm Simrad is on a local Business Growth Assessment panel that offers grants to businesses. He says the problem for these sorts of programmes is awareness:

“It’s going well where we have awarded grants. But I’m surprised how few applications we’ve had to date. Could be that because people aren’t aware of it. It may also be that they’re frightened about accounting for the justifications.”

Worthing has had a recent overhaul of its previously non-existent economic development capacity. New staff has come in with a new approach that involves a significant level of consultation with local businesses. The first meeting of the Worthing First organisation, a business network supported by the Council, was attended by around 100 companies and demonstrates an enthusiasm to improve things.

Dan Thompson, Director of a new media company in Worthing is very impressed:

“It’s finally starting to feel like things are happening, thanks to Dale Thompson at the Council. Until now, there’s been a long tradition within the Council that ‘you can’t do things’. You had to get official approval to do anything. They held us up. Now that is changing. We have big plans for our employment strategy. We’d like to tap into the diverse workforce in Eastbourne. There are 86 different communities. We’d also like to get involved with the New Deal for Over 50s.”

3.3 Engaging with local communities

Local businesses pointed to direct benefits from involvement with their local communities. Most companies that were interviewed said they had considered involvement and were either engaged or had plans to do so. However there were differences in the approaches taken by SMEs and larger businesses. Although there was no direct mention of Corporate Social Responsibility, some companies focused on the complementarity between the commercial advantages from playing an active community role and a sense of civic responsibility in contributing to regenerating their local area.

Adrian Teulon, CEO of Eastbourne maintenance company CMS GB, noted:

“It raises the profile of the company locally. It gives the staff a sense of pride.”

Adrian also recognises the benefits gained beyond the company profit line:

“It’s a way of putting something back into the local infrastructure. If everybody did more local networking the community would be a lot richer.”

However, Teulon is aware that entrepreneurs are time poor and may find it difficult to engage actively in local community activities.

Another business that values its local links is Bridges Insurance Brokers in Margate. Managing Director Greg Bridge believes that real commercial advantages are gained from their engagement which enables them to attract new customers from the local area:

“We are a local business and are well positioned in the local community. One of the keys to success in business is recognising your strengths. Our strength is that we are a community business.”

There is some evidence from the interviews that much larger companies are less interested in networking and engaging with their local communities. Penny Shearer, Economic Development Manager at Eastbourne Council, reports that larger companies feel such activities can open the floodgates to large amounts of requests for support – financial or otherwise – that they cannot meet:

“A couple of large companies in Eastbourne don’t get involved locally anymore because they get inundated with further requests.”

She also believes that large, successful companies don’t need to be involved because they are doing well already and don’t need to build their local profile

further. Shearer suggests that small companies are better at engaging in their community because they need the profile more.

3.4 Local sourcing

Employing local people and sourcing supplies from local companies are key methods for companies to become more embedded in their local economy and ensure the long-term vitality of their area. Our interviews with companies revealed that many are keen to source locally whenever feasible. The following two sections are a selection of quotes that illustrate this desire to do so but also identify some of the problems they face.

Employing locally

Employing people from within the four towns studied is central to ensuring that wealth created in these towns is retained and benefits local people. Without sufficient employment opportunities and good matches between skills and opportunities, local people will be excluded from the workforce undermining the economic capacity of the economies.

A key limiting factor for firms trying to employ local people is lack of appropriate skills. This is a problem that was highlighted by many businesses across the four towns and is typical of many disadvantaged areas and fragile economies. In Eastbourne, there is a perceived inflexible two-tier skills structure among the local workforce according to the Council's economic development manager, Penny Shearer. She argues that there are the senior managers and company owners at the high end of the pay scale but that at the other end there is a high number of low-skilled, poorly paid workers:

"The problem is self-sustaining. Managers complain about the quality of the low-skilled workers but little is done to provide the career path and development for those workers."

Eastbourne appears also to be suffering from a 'brain drain' with difficulties in encouraging young people to remain in the town and seek employment.

"For younger adults coming out of college there aren't many well paid jobs in Eastbourne. The brighter and more ambitious tend to leave Eastbourne."

Ray Mason, Edeal

Mason's argument is supported by the data contained within the profile of Eastbourne (see page 18) and exposes an important weakness in the economy.

The problems do not just derive from a lack of attractive career opportunities but also lie in the nature of the town (though these two factors are somewhat related). Adrian Teulon, CEO at Eastbourne maintenance company CMS GB said:

"I've got three sons at university in this area but I won't be encouraging them to stay around after that. We could do with a better outlook from the Council to make the town more attractive to the younger population. If they want to see the development of sectors other than tourism they have to do more."

He also says that he had to search further afield for the higher-skilled members of his workforce:

"Most of the people we employ don't come from Eastbourne. The administrative staff do, but most of the management and engineering staff come from beyond – probably around 80 per cent are not local."

Teulon's comments are extremely worrying in that they can be generalised, and evidence from the Eastbourne profile goes some way to explaining his comments. Margate also has difficulties retaining young graduates and finding the right skills.

"We have to advertise across Kent or we have to accept the limitations of the people available."

Peter Davies, Managing Director, Southern Atennae

It is possible that some of the difficulties with retaining a broader demographic of people, particularly young graduates, could be eased by the new cultural renaissance programmes under construction, including plans to move the Towner art collection into a new arts centre. Equally the new Turner Contemporary art gallery in Margate could be a step towards creating a more attractive proposition for a broader demographic. However, it remains to be seen whether this development can be successful at engaging people from the community, as well as attracting visitors.

3.5 Procuring locally

Businesses in the towns that buy from other local businesses create greater money flows within an economy and can play a critical role in wealth generation.

In Margate, the companies interviewed were largely positive about the availability of local suppliers. Greg Bridge, Managing Director of Bridges Insurance Brokers, said that he could find most of the supplies needed locally. This is backed up by Tim Sayer at Tempest Technology who said that Margate provides a wide range of suppliers that cater for approximately 80 per cent of his company's needs.

The story was fairly similar across the other towns. In Eastbourne many of the professional services, like accounting and legal services, are well catered for, which reflects the population of more mature demographics. In Worthing, companies reported a rich network of supply chains that can be tapped into.

However, the focus is largely on the service sector and professional services that are, broadly speaking, less dependent on complex supply chains.

Supplies and services most amenable to local procurement

Adrian Teulon, CEO at Eastbourne maintenance company CMS GB said there was a clear distinction between the types of procurement he could source locally and those that needed importing from national and international locations:

“Professional services like auditing, chartered accountants are local, office furniture is local whereas most of the other stuff, such as raw materials, we have to bring in from further a field.”

Raw materials often seem to be a sticking point when it comes to local procurement. Alan Wrigley of the Margate-based marine electronics firm Simrad confirmed that much of his raw materials procurement is international:

“If we had to rely on our supply chain being local we'd be out of business. We would always try to source locally where we can. It's feasible when it comes to day-to-day office requirements like stationary, travel, legal services etc. However, raw materials are purchased as a group on an international basis.”

He explained why the two areas of procurement lend themselves to different sourcing patterns:

“We don't need local connections for our primary raw material aluminium because we buy in bulk. When it comes to basic skills like cutting, rolling and fabricating coils of aluminium it's more cost effect for me to purchase in Far East. However, something like travel is a completely different thing. The travel market is a completely different thing. We don't need to go global in this sort of area. My people build relationships with local people – they spend a lot of time with us. So it's good to have them local.”

Peter Davies remarked that there had been a failure to recognise local companies when they were dealing with Business Link:

“When we were looking for a new hardware provider the three companies that were recommended by Business Link weren't local. The problem with

Business Link is that they think they're bigger than they are. They don't have the time to look at local businesses. It's the easy route to use a tried and tested company that is already on the books without considering whether it's local. I know companies that have tried to get in with Business link but haven't been successful."

This may be an isolated incident and could simply reflect a paucity of appropriate hardware companies in the area, though Davies clearly believes otherwise. However, at the very least, it suggests an important potential role for business support agencies in ensuring that business stays in the local areas and benefits the coastal economies.

"We always procure locally because our suppliers are also our customers. We use local companies even if they're more expensive than national ones because they're more likely to renew their insurance with us."

Greg Bridge, Bridges Insurance Brokers, Margate.

Nick Cole at Margate-based Hornby Hobbies says supporting local companies is important for them:

"We like to support the local companies if we can. We pay on time because we've had rough times ourselves."

Jim Brackin of Extra Sensory Perception – a marketing consultancy in Worthing – recognises the value of local sourcing:

"I suppose it's good to support local business as opposed to buying from national chains. Quite often you can get cheaper things from national chains but by the time you've set up the relationship and the goods are delivered you'll find the price evens out."

Alan Wrigley of the Margate-based marine electronics firm Simrad says local procurement is good for business:

"...because they work in the way that we want. They turn things around quickly."

Interviewees clearly expressed perceived benefits of procuring from local firms, but in order to make this happen, it is important to have a sufficiently diverse and robust business base in the towns.

Peter Davies, Managing Director of the Broadstairs-based installer of satellite and security systems, Southern Antennae, estimates that around 20 per cent of his suppliers are based in Thanet with the rest sourced from around the UK. He says that decisions about procurement shouldn't be based only on price suggesting that contracts are decided on a range of different factors.

3.6 Supply chains

The interviews with businesses revealed that supply chains are in a reasonably good shape across the region. Many businesses and business support professionals reported a healthy network of businesses working with each other up and down the chain. Supply chains are hard to define particularly because of the complex nature of procurement and the structure of companies that feed into each other. Few companies we interviewed were able to paint a detailed picture or say exactly how many companies made up their supply chains.

