

Attracting Large Scale Employers to Wealden

31 March 2016



Economic Growth Advisor Programme



Acknowledgments

We wish to express our thanks to Wealden District Council, East Sussex County Council, Locate East Sussex, public and private sector stakeholders, inward investment delivery partners, business intermediaries, and investor companies for the generous time and valuable input they provided that made the writing of this report possible.

1.0 EXECUTIVE SUMMARY

- 1.1 Wealden District Council (WDC) has commissioned this limited-scale assessment to advise them on the impact that Locate East Sussex (LES) is making on inward investment attraction to the District; and other factors and related issues that govern Wealden's ability to attract more large-scale employers into the area.
- 1.2 Wealden currently has a very low level of inward investment from outside the county, which is seen to be primarily as a result of poor regional awareness of it as a business location; inadequate local and intra South-East transport connectivity; a lack of a range of modern employment space; and workforce availability.
- 1.3 The non-profit Let's Do Business Group Ltd currently holds the contract for the LES operation to attract inward investment into the county. It is funded by East Sussex County Council, WDC and the four other Districts and Boroughs within the county.
- 1.4 In terms of how Wealden itself can better improve the impact from the LES contract, and position and promote itself to attract large-scale investors, we concluded that:
 - (i) While the negotiation of the initial contract service specification was the best time to exert influence on LES activities, better performance monitoring and close liaison with LES during the contract were the key to maximising the benefit to Wealden.
 - (ii) The geographical priority markets for Wealden were expansions and relocations within a 30-mile radius from which most of its inward investment already comes, with the Brighton City region a principal focus. The major market around the overheated southern arc of the M25 and Outer London is attractive in terms of size, but would need considerable resource to break into. We were also of the view that there was little prospect for first time foreign investment via UKTI, except in the ultra-high vacuum technology sector or possibly niche specialisms in wider precision engineering and instrumentation.
 - (iii) There was only limited opportunity for sector-specific promotion by Wealden. The exception was to focus on the East Sussex wide mini-cluster of vacuum technology, and photonics and optics companies, along with firms in the ultra-precision instrument field for scientific, technological and medical applications.
 - (iv) There was no realistic possibility of Wealden creating sector clusters, although it should consider associating itself with the series of mini-clusters that exist in Greater Brighton.
 - (v) There was a major risk in attempting a significant campaign separate from the LES contract, although an incremental performance improvement programme along the lines that we have set out could deliver significant extra inward investment marketing impact for Wealden.

- (vi) On effective promotional messaging, we advocate Wealden developing differentiated, value-focused messaging in contrast to the still widely used and generally ineffectual feature-led approach.

2.0 INTRODUCTION

2.1 Project Background

2.1.1 This report presents the findings of a limited-scale assessment project – commissioned by Wealden District Council (WDC) and funded by the Local Government Association's *Economic Growth Advisors* Programme. It examines:

- the impact on the locality from the current inward investment promotion activities in place delivered large via an external contractor operating as Locate East Sussex;
- other factors and related issues that govern Wealden's ability to attract more large-scale employers into the area; and,
- makes recommendations to improve WDC's capability to do so.

2.1.2 Investor acquisition is a key element in the sustainable growth priorities identified in WDC's 2015-19 Corporate Plan that was launched in April 2015. It highlights the attraction of more jobs and employment opportunities to the District as a primary economic objective, with hi-tech businesses being a particular focus. This supports the WDC strategic goal of reducing the disparities in economic performance and areas of deprivation that exist within the District by enhancing employment opportunities.

- 2.1.3 The Corporate Plan also reflects and supports the wider county economic context set out in the East Sussex Development Strategy published in April 2012, specifically 'Strategic Priority 1: A more diverse economy':

"Create the right environment to attract new businesses, retain existing ones and foster enterprise, job creation and innovation – encouraging and supporting entrepreneurship, business growth and R&D activities."

2.2 Project Aim, Focus and Required Outcomes

- 2.2.1 The primary aim of the assessment project is to attract more large-scale employers into the area. To assist in achieving that aim Wealden District Council required specific advice and support in assessing the impact on the locality from:

- (i) the current Locate East Sussex contract, and;
- (ii) how Wealden itself could do better as an area to influence this further in the future.

- 2.2.2 Among the key issues to be covered by the assessment project were:

- the markets – geographic and sectoral – that Wealden District Council should prioritise;
- the potential that might exist to form sector clusters;
- the promotion of the District – specifically, whether District-focussed marketing campaigns and branding are needed, in addition to the current Locate East Sussex brand;
- the development of an understanding of the key messages to which businesses will respond; and,
- how Wealden, along with Locate East Sussex, can sell itself more to appeal to large-scale employers.

- 2.2.3 The expected outcomes to be delivered through the project are:

- a review of the current Locate East Sussex contract and suggestions for improvements or alternatives made; and,
- improvements in numbers, scale and success of businesses into and within Wealden.

- 2.2.4 These are to be measured by increases in:

- the number of new large-scale employers relocating to Wealden District;
- the scale of existing businesses; and,
- average workplace pay.

2.3 Project Methodology

The assignment was divided into four stages:

- 2.3.1 **Desk research** – contextual analysis of internal and publicly available operational reports and documents; relevant economic and inward investment data; and marketing communications material.
- 2.3.2 **Consultative interviews** – a programme of 28 interviews and discussions with key personnel in Wealden and across East Sussex responsible for policy and operational delivery; public and private sector stakeholders; existing or potential delivery partners; regional and national agencies; company relocation intermediaries; and sector specialists.
- 2.3.3 **Analysis** – of the current inward investor attraction environment in the area, and the strategic and operational approach in place to deliver the primary objective of winning, growing and retaining large-scale employers. This includes facilitation support by Wealden District Council and East Sussex County Council, and the operations of Locate East Sussex to attract more large-scale employers into the area.
- 2.3.4 **Assessment and Recommendations** – drawing together all the data inputs and applied analysis to identify the actions necessary to further develop the positive elements that exist that can accelerate inward investment, and a set of practical, cost-effective solutions that can mitigate the negative factors that discourage it. The aim is to present a realistic, deliverable and sustainable set of actions to improve Wealden's inward investment competitiveness.