However it was possible in some cases to get a rough idea of the extent and reach of supply chains. Greg Bridge, Managing Director of Bridges Insurance Brokers in Margate, estimates there to be around 15 companies in his supply chain.

Worthing has a relatively thriving business community. There was significant awareness of the presence of healthy supply chain networks. Mr Brackin of the marketing consultancy Extra Sensory Perception said that there seemed to be a

number of companies that were available to supply his company. This makes it easy for him procure most of his supplies locally.

This view is backed up by Dan Thompson at Baby Lamb in Worthing who says the healthy supply chain set up is down to the geography of Worthing and the longevity of companies based in the town:

“There are very good supply chains here. Worthing is quite a big town. Because of that there are a number of centres so it’s not reliant solely on one single location. Plus a lot of businesses have been here a long time and it’s been in their interests to have good networks in place.”

To illustrate this, Thompson gave details of the number of companies and self-employed entrepreneurs he is linked with. He is a member of a new Council initiative called Worthing First, which he estimates has around 80 business members. He also finds time to engage with the entrepreneur support group Worthing Business Circle, which involves a further 30 people. Finally through the sector-specific Revolutionary Arts Group, he links to an additional 40 people. Although these numbers are estimates, it certainly paints a picture of substantial, well-networked groups of entrepreneurs.

In Margate there is a healthy awareness of supply chains.

“It’s very incestuous in the Thanet business community. We all know who all the businesses are. The chances are that you know someone, or know someone who knows someone.”

Tim Sayer, Tempest Technology

Small is beautiful

Eastbourne’s relatively small size may mean companies find it easier to remain aware of each other than in larger areas. The local chamber in Eastbourne is active and one of the largest in the country and this also supports information sharing. Regular meetings like these, coupled with the small size, means it is relatively easy to find out who is who.

Benefits of supply chains and networking

Involvement with other companies in the supply chain can help spread knowledge and provide support when specific problems become common among a number of companies. Nick Cole at Margate-based Hornby Hobbies says meeting with other local companies can help them strengthen against competition from larger companies:

“We network with many local businesses. We communicate at a senior level and forums are held where chief executives meet. Pay is always the top of the agenda. Seracol and Phizer both put the pay structures out there so we meet to strengthen our own policies.”

Alan Wrigley of the Margate-based marine electronics firm Simrad finds networking events are a good way to pick up quality suppliers:

“I’ve had a couple of good contacts on the legal side through networking events.”

3.7 Promoting local business through the media.

The local media has a vital role to play in sustaining and promoting business. They can play a key role in promoting local businesses and improving the visibility of local brands and companies. However this requires businesses to be creative in identifying an appealing story and attractive angle that will persuade media contacts that it is worth covering and of interest to their audience.

Expectations that the media will be interested in covering the creation of a new business without an attractive 'offer' are unrealistic. This is borne out by the experience of one Eastbourne business.

Niamh Kiernan, Director of Juleberry, after relocating thought a short press release about a new company setting up locally would be received with interest but found no such enthusiasm:

" We contacted the Evening Herald when we set up here but were told that they don't do business stories."

The specialist press can be a useful tool in promoting and supporting healthy supply chains and business networking. For example, the newsletters such as those produced by the Thanet Business Support Strategy and the Eastbourne enterprise hub are instrumental in sparking connections and business connectivity by enabling local companies to discover one another and highlighting potential suppliers.

Pump Cluster

An example of an established supply chain is the highly successful pump cluster.

There are 15 companies in the pump industry in the Eastbourne/Halesham area. Two of these companies are the European headquarters of multinational companies. There has been considerable focus, including from SEEDA, on encouraging greater links and co-operation between businesses in the pump cluster.

A potential future problem for the pump industry is that China is taking over the industry with fabrication done in Italy.

The Cluster is having to deal with changing market conditions and may not be able to expand. Given this shift it may be not be advisable to put more resources into the industry. The Cluster does provide some white collar employment but its overall contribution on the local economy is not hugely significant.

4. Conclusion

This Report demonstrates that local businesses have a key role in regenerating the local economies of coastal towns. The development of a stronger and more diversified business base complemented with strong business involvement in developing policies can make a significant contribution to regeneration. In addition, businesses promise major contributions to the South East's productive capacity, competitiveness and innovation. The very significant local impacts identified in this Report capture only a relatively small proportion of the contributions of these firms as they do not measure their effects on the broader region.

The economies of the coastal towns studied in this Report have a distinctive set of features that set them apart from urban and rural towns in the South East. Dependent to a greater or lesser extent on tourism, they have been in economic decline (despite employment and population growth) since the 1960s. Their fragile economies need urgent attention if the decline is to be arrested and the widening gap with the rest of the South East economy to be closed. SEEDA has recognised the nature of this problem, designating each of the towns as priority regeneration areas with Area Investment Frameworks and a leading-edge example of regeneration in Hastings and Bexhill. However, this process needs to be complemented with a strategic and coherent approach bringing together key stakeholders and local residents with a commitment to reviving the major South East coastal towns in need of regeneration.

SEEDA's Coastal Towns Initiative, also referred to as the South Coastal Renaissance, was launched by Pam Alexander at the South East Towns Conference in July 2004 and provides such a framework. This framework needs to ensure that indigenous businesses in the coastal towns that are already delivering strong positive impacts are retained and their impacts further encouraged and supported.

Worthing faces challenges, particularly around improving and modernising the pier, lido and seafront areas and the adjacent retail areas which is showing signs of decline, in finding a solution to the Teville Gate 'eyesore' and improving the the poor environment around the railway station which gives an unattractive first impression to visitors. However, the local economy, as the local impact model make clear is relatively resilient and there are signs that Worthing Council and Worthing First are developing a strategic approach to regeneration with business and enterprise at its heart. However, this report demonstrates that the problems faced in **Margate, Eastbourne and Havant** are of a different scale and nature. There is a need for urgent action and it is recommended that the taskforce approach that has been successfully used in Hastings and Bexhill be considered for each of the towns.

The recommendations in this Report are based on a holistic approach to regeneration that recognises that proposals to stimulate business enterprise and entrepreneurialism need to be based on an understanding of the key barriers and opportunities to growth, such as transport and communications, training and skills,

and physical regeneration. They also aim to take account of the strengths and weaknesses of area-based approaches to tackling disadvantage.

All of the four towns studied face a set of challenges that arise from specific circumstances and consequently they are complemented by a set of specific recommendations for action in each town. These aim to contribute to the debate and provide suggestions on key strands of this initiative.

The impact of poor transport links on the local economies of coastal towns cannot be underestimated. They reinforce their peripherality, and congestion and long travel times make them unattractive as locations for businesses. Complaints about the quality of transport are top of the list of comments from local businesses.

However, it is difficult to see major infrastructure improvements taking place in the short or medium term. Worthing and Eastbourne are surrounded by Areas of Outstanding Natural Beauty and the business case for improving roads when traffic rates have a clear seasonal peak can be difficult when competing against fast-growth towns in the South East facing year-round congestion.

Making coastal towns attractive places to live and visit is at the heart of regeneration. There are tangible issues where the public and private sector providers can make a significant contribution. SEEDA's Hastings and Bexhill partnership is an excellent example of tackling decline with a coherent approach.

The 'iconic' Turner Contemporary art gallery and the restoration of the Seaside Road area in Eastbourne, are examples of exciting and contrasting approaches to urban renewal that are fit the local context. However, if they are to be more than isolated initiatives, they need to be linked to a wider, deeper and more strategic approach to Coastal Town Revival which SEEDA is well placed to make happen. .

5. Findings and recommendations

The Regional Economic Strategy should consider launching a taskforce to tackle underlying economic problems highlighted in this report in Eastbourne, Havant and Margate.

Business support and job creation

The SEEDA Regional Economic Strategy should adapt its business strategy to focus as much on the need for business resilience and retention as on start-ups. This strategy should also expand the definitions of enterprise to include community-based and social enterprises so that a wider spectrum of disadvantaged communities plays a role in driving regeneration. Business development should focus in area sectors that are less reliant on transport and infrastructure where coastal towns cannot compete with towns with better connectivity.

The following presents a series of specific recommendations:

- Identify key 'anchor firms': medium and large firms whose survival is critical to the health of the local economy in each town. SEEDA to work with these embedded firms to ensure that they thrive and maximise their contributions to the local economy. Through this work SEEDA should develop an 'Anchor Firms Sustainability Toolkit' with a view to piloting it prior to wider dissemination.
- SEEDA to help prevent jobs moving to people based outside the towns through targeted job creation schemes. This can be done by drawing upon good practice in training local people and ensuring transport infrastructures are designed to enable local people to access those jobs.
- SEEDA should consider an outreach approach to business support and development such as BizFizz.⁶⁵ This enables a more demand-led, proactive and 'bottom up' community-based approach to developing an entrepreneurial culture. It provides a good alternative to existing support models with which there is some dissatisfaction among the business community. There is potentially a good fit with enterprise hubs where the people-based approach of BizFizz could complement the physical infrastructure approach of the Eastbourne hub.

Business impacts

- SEEDA to increase local economic self-reliance by studying and raising awareness of supply chains. This could involve the creation of local business directories to increase knowledge among businesses and Business Links of potential local suppliers and partners. This could also

⁶⁵ BizFizz is a radically different business support service that turns the passion and enthusiasm of individuals into a driving force for local economic renewal. See http://www.neweconomics.org/gen/tools_bizfizz.aspx

involve impact analyses and LM3 studies of businesses to bring more understanding to how supply chains and local economies are currently functioning. This would help identify opportunities to increase the impacts of those businesses. To do this SEEDA should work with LSPs and other business support organisations.