3.0 SITUATION ANALYSIS

3.1 Geographic and Economic Overview of Wealden

- 3.1.1 Wealden is the largest of five districts in East Sussex with an area of 323 square miles. It has boundaries with six local authorities: mid-Sussex and Lewes to the east, Rother to the west; and stretching 30 miles north to south from Tunbridge Wells in Kent to the edge of Eastbourne District.
- 3.1.2 The District is classified as one of the most rural in England with two-thirds of the area covered by the High Weald Area of Outstanding Natural Beauty and the South Downs National Park. There are 34 conservation areas, over 2,500 listed buildings and the largest amount of ancient woodland of any district in the Country.
- 3.1.3 The latest ONS figures released in 2015 estimate that Wealden had population of 154 767, around half of which live in the five main towns: Crowborough,

Hailsham, Heathfield, Polegate and Uckfield. The rest of the population live in dispersed locations in the rural parts of the District where there is limited access to frequent local public transport. This, combined with the existing networks of main roads and railways focusing mainly on routes to London and large towns outside the District, rather than between the towns themselves, has been acknowledged by WDC as having restricted investment in the local economy, and impacted upon access to employment. Around 30,000 people living in Wealden travel to work outside the District, compared to the 33,000 that live and work in the District, and the 15,000 that travel into Wealden to work.

- 3.1.4 The District's economy is dominated by small businesses and is heavily dependent on the service sector that generates a high, though lower-paid, level of employment. The distribution, hotel and restaurant sectors are the largest, employing 26.5% of the workforce, followed by public administration, education and health sector with 25.3%. 80% of businesses in Wealden employ less than four people, and only a small number of firms employ more than 10 people, with few of these operating in the main business growth sectors. There is also a high level of self-employment in Wealden with increasing numbers of people working from home.
- 3.1.5 The largest business sectors (by number) of firms in Wealden are retail, and visitor/tourism related. While there are relatively few large firms operating in high-growth, technology-related sectors in Wealden many that do are leading players in their markets and have an international presence.
- 3.1.6 Full-time earnings of people who work in Wealden are marginally less than the rest of East Sussex, and 23.8% of households in the District were defined as living in poverty (below 60% of national median income). However, at 0.6%, Wealden has the lowest rate of unemployment in the county, and its contribution to the East Sussex economy is greater than any other authority.
- 3.1.7 Educational attainment levels are above average in Wealden with 66% of pupils achieving 5+ GCSEs (2011-12 figures), with a percentage of 38.6% (2014 data) of the working age population qualified to at least NVQ Level 4, which is slightly above East Sussex as a whole.

3.2 Awareness and Perceptions of Wealden

- 3.2.1 During informal consultation with business intermediaries outside East Sussex, that included several commercial property agents just within the M25, we found that there was scant knowledge of Wealden as a District, with several placing it in Kent. And as a potential inward investment location there was almost total ignorance. Plainly, this was not a statistically valid exercise, but it is indicative of the District's lack of visibility to possible delivery partners in the wider business expansion network.

- 3.2.2 More robust and statistically valid perception research was carried out in 2012. Quadrant and BMG Research were commissioned by Locate East Sussex, East Sussex County Council and local authority partners to conduct a 'Perceptions Study' of East Sussex. 310 interviews were conducted with businesses from outside the county.
- 3.2.3 Among the key findings were that:
- Amongst businesses, familiarity of East Sussex as a business location was low, with less than a quarter expressing some familiarity.
 - Awareness of East Sussex towns was also low and, where it did exist, they were viewed as holiday destinations rather than business locations.
 - Only 2% of businesses interviewed expressed an interest in relocating or expanding to East Sussex, perhaps not unexpectedly as the firms chosen to be interviewed were not specifically targeted as businesses looking to relocate or expand.
 - As probably to be expected, the research also found that London-based businesses need the most convincing of the business benefits of the county.
- 3.2.4 Research was also carried out among 42 commercial property advisers, half of whom worked in East Sussex or in Brighton, and with most having had some dealings with the county in respect of property searches. 85% of East Sussex based firms said that they were 'likely to recommend' the county as a business location, compared to only 19% of those advisers based elsewhere. Unprompted, advisers said the most important factors for their clients in looking at a business location were: 'cheap rent/leases'; 'good road networks'; and 'a skilled workforce'.
- 3.2.5 However, there seems to have been a surprising level of negative perception about East Sussex's orientation to and support for businesses, even among advisers working in or familiar with the county. Half those interviewed either did not agree or disagreed that East Sussex was a business-friendly location.
- 3.2.6 The study concluded that, such was the low level of awareness of East Sussex as a potential business location, that any generalist marketing 'campaign' to encourage businesses to consider East Sussex would be unlikely to be cost effective, even if funds were available.
- 3.2.7 It was suggested that a more targeted approach could be adopted, dependent on information available on businesses that are considering relocation or expansion (in the South East). However, it was of the view that East Sussex may be a difficult county to define, and that awareness generating activity in its own right is likely to take considerable time and investment before having any significant impact.

- 3.2.8 The study also recommended that the insights from the research should be used to help inform policy decisions on the 'location marketing and inward investment service' and inform the development of the 'case' for the county as a business location. It also stressed that any misconceptions, for instance regarding the county not having a low-cost business accommodation base, need to be addressed.
- 3.2.9 The East Sussex Perceptions Study is now four-years old, but it appears that its findings on the issue of the poor perceptions of East Sussex as a business location are still as valid in 2016.
- 3.2.10 One current initiative to tackle this continuing, serious obstacle to the progress being made towards building East Sussex's attraction as an inward investment location is by Team East Sussex (TES) – the county board of the South East Local Enterprise Partnership (SELEP). This includes the greater county areas of East Sussex, Essex, and Kent & Medway. TES, with Locate East Sussex involvement, is currently considering how best to promote East Sussex as a business destination, and has carried out valuable preparatory work. It is looking for low-cost, long-term, sustainable awareness-building impact. It has concluded that it is inappropriate to run a traditional branding and advertising campaign both on the grounds of cost, and the uncertainty surrounding its impact.
- 3.2.11 Two audiences are being focussed on;
- (i) An external one comprising the greater Brighton area, West Sussex, and South London where businesses are looking to relocate based on affordability and quality of life.
 - (ii) An internal audience comprising East Sussex businesses, particularly those who have access to the visitor economy with the aim of them becoming advocates for the county and raising aspirations.
- 3.2.12 TES believe that professional expertise is needed to help develop a manifesto of clear and distinctive messages – based on research and knowledge of the region, and appropriate to each of the target audiences – to help change the image of East Sussex. They favour clear messages, targeted at external markets, that are based around such themes as innovation, industry, technology; food, drink and culture; festivals, Root 1066, Eastbourne tennis; and quality of life, cycling, and countryside. These will be communicated using simple (and low cost) advertising, social media and PR messages aimed to change perceptions.
- 3.2.13 TES thinks that initially such messages can be communicated internally, within East Sussex, using its manifesto by 50 champions from a spread of towns and parishes, business sectors and local groups.
- 3.2.14 Their aim is to launch such a message campaign in late Summer 2016 in support of the Root 1066 International Festival for maximum effect. If such

a campaign can be delivered in partnership with public and private sector contributors across the county, it will mark an important step towards putting the issue of East Sussex's relative anonymity as an inward investment location firmly in the spotlight.

3.3 Wealden's Inward Investment Competitiveness

- 3.3.1 Each individual company has its own criteria for judging the suitability of a new business location dependent on their expansion drivers – whether they are seeking a new market, greater efficiencies such as lower operating costs, or resources (raw materials, talent, access to a suppliers or R&D). And they will also have different priorities dependent on the types of operation – from hi-tech manufacturing to IT software design, and from online retail distribution to contact centres. The one common factor, however, is that every firm needs to balance the rewards of moving to a new location against the risk of failure.
- 3.3.2 Aside from the wider business operating environment such as national taxation, regulation, legal system and economic climate, there are six factors that almost all potential investors take into account, in various priority combinations, when assessing a location:
- labour availability, skills and cost;
 - connectivity in terms of transport infrastructure links, telecoms, and fast broadband;
 - the availability and cost of existing, adaptable premises, or development ready sites for new build;
 - local business support for fast set-up;
 - the level of investment incentives; and,
 - a location's quality of life factors.
- 3.3.3 Looking objectively at the current Wealden 'offer' to potential inward investors for each of these location factors, and reviewing its perceived level of competitiveness in the South-East of England, we conclude that:
- (i) **Labour availability, skills and cost.** Anecdotal evidence from employers and recruitment agencies during this project was mixed on the issue of finding the right staff. There appears to be some shortage of staff with specialist skills, in particular in IT, precision engineering and technical roles both in Wealden and the whole East Sussex. Findings from the *2014 East Sussex Business Survey*, (albeit of largely small firms across the county) seems to support this view. The study showed that 9% of companies had vacancies that had remained unfilled for 12 months.

However, a medium-sized IT testing company in a town centre location has not had any problem recruiting technical staff. According to several recruitment agencies this mixed picture extends to a large part of Southern England, and so Wealden is not seen as being at a major disadvantage currently to regional competitor locations.

There are several initiatives underway in East Sussex aimed at growing the supply of skills in the county over the next 5 years by better understanding the employment needs of business and industry and matching to these the right provision of education and training. ESCC has recently published eight sector skills reports about the skills' needs of its priority sectors and about the current supply of learning within the county. The reports are designed to help training providers shape their curriculum offer to meet local needs, can be used to support funding applications, and to shape and inform local skills policy.

A very positive location factor for Wealden and East Sussex is its lower staff costs, with one IT recruitment specialist we contacted estimating that there was at least a 15% salary cost advantage for firms in the area compared to Greater London, and even closer sector hotspots such as Brighton.

- ① **Connectivity.** Road and rail transport connectivity is widely seen as one of Wealden's competitive weaknesses as an inward investment location. This was reflected in the results of the *2014 East Sussex Business Survey* where there was a high proportion of businesses expressing concern about local road networks and access to major roads/motorways. While this is likely to be a disincentive to potential investing companies, several major firms with international operations already operating in Wealden and deeply embedded in the area appeared to accept stoically the reality of the current transport deficiencies.

Broadband speeds are another connectivity-related location factor that features highly on the list of critical requirements of inward investors, even among non-IT specialist firms. In the *2014 East Sussex Business Survey* 39% of respondents said that access to faster broadband was an important feature for their business accommodation, and the issue of inadequate broadband speed was raised during our consultation for this project.

East Sussex County Council has for several years been working with BT to get much faster broadband in homes and businesses. The aim is to achieve during 2016 a target of 90% of the county having access to superfast broadband (24 Mbps and over), whilst ensuring everyone in East Sussex can access the minimum level of service of 2 Mbps.

However, there continues to be evidence – particularly from LES – that some firms are continuing to be severely disadvantaged as a result of slow broadband speeds, to the point where they are considering moving out of the area. Until the problems associated with this crucial element of

connectivity are solved then the competitiveness of Wealden and the rest of the county to attract IT intensive companies will continue to be weakened.

- (ii) **Employment space.** The shortage of a range of modern commercial stock and new-build space is also perceived to have affected Wealden's ability to attract companies with no existing links to the area from outside. This is well recognised both by the business community and the District Council. During the consultation with commercial property specialists during the course of this project, there were several cases cited of firms who chose other locations due to their inability to expand or find suitable premises in the first place.

WDC has been responding actively to the need to expand employment space. This is against the background of its drive to secure strong future growth for the local economy and provide employment for those moving into the significant amount of new housing stock coming on stream across the District.

In its Employment Land Review – updated in 2010 – WDC identified broad locations for future development, and its Core Strategy Local Plan published in February 2013 (produced following extensive consultation with a wide range of stakeholders) sets out clearly its aim to expand employment space. The Plan allocated some 40,000 sqm of employment land, principally in Hailsham, Polegate and Uckfield, and the provision of an additional 17,000 sq m of retail floorspace in Uckfield and Hailsham. These sites are now coming on stream:

- The Swallow Business Park site in Hailsham will offer a total of 160,000 sq ft of new build and bespoke designed industrial, warehousing and mixed use employment space. The first company – VacGen, a major international vacuum-related component manufacturer – is planning to move from St. Leonards into a new building there in November 2016.
- The Chaucer Business Park in Polegate currently being built that offers grade A quality industrial warehouse and business units from 2,000 sq ft – 16,500 sq ft for sale or rent. A significant number of individual and multiple units have already been let, with several companies coming from locations outside Wealden, including Brighton and coastal area of East Sussex.
- The Ashdown Business Park at Maresfield, near Uckfield, where 10 plots are under development that will house industrial buildings, flexible units and office space up to three storeys high. The first site – 3.9 acre – has been sold to John Lewis for a new 50,000 sq. ft. distribution centre which will create 60 jobs.