- SEEDA to commission a series of practical seminars to encourage and teach procurement practitioners (from the private and public sector) how to channel procurement into more local businesses. SEEDA could build on **nef's** existing project with Northumberland County Council to substantially increase its local procurement levels.
- The RES to develop a robust and effective set of measures of business activity and impact. This could draw upon the Beta model published by the Small Business Service and the Treasury. This captures the business activity of enterprises below the VAT registration threshold, as well as measuring the proportion of employment and wealth benefiting local people.
- SEEDA to Commission an evaluation of the impacts of the informal economy in coastal towns and effective pathways for transition to the formal sector. Quantifying the economic value of the informal sector will inform policy to improve the transition to the formal economy and build on the entrepreneurship already existent.

Active citizenship and volunteering: a way into the jobs markets

- Develop active citizenship and volunteering as an effective way of tackling social exclusion, integrating marginal groups who have difficulty joining the work force (long-term sick etc), and improving key skills and human capital thereby enhancing employability.

Tourism

- The towns lack clear identities. There is a need to establish and exploit each town's 'brand' that encompasses distinctive features, cultural heritage and competitive advantages. This should be linked to an overall South Coastal Towns Renaissance branding and marketing strategy and to Tourism South East's regional tourism strategies.
- Public art has been effectively used in seaside regeneration, particularly at Morecambe. It is recommended that a programme of public art be developed in each of the resorts. SEEDA should work with the Arts Council to commission a high profile photographer to capture images of the changing world of South East Coastal Towns. This exhibition could tour coastal towns and galleries of the South East.
- People were originally attracted to coastal towns in the eighteenth century for their climate and health-giving properties of the sea. Today the lifestyle and health industries are growing and a range of continental resorts have successfully exploited this development. SEEDA should conduct a feasibility study to assess the possibility of creating specialist resorts offering clusters of high-value traditional health and alternative-health tourism.
- SEEDA should note the success of the sustainability beacons and green tourism strategies pursued by other coastal towns and assess whether these can be applied to coastal towns in the South East.

Transport and communications

- SEEDA's RES to carry out an evaluation of travel-to-work as a barrier in the sub-region and coastal towns. SEEDA to work closely in partnership with local and sub-regional transport providers to provide high-quality and cost-effective solutions to improving access. Access to quality public transport is a key driver for local residents in accessing work. It is essential that residents, particularly those more dependent on public transport in disadvantaged areas, are able to access high-quality public transport. This is a particular issue for residents in Thanet, where half the population live in

areas of high deprivation, with many jobs taken through in-migration from outside Thanet. Consequently a large number of Margate residents have have to travel to work outside the borough.

- Broadband has a critical role to play in addressing key competitive disadvantages of peripherality, small markets and transport congestion faced by businesses in coastal towns. Take-up in coastal areas is well below the South East average. SEEDA should take steps to avoid a 'digital divide' that will compound the gap in economic performance between the coastal towns and high growth areas in the South East.
- SEEDA should (a) collate data about broadband take up and use by businesses in coastal towns, and (b) work with BizFizz and local partners (LSPs, Business Forums, Business Links) to develop projects that tackle attitudinal barriers to ICT.

Retail

- All four coastal towns studied have a tired and poor retail offer with few independent shops, many vacant properties, and a plethora of chain stores, though few anchor or prestige stores. Retail has a key role to play in reviving the coastal towns. SEEDA to work to encourage councils to use all available planning powers and their power of well-being to promote and sustain small, independent retailers (as these are part of the much needed business base).

Seafront assets

- The Heritage Lottery Fund's Public Parks Initiative provides funding of up to £50,000 to regenerate seaside promenades. Grants below £5 million require 10 per cent match funding and above £5 million require 25 per cent match funding. SEEDA should consider partnering with one of the coastal towns to apply for this funding which could form one element of the Southern Coastal Towns Renaissance Programme.

Civic pride and leadership

- Some of the towns lack a sense of civic pride. There is an inward focus and a culture of complacency that contributes to the lack of civic leadership and vision to arrest the long-term decline of the resorts. SEEDA to commission 'visioning' exercises and work with the Improvement and Development Agency and the Local Government Association to develop a wider set of leadership skills.

Local Strategic Partnerships (LSPs)

- Local Strategic Partnerships in coastal towns have an important role to play in regeneration and are identified as one of the key delivery mechanisms by the government. But many LSPs are failing to play a strategic role in the way envisaged or in engaging business. This was borne out by research in coastal towns where many partners' involvement was tokenistic; a number of the LSPs seem to be simply vehicles for local authority regeneration programmes. The RES to consider best practice in supporting and improve underperforming LSPs,

Appendix A

The Local Impact Model works by using averaged impact values taken from a large sample of firms to build an aggregate picture of the whole economy of a given area.

These average impact values are sourced from both publicly available information and detailed survey work. The publicly available datasets are sourced from the Office of National Statistics (ONS), which provides enterprise levels across the country in the form of the Inter Departmental Business Registry (IDBR), and is informed by procurement and employment patterns of these enterprises from the Annual Business Inquiry (ABI). The research has made extensive use of Experian, which is a regularly updated database of individual businesses. In addition, over 800 surveys informed the model and provided further insights into business attitudes influencing the level of impacts (see Appendix B for an explanation of IDBR and the ABI).

The development of findings

Stage One: Gathering sample data.

Using a business database, a sample of companies was selected from the four towns. As well as their geographical location it was also necessary to note their Standard Industrial Classification (SIC) code, the Government's system of classifying business description, and their turnovers. These additional details are present for a sub-set of the entire enterprise population. Only SMEs were used in the sample.

Stage Two: Generating key variables.

The model is based on three key variables:

1. Local procurement
2. Local employment costs
3. Local financial contributions

The ABI was used to determine values for each enterprise's total (as opposed to local) procurement and employment costs (or wage bill). The third variable, financial contributions, is tackled in a different way in Stage Three. The ABI provides sector total values of such variables so averages were applied to obtain approximate values for an individual enterprise.

Stage Three: Applying local impact ratios to key variables.

To obtain local impact values it was necessary to apply local impact ratios to each enterprise's procurement and employment costs based on survey data and analysis.

This study focuses on four major industry sectors:

- Production industries
 - Food and beverage
 - Publishing and printing
 - Chemicals
 - Mechanical engineering and motor
 - Electrical engineering
- Retail
- Hotels and catering
- Property and business
 - Computer and related activities
 - Other business activities.

The data was augmented by that from the original Inner City 100 model.⁶⁶

Stage Four: Factoring up.

For all practical purposes it is not possible to accurately measure every enterprise's impacts individually, at least not without huge resources. The nature of the data used means that some will be missing (as they are in the IDBR) but the vast majority of SME impacts will be captured; enterprises missing are disproportionately small. Despite sample limitations, the population used provides significant findings.

Parameters of the Model

The Local Impact Model only measures the first order direct impacts of enterprises on their immediate areas. The Model does not measure additional secondary impacts, for example, how employees of local businesses spend their money. In the case of wages, the measurement is limited to the value of wages given to local employees and does not extend to the next stage or, second order, of spending by the local employee of that income. This underestimates the true value of money generated for the local area through local employment. The multiplier effect of further spending is not incorporated into the model's findings. However, it is examined later in this report and the principles of **nef**'s LM3 tool are applied.⁶⁷

In addition, the Local Impact Model focuses on the localised impacts of SMEs. Defining a local area is problematic, but the **nef** model defines local as within one mile. This definition focuses on the immediate locality and contrasts with work on rural areas that defines the local area as up to a 20-mile radius⁶⁸.

It should also be noted that the geographical areas used for the model in each town varied slightly. In the case of Eastbourne and Worthing, the coastal towns comprise the entire local authority, whereas Havant and Margate are smaller areas within the wider local authorities of Havant and Thanet respectively. In the case of the former two, enterprise data used for the Model represented the entire local authority area. In the case of Havant and Margate enterprise data was used only from the wards that comprise the Havant and Margate.

The focus is on small and medium enterprises (SMEs) but also includes micro enterprises with a turnover in excess of £1,000. The model focuses on SMEs because there are considerable gaps in knowledge about their roles in local communities and they are central to creating a vibrant enterprise ecology. Clearly, large firms can have significant impacts on their local areas, but these are not considered here. Large firms are excluded from the Local Impact Model as it is problematic to calculate their direct local impacts given their scale and often broad geographical reach. For example, large firms may locate their headquarters in a given town, for example, Eastbourne, but their impacts are often predominantly non-local. This is not to say that large firms do not have an important role in coastal economies, but the focus here is on SMEs and how to measure and improve their impacts.

Purpose of the Model and its level of accuracy

⁶⁶ The Inner City 100 is a yearly business index and research initiative that located and celebrated the fastest growing inner city businesses in the UK from 2001. Led by **nef**, the Inner City 100's mission is to champion entrepreneurship in the inner city.

⁶⁷ Sacks, J (2002) *The Money Trail: Measuring your impact on the local economy using LM3* (**nef**: London).

⁶⁸ Williams, C.C. (1994) 'Rethinking the role of the service sector in local economic revitalisation', *Local Economy*, 9 (1), pp. 73-83. Curran and Blackburn (1994) opt for a 10-mile radius. Curran, J. and Blackburn, R. (1994) *Small Firms and Local Economic Networks: The Death of the Local Economy?* London: Paul Chapman.

The Local Impact Model does not claim to provide an exact figure of local impacts in the coastal towns. The Model is designed to create reliable and statistically significant local impacts. The figures produced by the Model are intended to provide compelling financial evaluations of what are essentially real phenomena, namely local employment, procurement and financial contributions of the local area.

The Model offers insights into the magnitudes of local impacts being generated by businesses in an area and segments these by organisational size and industry sector. It also raises a number of questions that can help mould future enterprise-led regeneration policy, for example, by informing policy on which firms and of what size contribute most to their local economy.

Where there are sectors not represented, this reflects omissions from the original IDBR data where numbers of enterprises were so small that they could not be represented.

It should be noted that there is some double counting in the Model. Not all money is 'new money' flowing into the area. For example, one enterprise may procure from another local SME and that firm in turn may procure some products from the original enterprise; in these cases double counting of impacts will occur. The extent of this double counting needs further research but it is highly probable that the effects are minimal and will be outweighed by the under-estimation of total impacts inherent in adopting such a limited definition of local i.e. within one mile.

Eastbourne

Figures A1 and A2 show the **total impact** values displayed by sector only and then by sector and size.

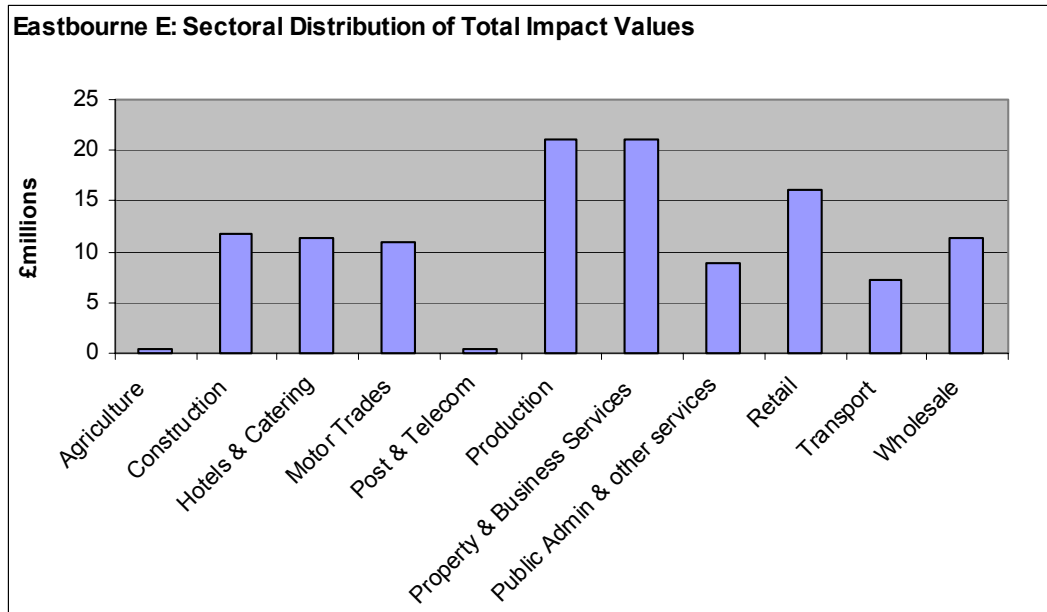


Figure A1: Sectoral distribution of total impact values in Eastbourne

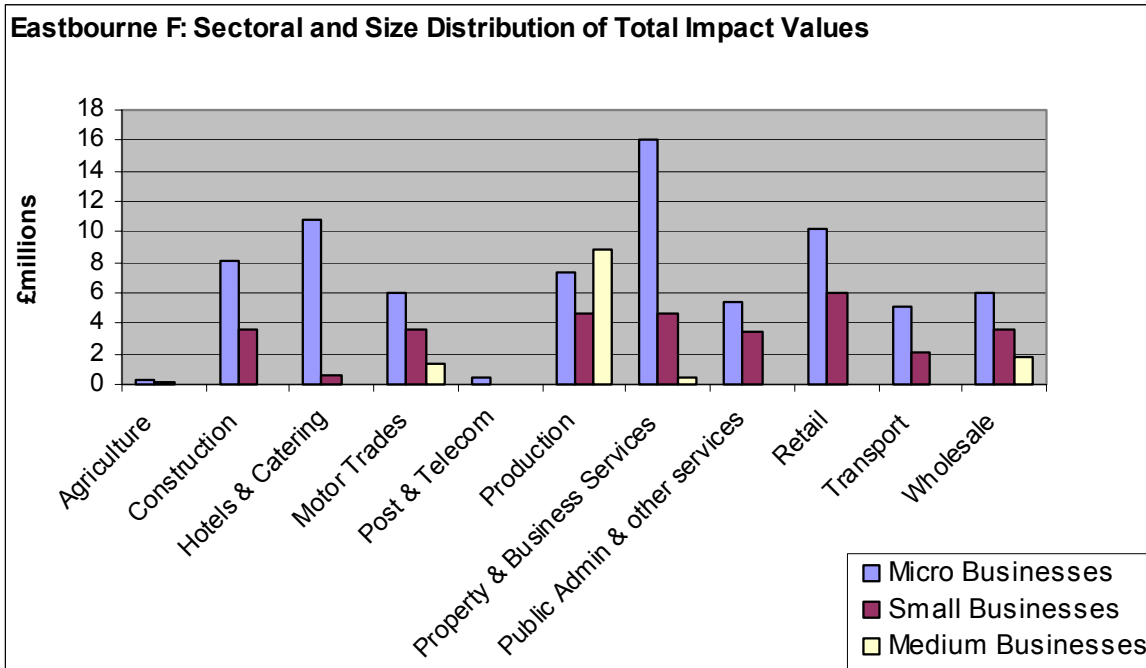


Figure A2: Sectoral and size distribution of total impact values in Eastbourne

Figures A3 and A4 show the **average** impact values displayed by sector only and then by sector and size.

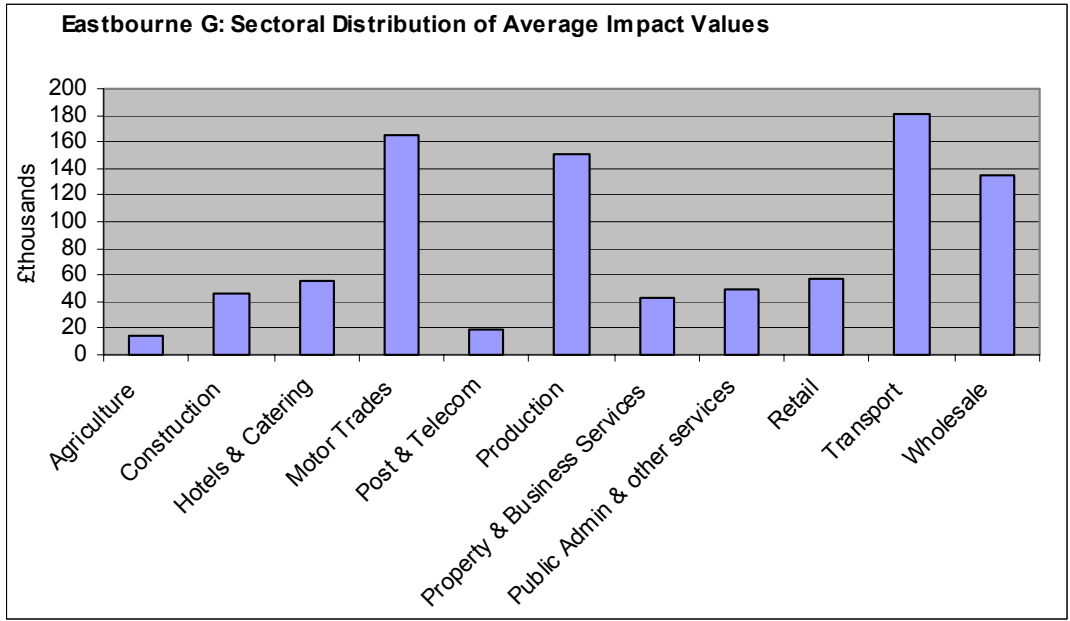


Figure A3: Sectoral distribution of average impact values in Eastbourne

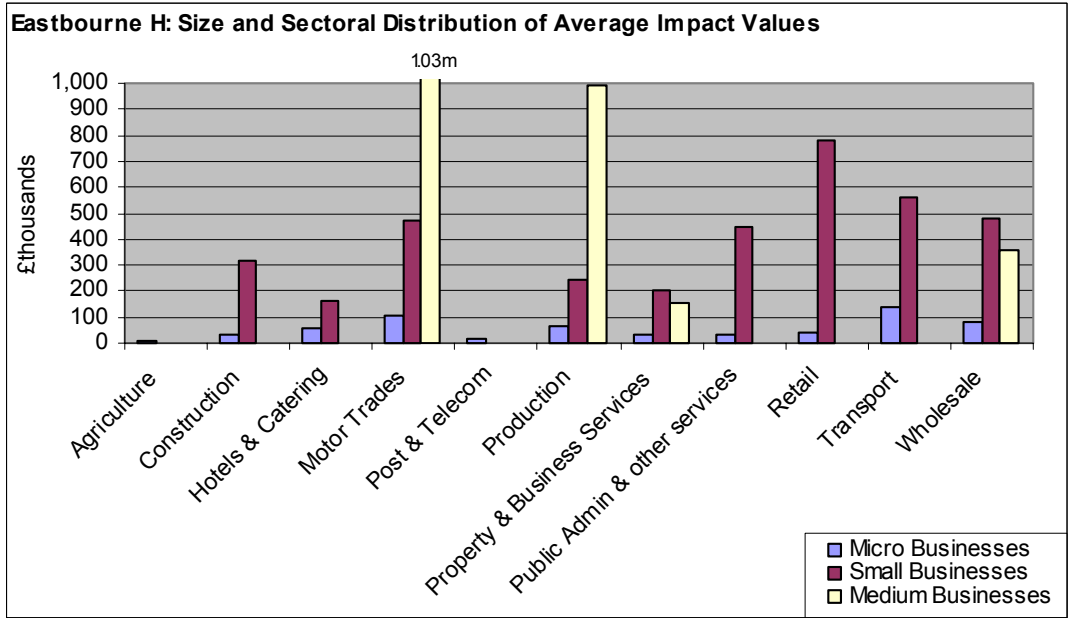


Figure A4 Size and sectoral distribution of average impact values in Eastbourne

Havant

Figures A5 and A6 show the **total** impact values displayed by sector only and then by sector and size.