There was wide acknowledgement of the very difficult balance WDC has to strike between expanding employment space across the District to enable stronger economic growth, while ensuring that Wealden retains its rural character and high quality environment.

But all sides agree that these new sites are of great significance in raising Wealden's inward investment profile and, as is already being seen from many of their new occupants, they are already boosting the area's attraction to companies from outside the area.

An additional positive feature of employment space in Wealden is its cost relative to competitor locations. In consultations with commercial property agents and our own searches on business property databases for this study, we found that the urban areas of the District had a very significant like-for-like cost advantage (around 15-20%) over places such as Brighton, Tunbridge Wells, Crawley, and areas of West Kent.

(M) **Local business support.** The ability of firms to set-up and become established quickly in a new location is a key location factor and is rated highly by investors during the shortlisting stage of possible destinations. Services such as IPA 'one-stop-shops' that reduce the burden on investors of data collection on the location, and steers the company through any initial regulatory or operational hurdles, are very common.

However, few investment locations offer a formalised 'soft landing' support to new companies that is delivered largely by a network of business partners on a pro bono basis. Often called 'business buddy' schemes, these harness the knowledge, skills and network access that private sector groups and individual firms possess, and who are usually keen to share them with new arrivals.

Wealden and East Sussex as a whole has the foundation for a pilot 'business buddy' structure in the form of the supportive business networks that already exist. Groupings such as the Alliance of East Sussex Chambers (ACES), the individual Chambers, Skills East Sussex and local branches of national organisations such as the IoD, Business Network International and Athena are all very active, and willing to participate on more joined-up initiatives. And events such as the series of Wealden Business Breakfasts also provide opportunities to interact with the wider community to introduce the concept of developing closer collaborative support. During the consultation process for this project several such organisations expressed a willingness to provide support to incoming companies. But at present there is no coordination of effort to provide organised assistance to newly-arrived companies.

If Wealden District Council, in partnership with its business community and with the support of Locate East Sussex, could introduce such 'soft landing'

support to new investors, whether or not they originate in Brighton or Brazil, it would not only in itself be a strong location attraction factor and value-add. It would also create a memorable differentiating factor in the minds of both potential investors and the key intermediaries that influence them.

Building a close, trusting and supportive collaboration between a local authority and its business network is obviously a pre-requisite for a 'soft landing' scheme. One step towards creating this mutuality is the creation of Business Improvement Districts (BIDs). These are normally associated with large individual shopping centres, industrial estates and business parks of a size that makes them rare in East Sussex and non-existent in Wealden. Since there needs to be sufficient firms paying a levy based on turnover to support the central management of a BID (the average number of members in the typical UK BID is between 300 and 400 companies) this would seem to rule out most of the smaller employment sites across Wealden considering becoming BIDs.

However, the Association of Town and City Management – experts in the field of BIDs – have said that, as regards Wealden and East Sussex, there appears to be no regulatory or practical reason why smaller industrial estates and business parks could not each separately become a BID, but share a central management services team with several other small-scale BIDs within the district and/or county. Such a group of BIDs could become a strong partner with WDC in delivering inward investment related support.

Scotland's Business Gateway scheme under which local authorities have devolved responsibilities to deliver nationally branded business support services – although under a different legislative framework – also highlights the type of joined-up public/private working that creates spin-off benefits.

- (v) **Incentives.** Financial support packages are, in isolation, usually one of the last factors to be examined by potential investors – often only when two locations are otherwise evenly balanced in their attractiveness. So they are an important element to consider, but generally not a critical one. As a non-Assisted Area Wealden is, in any event, competitively on a largely level playing field with most of the its direct and geographically close competitors – West Sussex, West Kent, Hampshire etc.

The District's incentives attractiveness can therefore be considered 'average', yet it can still create a competitive edge through more effective presentation.

If one turns to the typical inward investment incentives page on location promotion websites across the UK the viewer is usually faced with a jumbled listing of EU and UK government grants; local finance, loans and business support; and start-up or SME funding. And adding to the confusion is that some financial support is shown to have been withdrawn and the qualification criteria of others is unclear. So the astute locations have realised that competitive advantage lies as much in the simple, coherent

presentation of financial support packages as in the figures themselves. Currently, neither Wealden nor East Sussex are among those that present business incentives effectively, and so are disadvantaged as a result.

The Government's announcement in October 2015 that local authorities are to retain 100% of locally raised business rates by 2020 also raises the prospect of councils having the flexibility to target business rate discounts in support of inward investment as part of wider business growth strategy. This may give East Sussex County Council and Wealden an opportunity in the future to add a local element to incentive offers.

- (vi) **Quality of life.** In general, the environment in which a company's workforce has to operate is rarely at the top of the list of critical location factors. But it can be a major differentiating factor in the choice of one place over another if a company is transferring a high proportion of its existing workforce or a sufficient number of key personnel to the new location.

It also an important consideration if future recruitment requires tapping into a national or international pool of talent.

The main quality of life location factors in the UK are: access to affordable housing, good schools, quality healthcare, public transport, and leisure and recreational facilities. Commuting time to work, levels of crime, the pace of life and the beauty of the landscape are also frequent preferred attributes.

While there is no independent research to support it, perceptions collected as part of this study indicate that Wealden – and East Sussex as a whole – is viewed as having, overall, a good quality of life compared to locations across the South-East of England. It scores most highly on recreational access with beautiful landscape and easy access to the coast; on quality of schools and healthcare, although less well on public transport and affordable housing.