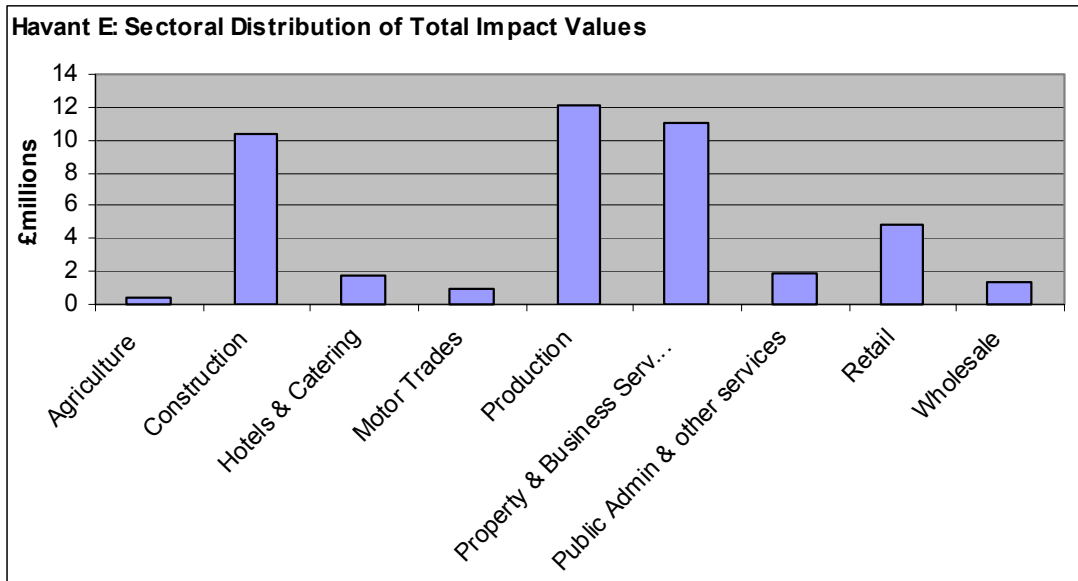


Figure A5: Sectoral distribution of total impact values in Havant

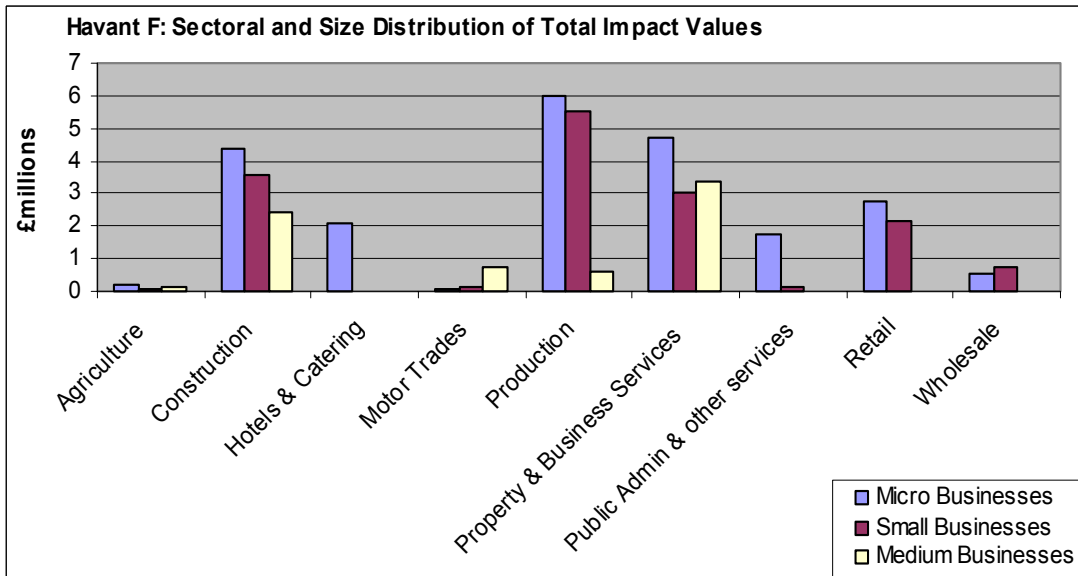


Figure A6: Sectoral and size distribution of total impact values in Havant

Figures A7 and A8 show the **average** impact values displayed by sector only and then by sector and size.

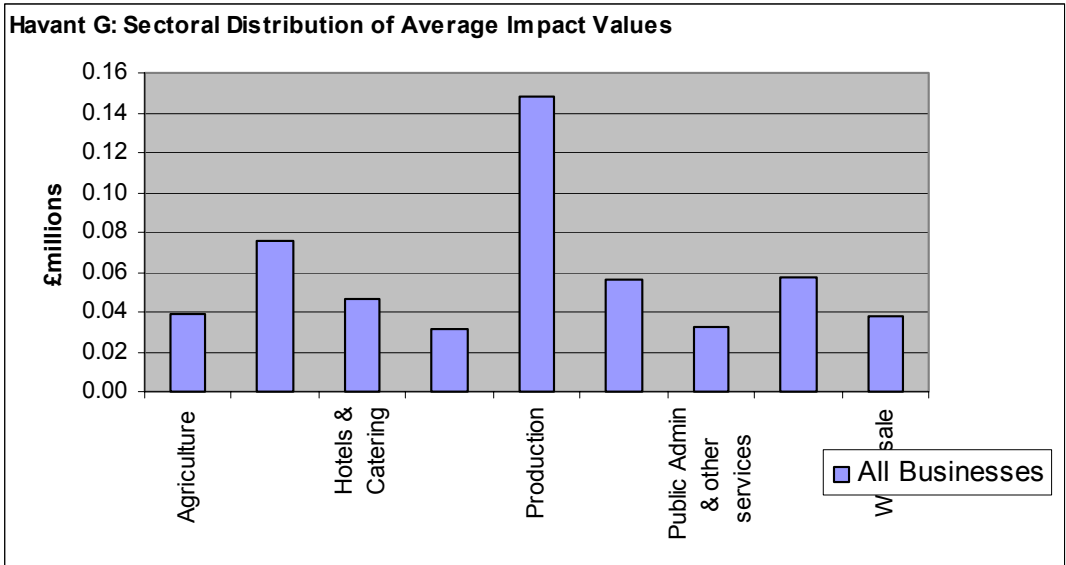


Figure A7: Sectoral distribution of average impact values in Havant

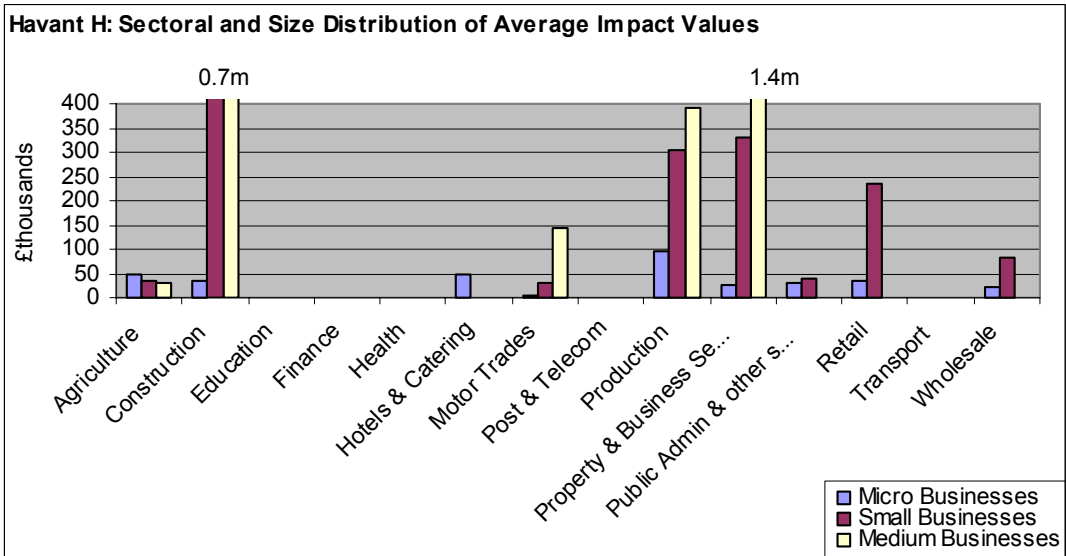


Figure A8: Sectoral and size distribution of average impact values in Havant

Margate

Figures A9 and A10 show the **total** impact values displayed by sector only and then by sector and size.

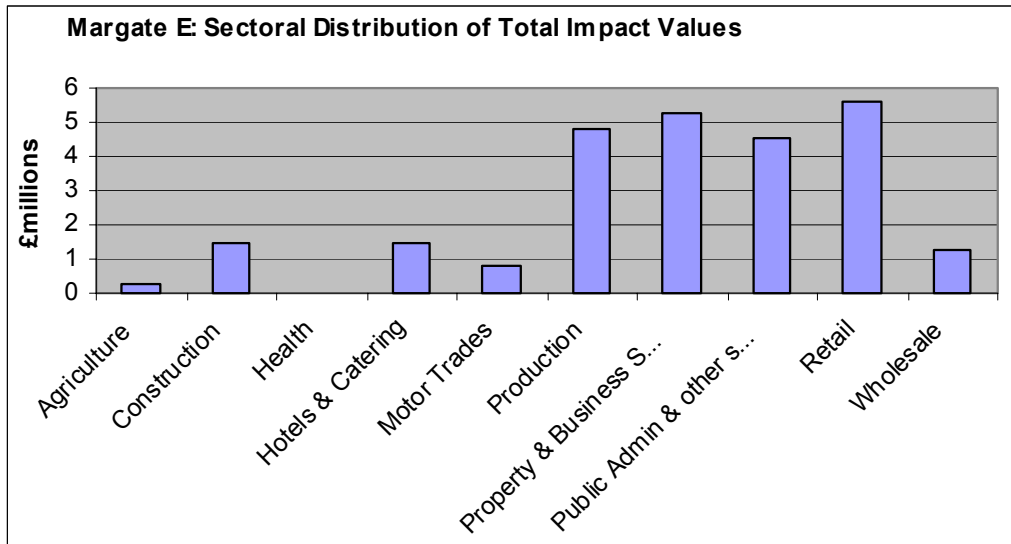


Figure A9: Sectoral distribution of total impact values in Margate

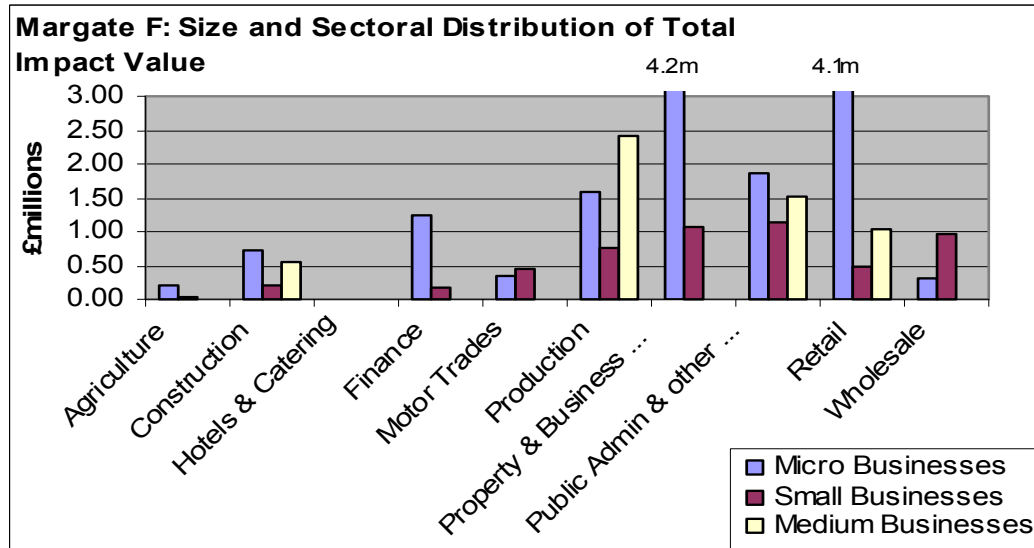


Figure A10: Sectoral and size distribution of total impact values in Margate

Figures A11 and A12 show the **average** impact values displayed by sector only and then by sector and size.

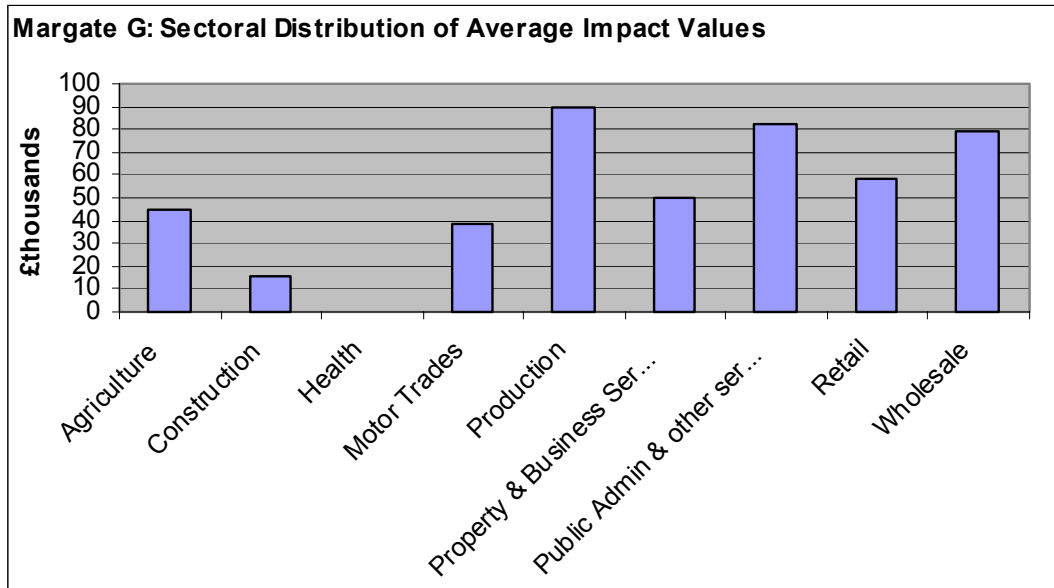


Figure A11: Sectoral distribution of average impact values in Margate

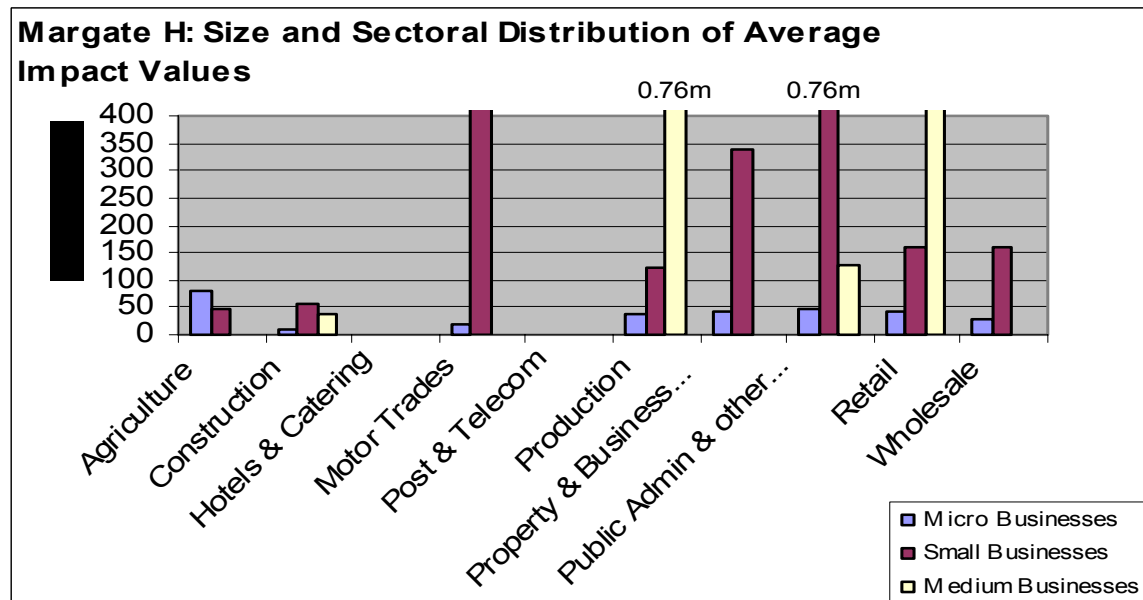


Figure A12: Sectoral and size distribution of average impact values in Margate

Worthing

Figures A13 and A14 show the **total** impact values displayed by sector only and then by sector and size.