- 3.3.4 Relevant to assessing East Sussex's wider inward investment location factor attractiveness was a quality versus cost index in the Grant Thornton's October 2015 report '*Turning up the volume: The Business Location Index*'. Although this focused on the areas in England that are most attractive to foreign direct investment it is also of value in judging relative competitiveness in terms of intra-UK inward investment.

The report plotted the performance of all 324 local authority districts in England across several key criteria and these were summarised in a quality versus cost attractiveness rating in four categories:

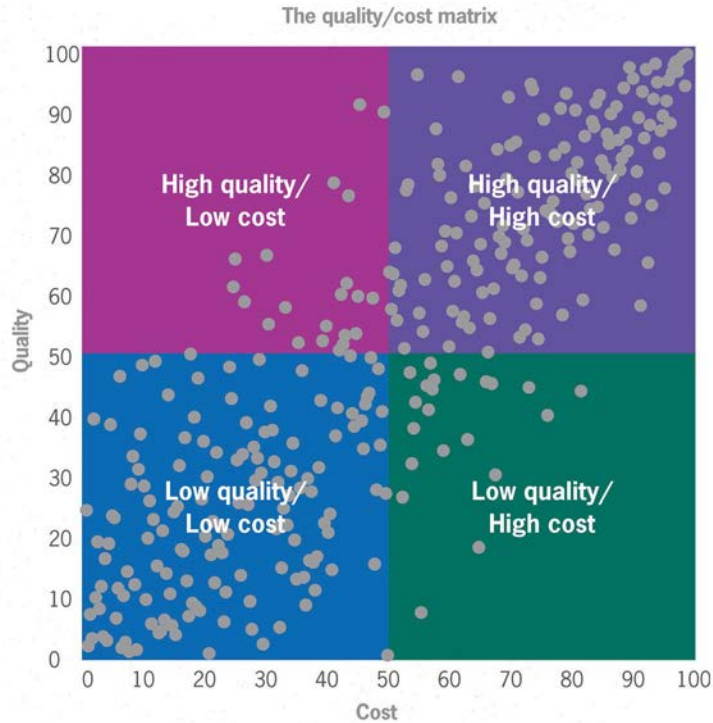
High quality – Low cost

High quality – High cost

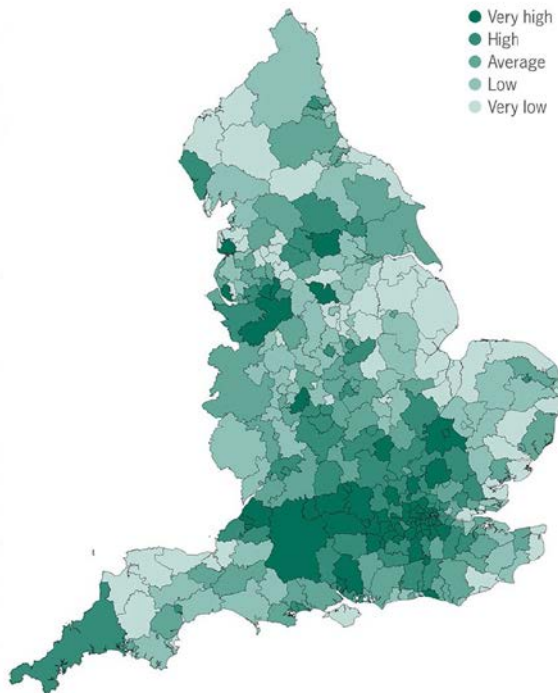
Low quality – Low cost

Low quality – High cost

Below is the quality/grid used in the report and the Business Location Index map (reprinted with the kind permission of Grant Thornton):



Business Location Index score



Local authority area	Region	Score
1 Westminster	London	165
2 Camden	London	144
3 Tower Hamlets	London	142
4 Islington	London	136
5 Southwark	London	130
6 Cambridge	East of England	128
7 Lambeth	London	128
8 South Cambridgeshire	East of England	127
9 Hillingdon	London	126
10 Hammersmith and Fulham	London	124
11 Richmond upon Thames	London	123
12 Birmingham	West Midlands	123
13 Leeds	Yorkshire & Humber	122
14 Wokingham	South East	120
15 Wandsworth	London	120
16 Hackney	London	119
16 Manchester	North West	119
18 Kensington and Chelsea	London	118
19 Watford	East of England	117
20 Bristol	South West	116
21 Oxford	South East	116
22 Vale of White Horse	South East	115
22 Reading	South East	114
24 Trafford	North West	113
25 Hounslow	London	113

Grant Thornton rated East Sussex (along with East Kent) as a 'Low quality – Low cost' location along with 140 other English districts (43% of the total), mainly in rural, coastal areas including East Kent. There were also many in the Midlands and the North. The report concluded, predictably, that the challenge for these location is to regenerate and restructure the local economy, in part by marketing the area to niche sectors where access to markets is less critical and where cost is more of a concern.

East Sussex, however, was scored ahead of many of its direct competitor locations. 23 districts (7%) were given the lower rating of 'Low quality – High cost'. These areas were mainly on the fringe of London including parts of Kent, West Sussex, and Essex. Their challenges were seen in the report as retaining and supporting the growth of existing businesses, and over time developing strategies aimed at making their area more attractive as business locations. And, for those located in the South East and East of England, the advice was also to exploit their links to London. This advice is, of course, equally as valid for East Sussex.

The report also highlighted the concentrations of foreign investors along the main transport routes out of London, including along the M3 in parts of Surrey and Hampshire, and extending in the south to Crawley, Brighton and Hove and parts of West Sussex. It also found that the South East LEP area had the third highest concentration of foreign companies (at 896) of LEPs outside London.

While we have some reservations about the methodology and weightings used for this study, we think that the Grant Thornton research does provide useful insights into relative competitiveness of inward investment locations across England.

The full report (which provides details of the factors used and methodology) is at: <http://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/publication/2015/business-location-index-turning-up-the-volume.pdf>

4.0 LOCATE EAST SUSSEX

4.1 Inward Investment Role and Delivery Objectives

- 4.1.1 Locate East Sussex (LES) is a project sponsored and funded by East Sussex County Council, together with Wealden and the four other Boroughs and Districts in the county. It provides the main support to deliver WDC's jobs and employment goals through the attraction of inward investment, with an emphasis on the manufacturing and engineering sector.