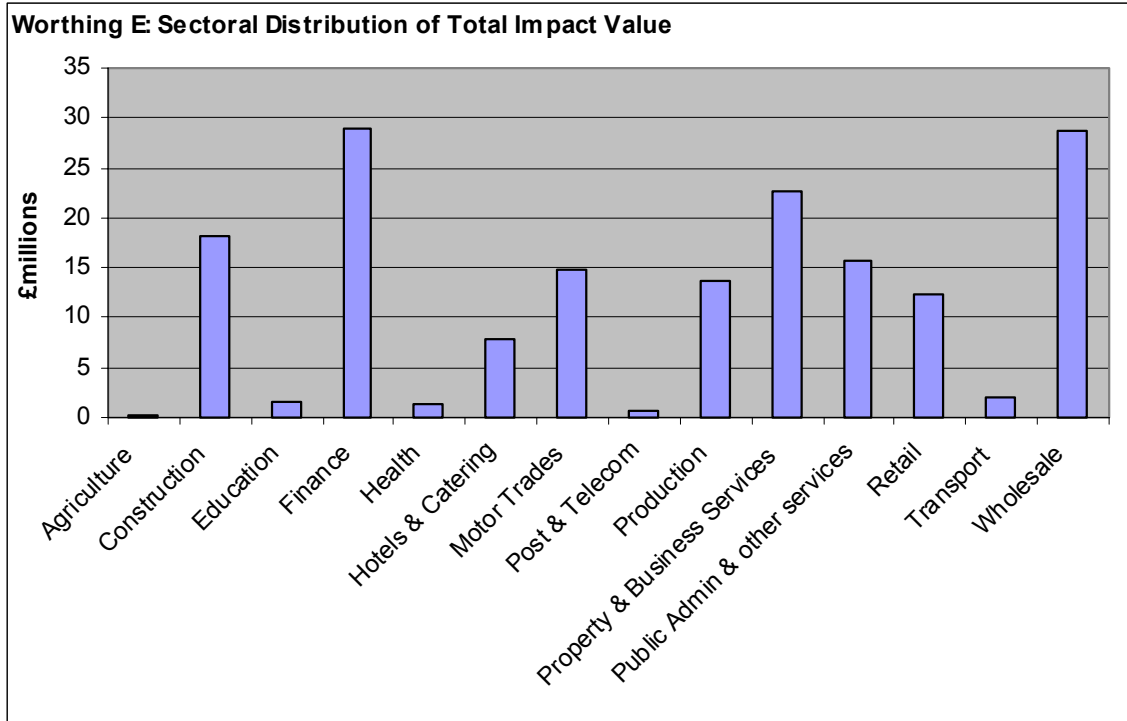


Figure A13: Sectoral distribution of total impact size in Worthing

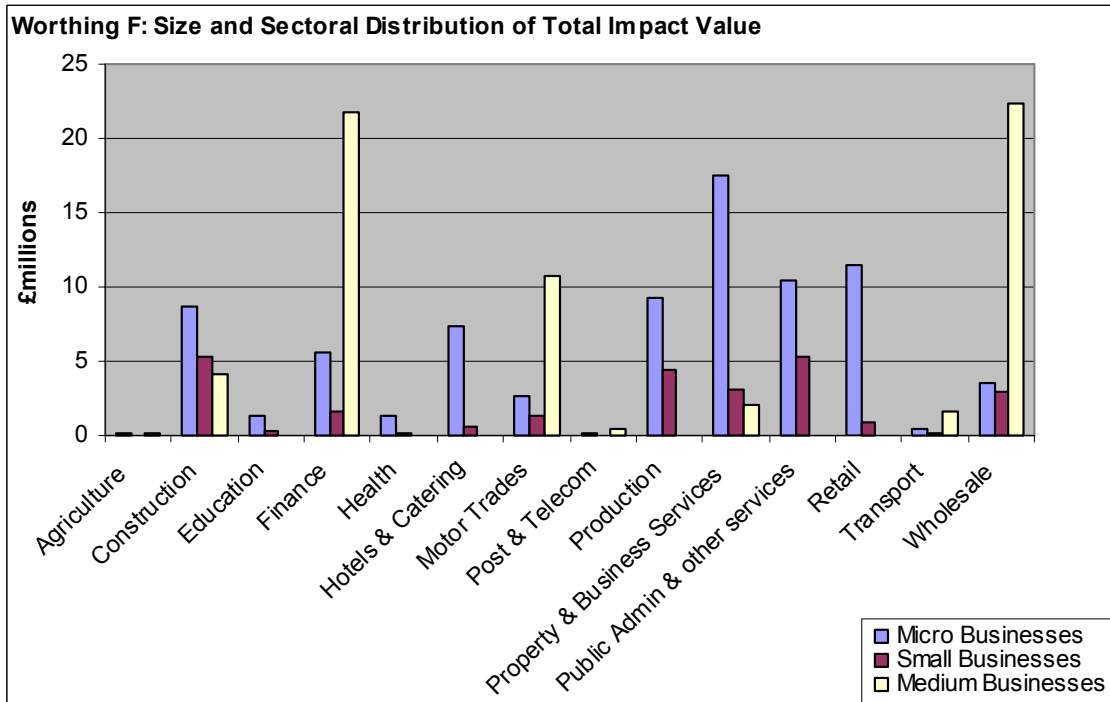


Figure A14: Sectoral and size distribution of total impact value in Worthing

Figures A15 and A16 show the **average impact** values displayed by sector only and then by sector and size.

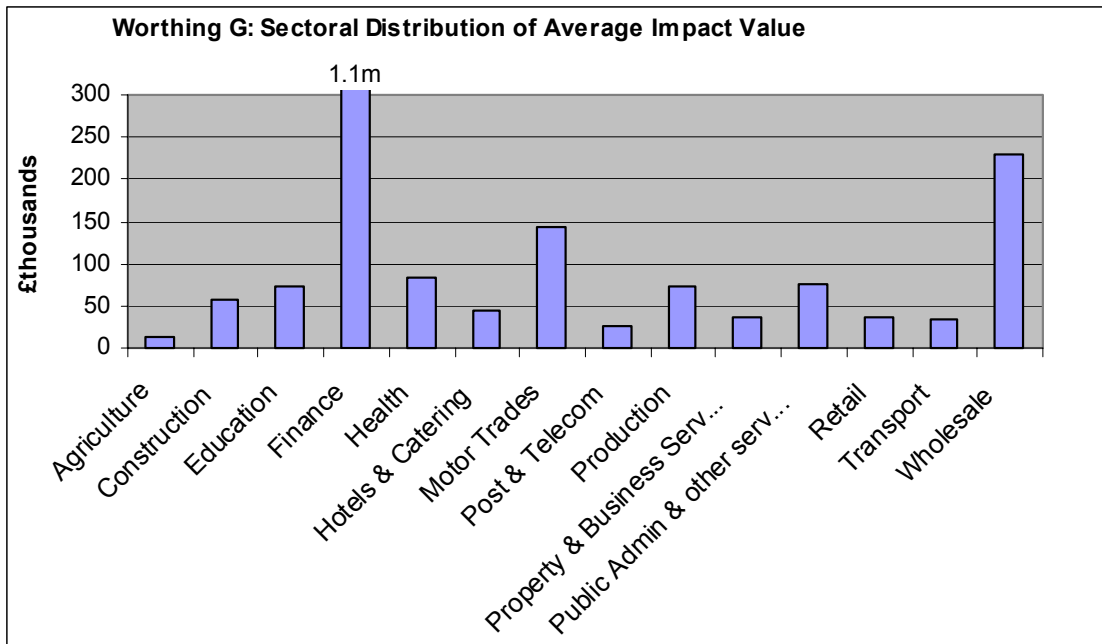


Figure A15: Sectoral distribution of average impact size in Worthing

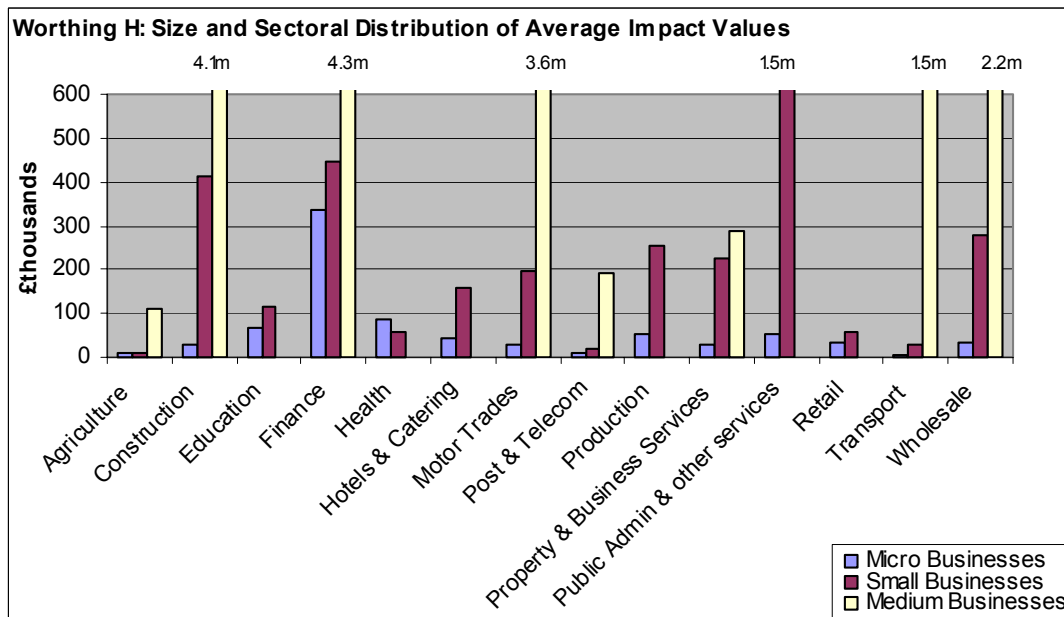


Figure A16: Sectoral and size distribution of average impact values in Worthing

Appendix B – Methodology

A combination of desk research, interviewing and town visits was used to gather information for this study. Each town was visited at least once.

Interviews

We interviewed a number of key groups to inform the research for this report. These included SEEDA employees, key business support group representatives, and entrepreneurs.

- Local community/business support representatives: to get a different perspective of the state of business support and the landscape of business in the towns it was necessary to talk to local representatives. They included local councillors, economic development personnel based at the councils, business link members, etc
- Local businesses: To get a real picture of the business landscape in the towns of our study and an idea of what are the present challenges entrepreneurs face we needed

The following is a list of interviewees

Entrepreneurs

To get a real picture of the business landscape in the towns of our study and an idea of what are the present challenges entrepreneurs face we interviewed:

- Phil Atkinson, Director, The Handrail People, Worthing
- Stephen Baker, Director, Colt International, Havant
- Mr Brackin, Director, Extra Sensory Perception, Worthing
- Greg Bridge, Managing Director, Bridge Insurance Brokers, Margate
- Phil Castell, Director, Lewmar, Havant
- Nick Cole, Director, Hornby Hobbies, Margate
- Peter Davies, Director, Southern Antennae, Margate
- Tony Gillie, Director, TMB Solutions, Havant
- Diane Heath, Commercial & PR Manager, Havant International, Havant
- Tracy Hopkins, Director, Ability Bound, Eastbourne
- Martin Hughes, Managing Director, Filton Brewery Products, Eastbourne
- Mike Johnston-Fagg, Project Director, Pie Factory Music, Margate
- Niamh Kiernan, Managing Director, Juleberry, Eastbourne
- Ken Martin, Director, Leitmotif Opera Company, Eastbourne
- Gilly Nicole, Director, gn Events, Eastbourne
- Tim Sayer, Sales & Marketing Director, Tempest Technology Ltd, Margate
- Karen Simporis, Director, Henry House Hydrotherapy Centre, Worthing
- Dan Thompson, Director, Baby Lamb, Worthing
- Adrian Toolon, Director, CMS, Eastbourne
- Tina Webb, Director, Tri-Synergy, Havant
- Alan Wrigley, Director, Simrad, Margate

SEEDA representatives

We spoke to members of area teams as well as to people responsible for specific areas of policy, such as cultural renaissance and business development. To get an understanding of how SEEDA policy is functioning in practice and tracking its performance and challenges, we interviewed:

- Agharad James, Area manager Surrey and Sussex
- Ken Mackness, Kent Area Manager
- Andrea McCallum, Area Manager Hants and IOW
- Miranda Pearce, Urban renaissance manager
- Ivan Perkovic, Economic Analyst
- Kathy Slack, Hants and IOW Area Director
- Joy Walley, Surrey and Sussex Area Manager
- Greg Ward, Head of Business incubation.