- 4.1.2 'Locate East Sussex' was originally created in 2004 by Sussex Enterprise (later to be 1066 Enterprise) and was at that point tasked largely with improving East Sussex's attractiveness as a business location, rather than the attraction of inward investment itself.
- 4.1.3 The Let's Do Business (South East) Group Limited – a private limited company by guarantee without share capital – was awarded a three-year contract in May 2013 to operate LES. It was given an expanded role compared to the previous LES operation that focused significantly more on the marketing of East Sussex, and the individual local authorities within it, to potential investors as a business location. This was in addition to its predecessor's primary responsibilities of engaging with the business community, and helping existing and new businesses locate and expand within the county.
- 4.1.4 The LES website sets out the role of the inward investment acquisition project as:
- 'To support growing businesses in East Sussex by providing assistance with location decisions and access to funding to accelerate growth, as well as providing valuable connections to local planning and economic development teams.'
- 4.1.5 The monitoring of the service contract comprises:
- (i) quarterly reports to the Sponsors Board that provides operational oversight and direction; and,
 - (ii) an annual evaluation report to the Lead Member and Chief Executives Group that has the strategic overview of the contract.
- 4.1.6 Performance Indicators:**
- number of investment enquiries managed;
 - the number of businesses visited;
 - number of investment successes* and reinvestments secured;
 - number of newly created or safeguarded jobs;
 - amount of newly occupied space;
 - number of website hits recorded and reported on; and,
 - number of hits recorded on the online property search database.

* An 'investment success' is defined as:

- (a) any business, company or organisation that has been helped or encouraged to relocate into East Sussex from outside the county; or,
- (b) where currently based in East Sussex, has been persuaded not to relocate outside the county when it would have done so had it not been for the intervention of the Project; or,

- (c) where currently based in East Sussex a business, company or organisation has been supported to expand within the county.

4.1.7 In addition to, and separate from, its inward investment promotion activities the Locate East Sussex operation was subsequently expanded in 2014 under a separate contract by ESCC to promote and administer several business support grant and loan programmes on its behalf aimed at SMEs. The largest of these was a £4m RGF Business Growth Fund programme that provided funding for capital investment by SMEs to support job creation. Other support programmes administered by LES included the Upgrading Empty Commercial Property Fund aimed at companies that are planning to bring back commercial premises into full use; and the Business Incubator Fund that supports the creation (new build or conversion) of a minimum of three business incubation centres (none of which are in Wealden).

4.2 Impact of LES – Context and Strategic Elements

4.2.1 A primary focus of this report is the assessment of the impact that the Locate East Sussex operation has had on progress towards achieving Wealden District Council's economic development objectives, in particular its jobs and employment goals and the attraction of inward investment from priority sectors.

4.2.2 An in-depth, operational audit is beyond the scope of this project so such an assessment has been based on:

- discussions with sponsors, stakeholders, intermediaries, and companies;
- scrutiny of published and internal documents;
- examination of marketing communications output; and,
- benchmarking against inward investment promotion and acquisition best practice.

Based on these our observations about the current context, resources and the impact of each of the key areas of Locate East Sussex inward investment promotion and support activities are set out in the following paragraphs.

4.2.3 **Context.** The Locate East Sussex operation is tasked with a diverse set of deliverables, with a significant focus on inward investment promotion and acquisition, i.e. attracting and securing the location of companies in Wealden for the first time.

With 200 English non-metropolitan districts, 39 LEPs and scores of county/city investment promotion agencies (IPAs) contesting for intra-UK and foreign mobile inward investment (i.e. companies that are looking at more than one geographical location and with no existing connection to any) the national marketplace is fiercely competitive. Getting promotional messages heard and engaging with companies takes significant time and resource. Combine this with the relatively modest competitive strength of Wealden, and to some extent East Sussex as a whole, then the difficulty of the challenge LES faces nationally becomes apparent.

That is why IPAs in similar positions tend to narrow their marketing focus primarily towards their sector strengths where they exist, and to expansions and relocations within a radius of about 50 miles through targeted communications, events and regional business networking.

In addition to inward investment promotion and acquisition, LES is required to fulfil an extensive local business support, commercial property facilitation, stakeholder, and delivery partner networking role. Much of this is the 'supply side' location development work that has been a central feature of work of LES since it was created more than 10 years ago (before the present contract). This is reflected in the main LES messaging across its current marketing material:

"We assist companies moving to larger premises or better premises, start-ups looking for their first workspace and companies moving into East Sussex.

We help growing companies to improve performance and create jobs companies access funding

We support companies and developers by using our connections to borough, district and county authorities

We promote East Sussex as a prime location for business growth."

- 4.2.4 **Generic location and sector value propositions.** A critical factor in a successful inward investment strategy is the ability of a location to differentiate itself from its competitors with a strong value proposition. This is a clear explanation of how an investor can gain significant value by operating in a specific location. That value is usually in the form of a number of factors – we call them 'value-adds' – that can be delivered by an investment location to help a company achieve its investment objectives. These may be linked to growing sales, achieving lower operating costs, access to resources, or a favourable operating environment. But one of the challenges faced by IPAs is their apparent inability to produce compelling, differentiated, value-delivering propositions. Most national, regional or city IPA websites present largely the same, indistinguishable litany of features: the best workforce skills, the best infrastructure, the best business climate, the best quality of life et al. We know that potential investors that read this meaningless copy simply switch off.

4.3 Place Marketing Activities

4.3.1 Promoting East Sussex and its component areas as a place to come and do business is a primary objective of the LES contract and it employs a mix of tactical activities to achieve this goal.

- (i) **Image building and messaging.** Creating a more powerful, business-appropriate image and message about East Sussex is a key LES deliverable.

The challenge of every IPA is to produce promotional messages that focus on investor needs and demonstrate how the location can satisfy them. Unfortunately, the majority still produce messages that focus on location features without linking them to the delivery of value to the company.

- (ii) **Local business engagement, communication, commercial property brokerage and networking.** A strong and welcoming business support network that helps incoming businesses to set up quickly is an important inward investment location factor. The LES contract has a strong emphasis on developing this 'supply side' resource as a key asset in promoting East Sussex as a business location.

- (iii) **The LES website.** This was re-designed and launched in November 2013. It is technically fit for purpose and meets essential design standards: landing page impact, good signposting, easy navigation, and effective links. There are also case studies and an easy to use commercial property search facility.

- (iv) **Digital network communication programme.** Online networks provide a valuable channel to build awareness, stimulate interaction with target audiences, and monitor sentiment at modest cost.

One of the benefits of digital network marketing is the ability to use media analytics to measure results such as number of views; click-throughs; sentiment; and, most importantly, enquiries/leads. Although there is an absence of published research on the impact of it on inward investment acquisition, it is regarded as a rapidly developing communications channel that in time may offer the prospect of more cost-effective lead generation.

- (v) **Events.** These play an important role in extending LES's promotional reach and to further build relationships with the business/stakeholder network.

- (vi) **Marketing collateral** - promotional videos, hardcopy brochures, e-newsletters, and sponsored publications – contribute effectively to creating a good balance between positive awareness of East Sussex and LES as the business support conduit.

- (vii) **Media communications.** Third-party communication via the media

– whether business press or online industry news site – gets attention and is trusted. So it is rightly acknowledged to be a priority for LES. We regard media communications – particularly where coverage goes well beyond the county – as critically important to awareness and positive perception building of East Sussex as an inward investment location.

- (viii) **Identifying and targeting potential investors.** This is a critical task for IPAs, and is a labour and cost intensive activity.
- (ix) **Enquiry handling.** IPA best practice dictates that an investment enquiry is acknowledged promptly, and that there is substantive follow-up action to begin to form a relationship with the company based on confidence and trust. And such efficient enquiry handling is known to have a significant impact in winning new investment.
- (x) **Pipeline management.** The proactive management of the ‘pipeline’ of potential investment projects is an activity that is critical to successful inward investment acquisition.

All along the sale pipeline, companies will be at each of these stages and their progress tracking and communication with them needs to take place. The aim is to build a relationship with each prospect so that the location and its business value-adds are kept firmly in their minds. Not to do so risks other competitor IPAs luring the company away and winning the investment. Typically, smaller IPAs will have 50-100 companies at various stages along their pipelines; with major, national agencies having between 1,000 and – 2,000. And of the enquiries that enter the pipeline, usually less than 10% become landed investments.

By monitoring the pipeline, it is possible for sponsors to see the proactive activity of an IPA in progressing a potential investment project along the different stages, and take action if projects become stuck at a specific point. It is also helpful in terms of resource allocation and decision-making on whether or not to continue to pursue a potential investment in a rational, evidence-based manner.

- (xi) **The East Sussex Ambassador programme.** The appointment of high-profile individuals and leading business figures, often with international credentials, to represent the location at major events, provide advocacy in their own networks, and are media spokespeople is a valuable inward investment promotion asset.

The East Sussex Ambassador scheme that is managed by LES comprises more than 90 envoys – including councillors and MPs – that have been recruited to help raise awareness of East Sussex as a location for business through the distribution, when the opportunity arises, of LES branded business cards.

- (xii) **Investor development.** With well over half of all inward investment in a locality resulting from local expansions (as is the case in East Sussex) then

maintaining a close relationship with existing investors is a key factor to the success of winning and keeping investors.

Investor development (known as 'aftercare') would doubtless have the biggest impact on the growth of larger scale employers in Wealden and wider East Sussex.

Such support for existing companies has in our view real value and certainly adds to the overall impact on investment growth and retention in Wealden and East Sussex as a whole.

WEALDEN STRATEGY TO ATTRACT LARGER EMPLOYERS

5.0 Wealden District Council Priority Markets

5.0.1 **Geographical markets.** Earlier in this report we highlighted the fact that by far the single largest source of inward investment is established UK companies (both UK and foreign-owned) expanding and creating new jobs on the same site or one nearby. Therefore, engaging with existing investors and supporting their growth and securing their presence into the longer term is a key task.

It can be argued therefore that, against a background of limited resources to market Wealden and wider East Sussex, the geographical market focus should be mainly local – that is, within the 30-mile radius from within which most of its inward investment already comes.

Foremost among the target areas to be considered is Brighton, since there is already good evidence that companies there can be persuaded to relocate eastwards into a less costly and congested location. And one that is still within convenient commuting distance for most of their existing staff.

Newhaven is already being considered as an eastern extension to the 'Brighton City Region' and this may soon extend further into Wealden. This would then deliver considerable benefit to the District from its proximity to a vibrant, high-growth business hub, and the creative industries and IT clusters it contains.

Further evidence that Brighton should be one of Wealden's highest priority sources of inward investment was in given by Lambert Smith Hampton in their UK Vitality Index published in January 2016. This assessed the strength of the economies of UK's largest towns and cities outside London and are best positioned to support growth and business opportunity. Brighton was placed second in the top 10 locations, which were:

- | | |
|--------------|-------------------|
| 1. Cambridge | 6. Bristol |
| 2. Brighton | 7. St Albans |
| 3. Oxford | 8. Manchester |
| 4. Reading | 9. Edinburgh |
| 5. Guildford | 10. Milton Keynes |

Wealden and the whole of East Sussex could find that by aligning themselves with such a magnet location in publicity material, in value propositions, and

engagement with the Brighton business network they could have access to wider source of inward investment.

To a lesser extent Hasting and Eastbourne – from where a number of firms have relocated to Wealden recently – may also increasingly become a significant source of inward investment into the District.

Looking further afield – to the fringes of the southern arc of the M25 and Outer London – many IPAs and local authorities are targeting companies that are looking to expand and relocate to a less costly and congested location. They engage the main commercial property agents and business intermediaries using online and hard-copy publications, sponsored articles and attend events. They also contact companies directly using a database that identifies companies whose business leases are coming up for renewal. But this activity is costly and even with a major increase in inward investment marketing resources, it is questionable whether the return on investment justifies separate marketing activity by Wealden alone.

However, a highly targeted, tactical campaign – along the lines being considered by Team East Sussex – aimed at companies operating close to the M25 and in Outer London does have merit. And joined-up LEP wide investment acquisition campaigns with a partnership of East Sussex, Kent and Essex does offer the prospect of highly-cost effective lead generation. The only caveat is that to be really successful such an initiative needs to be underpinned with a highly professional enquiry handling and proposition delivery process.