Local business support representatives

To get another perspective on the state of business support and the landscape of business in the towns it was necessary to talk to local representatives. They included local councillors, economic development personnel based at the councils, and Business Link members:

- Ray Mason, CEO, Edeal, Eastbourne
- Cllr Bob Lacey, Cabinet Member Economic Development, Eastbourne Council, Eastbourne
- Penny Shearer, Economic Development Manager, Eastbourne Council, Eastbourne
- Alison Macdonald Hughes, Director, Wheatsheaf Trust, Havant
- Roger Sherlock, Economic Development Manager, Havant Borough Council Economic Development Unit, Havant
- Joy Okwuadigbo, Head of Regeneration, Havant Borough Council, Havant
- Anne Fox, Head of Policy & Strategy, Thanet District Council, Margate
- Jill Tipping, Project Manager, Thanet Business Support Strategy, Margate
- Lisa Hitchings, Director, Thanet Mediation Service, Margate
- Bill Dodd, Director, Worthing Chamber of Commerce, Worthing
- Dale Thompson, Economic Development Manager, Worthing Council Economic Development Department, Worthing
- Bruce Nairne, Project Manager, Step Ahead Research, Worthing

Appendix C: Key strategies and documents

Eastbourne Regeneration Strategy

The overall aim of Eastbourne Council's Regeneration Strategy published 2005 is "to champion Eastbourne businesses and encourage investment in our local economy and tourism".

The Strategy recognises that the high profile of tourism in the local economy can make it seem like a 'one-industry town' and it needs to promote and maintain a diverse economy. The Regeneration Strategy notes the need for more expansion space to retain businesses. The Area Investment Framework will be the structure around which regeneration and investment will be targeted.

Eastbourne has received a £5 million investment from SRB on cultural regeneration and social inclusion. However this is due to end in 2006 and future funding is due to be focus on the three wards that face the most social exclusion, isolation and deprivation.

The strategy aims to:

- Reduce unemployment by 25 per cent in the two key wards.
- Establish an Enterprise Hub and business links with Brighton University.
- Regenerate town centre by 2015).
- Bring new jobs (3,000) on new sites by 2010.
- Offer healthier working options leading to better work–life balance.

The Strategy sees jobs growth as likely to come from the service sector and public authorities including the County Council, hospital and Higher Education (University of Brighton and Sussex Downs).

Eastbourne Community Strategy

Prepared by the Local Strategic Partnership, the Eastbourne Community Strategy, *Shaping A Future Together*, sets out a vision for the town up to 2020. .

The Strategy aims to reduce the number of unfit private houses from 2,955 in 2001 to 712 by 2006/7 and aims to build 80 affordable housing units each year from 2004. On education, skills and training the aim is to:

- Tackle innumeracy and illiteracy.
- Provide a training course to allow local people to take local jobs and encourage university graduates to stay.
- Develop links with Sussex Downs College to provide training for businesses.

Business and enterprise

- Foster apprenticeship schemes and vocational training from key employers.
- Identify affordable childcare as a key need.
- Work with young people to create a culture of enterprise.
- Reduce unemployment in deprived ward to East Sussex Average
- Achieve a net increase in business space.
- Increase VAT-registered business to 2,250 by 2010 and 2,500 by 2020.

Cultural diversity

- Organise an event celebrating cultural diversity in Eastbourne.
- Establish a Black and Minority Ethnic Forum/network.
- Increase drug treatment places by 18 per cent by 2005/6.

East Sussex Area Investment Framework

The overall objectives are to:

- Improve integrated transport.
- Develop a genuine knowledge and skill-based economy.
- Offer active support for rural and urban revival.

The targets are to establish a high-quality education and management institute and attract greater local and inward investment and business expansion. The main strategic objective for business is to create a 'new business model' for East Sussex that features a more creative, innovative higher-skilled business base. The AIF highlights the need to strengthen entrepreneurial culture and provide access to suitable finance. A number of approaches are mentioned including business alchemy clubs, education, business-to-business advice, mentoring and knowledge transfer.

Worthing key strategies

The Community Strategy describes Worthing as prosperous with major employers and good shopping. A number of large anchor firms are based here, mainly in the services that provide core jobs that buffer the town from the decline in tourism that has affected other coastal towns.

The economic approach is to be recognised as a town by the sea rather than a seaside town reflecting a wish to develop a diversified economy and less attention on tourism. The Strategy highlights key social issues, such as affordable housing, homelessness, substance misuse, unfit housing, health inequalities and tackling fuel poverty. The Community Strategy highlights the need to improve the town centre shopping areas, and to improve accessibility and link it to the vibrant seafront.

It highlights the need to revitalise the town centre and seafront and longer-term priorities are:

- Establishing a Credit Union.
- Developing enterprise initiatives to encourage new business.
- Developing a new town-planning framework.
- Making greater use of local businesses and suppliers.

'Sussex by the Sea' is the new sub-regional brand that will be used to market the Sussex coastal strip, which includes Worthing.

The West Sussex Coastal Area Investment Framework has a number of strategic goals:

- Improving business infrastructure and support for businesses.
- Providing sites and premises and business support.
- Raising aspirations and improving skills and learning opportunities.
- Developing sustainable communities
- Providing sustainable and integrated transport
- Ensuring prosperity and well-being of towns
- Strengthening partnership and delivery capacity.

Worthing District Council comments that, "the partnership continues to evolve slowly" suggesting that it is not proving that useful and it only has a budget of £700,000 in 2005/6 for the entire Area Investment Framework. *This year there is just £141,000 across the five towns.*

Two projects specifically highlight Worthing:

1. Inward investment into the AIF is estimated at £1.16 million. The majority comes from central government. Nearly half comes from the Sustainable Communities scheme. It is relatively pessimistic about the potential for inward investment to the sub-region.
2. Coastal Towns Renaissance Worthing is a study of the development potential of the East Worthing Access Road off the A27. The development of a new access road will offer 10 hectares of new development land, improve access for businesses and take traffic away from commercial areas. A combination of housing, employment and leisure uses is being looked at. SEEDA is funding a study.

Milestones/outputs for the AIF are relatively undemanding:

- Adopt performance plan (March 2005).
- Annual service quality survey.
- Delivery of three town revitalisation projects 2004/5.
- One business infrastructure project (2004/5).
- One education and learning project (2004/5).

The AIF highlights that there are generally few sites for investment.

In terms of tourism – it proposed that Worthing should look to attract a conference centre. This is not a view shared by Worthing Borough Council (see above).

The AIF found that there was a low level of knowledge economy relative to the rest of the county. It is a priority to alter this.

- Business support should be focused at SMEs.
- Budget focuses on supporting tourism, leisure and the creative industries.
- There is a budget of £1.3 million for the next three years .Of this, £41,000 has been set aside for encouraging start-up businesses, to reduce to £36,000 by 2007, and encouraging inward investment this financial year.

It also highlights skill shortages, the take-up of ICT, poor infrastructure and the implications this has in attracting inward investment.

Business support should be provided through the Shoreham Enterprise Hub. It highlights “encouraging entrepreneurs and social enterprises is important” though it is short on specifics as to how this will be achieved. Key priorities for business support are:

- Providing incubator space.
- Improving small business start-ups and improving survival rates.
- Investigating schemes to promote entrepreneurship, especially amongst young women.

“Many of the towns within the AIF area are lacking a long-term vision and a commitment to specific projects which need to be endorsed by the major landowners or businesses”

“Worthing will need to produce a town centre vision to guide future development and priorities for the town as a sub-regional retail centre. Teville Gate, Heene, Central and Seldon ward offer opportunities for redevelopment and regeneration priorities. It is important to promote mixed use development within these town centre locations”.

Appendix D

Data on enterprise

The Annual Business Inquiry (ABI) estimates cover all UK businesses registered for Value Added Tax (VAT) and/or Pay As you Earn (PAYE), classified to the 1992 or 2003 Standard Industrial Classification. The IDBR informs the ABI – it provides the sampling frame. ABI reports just under 180,000 firms in 2003.⁶⁹

The Inter Departmental Business Register (IDBR) is the principal source for a list of businesses in the UK. The IDBR covers businesses in all parts of the economy, other than some very small businesses (self-employed and those without employees and low turnover) and some non-profit-making organisations. With 2.1 million businesses listed, it provides nearly 99 per cent coverage of UK economic activity (but probably more like two-thirds of businesses). The IDBR is compiled using a combination of tax records on VAT and PAYE, information lodged at Companies House, Dun and Bradstreet data, and data from other surveys, including the ONS Annual Register Inquiry. The IDBR consists of companies, partnerships, sole proprietorships, public authorities, central government departments, local authorities and non-profit making bodies.

⁶⁹ See Raising UK Productivity – Developing the Evidence Base for Policy, March 2004, DTI Economics Paper.