The probability of attracting foreign companies to Wealden and East Sussex that are locating in the UK for the first time and have no connections here is very low. While FDI is a great success story for the UK and locations across the country are working hard to win new investment, it is a fact that most first-time investors from overseas without an existing connection to the UK will wish to locate in close proximity to city regions and/or an industry cluster. They do this to maximise the probability of getting established quickly and reducing risk.

Nonetheless, according to UKTI, in 2015-14 two foreign-owned investment projects located in East Sussex – outside Wealden – both by firms with an existing connection to the county. This compares with total recorded successes into the South-East LEP of 39 in 2013/14, of which the UKTI and the LEP supported 34. There were 20 projects from existing investors, and 19 were new investments.

So while there will be niche opportunities for attracting foreign investment via UKTI – such as in support of the East Sussex advanced vacuum technology cluster – it is not a market that makes sense to tackle head-on (we comment further on this in the following paragraph).

- 5.0.2 **Sectors.** As to sector markets, with the exception of tourism, there is only one industry niche sector for which East Sussex – and by association, Wealden, can claim to be nationally competitive. This is an ultra-high vacuum technology cluster with a dozen or so companies in Hastings and St Leonards, with a few now moving to Uckfield and Hailsham. However, if the mini-cluster of photonics and optics companies that exist are included – along with firms in the ultra-

precision instrument field for scientific, technological and medical applications – then East Sussex does have a credible magnet cluster. This is not only advantageous for attracting inward investment in these fields but, as importantly, raising the county's profile with UKTI overseas teams, specialist media and relevant international trade associations as a national location of hi-tech excellence.

Currently, East Sussex is largely below UKTI's radar in the ultra-high vacuum technology sector because it does not have a sufficiently known value proposition that enables it to win a place on the shortlist of the top three or four UK locations that are presented by overseas teams to potential investors. The lack of a strong, compelling value proposition for East Sussex's vacuum technology clusters is, therefore, an obstacle that needs to be removed.

LES promotes the advanced manufacturing/engineering as a grouping on its website, although no specialist value proposition has been produced so far which competitively positions East Sussex and Wealden as a location for such a broad-based cluster.

Other small industry groupings that are also featured on the LES website are creative industries; ICT; education (language schools); and offshore wind. But, again, no specialist sector value propositions are presented for these.

While East Sussex and Wealden can fairly claim that it is geographically close to London – the most business intense region of the UK – the sector cluster intensity in the county is relatively low, even if all the advanced and precision technology companies are grouped together. So for Wealden it only makes practical, economic sense to work with ESCC and other county partners via LES in joint sector-specific promotion.

However, Wealden can realistically begin to focus more on non-sector specific business activities such as software design; contact centres; light industrial assembly; back-office business processes; data centres; research and testing; and online retail fulfilment. These are relevant to multiple sectors and thus widen the market opportunity to attract investment. This activity-led approach could be usefully featured in a revamped Wealden page of the LES website.

5.1 The Potential to Form Clusters

- 5.1.1 Sector clusters occur when a critical mass of firms from the same industry gather together in close proximity. They give companies better access to suppliers, a pool of talent, industry-related institutions, and market intelligence. They also have know-how and technology spillover benefits.

Over many years national and regional governments have put significant investment into trying to create clusters – and most of them have failed. In the UK the Cambridge 'Silicon Fen' life sciences cluster with more than 1,000 companies and the Glasgow life science 'Bio Corridor' with 230 companies are two of the best examples of where a cluster has been fostered, rather than credited, successfully in the UK.

- 5.1.2 So, for small locations such as Wealden, there is little prospect of creating a cluster from scratch, as would have to be the case. Even the ultra-high vacuum technology grouping of a dozen or so companies in East Sussex, which has taken decades to develop, is still a mini-cluster in national terms. However, inward investment locations do attempt to form mini-clusters (20-50 companies), often based around universities, incubator sites, or within special economic zones where special incentives are offered. Such mini-clusters also, of course, grow organically – without support – and are common in urban centres.
- 5.1.3 In Wealden's case, it is well-positioned to promote itself within the Brighton City Region where several mini-clusters exist, notably in IT and creative industries. This linkage and association with these is probably the best strategy at present for Wealden to adopt, not least because it has recently seen several mini-cluster companies relocate to the District from Brighton.

5.2 Separate Wealden Promotion

- 5.2.1 A key question is whether in marketing terms Wealden should attempt to distinguish itself more from the rest of East Sussex as an inward investment location. Could it successfully raise its profile and win more investment through strengthening its branding and running its own marketing campaigns, separate from LES?
- 5.2.2 To answer these questions we need to look at four basic practicalities:
- (i) whether Wealden's current, relatively weak inward investment proposition can be sufficiently improved to make it credibly attractive to markets beyond a 30-mile radius;
 - (ii) the ability of Wealden to position itself strongly and distinctively in the marketplace in relation to its competitors from such a current low base of awareness, without a very substantial budget;
 - (iii) WDC's possible wish to control investor enquiry handling itself and manage the pipeline management of investor prospects over time to guarantee proper marketing follow-through; and,
 - (iv) whether the questionable advantages of embarking on separate rebranding and marketing campaigns will be outweighed by the inevitable risk of a decrease (whether intended or not) in the exposure and support Wealden receives from the business network elsewhere in the county, and LES marketing of East Sussex as a single entity.
- 5.2.3 Any objective assessment of these practicalities will conclude that there are sufficient doubts to make rebranding and a separate marketing campaign a high risk strategy. But we believe that Wealden can achieve a higher profile and win more investment by other less risky and costly means. This means taking more control of Wealden's profile building and marketing, but at minimum cost and complementary to the existing LES support services.

5.2.4 These are some of the initiatives WDC may wish to consider within a carefully managed incremental performance improvement plan:

- (i) Get to first base with a Wealden generic best-practice proposition that focuses on delivering value to the investor. This will immediately distinguish it from the undifferentiated and feature-heavy offers that fail to have impact on potential investors, but that still tend to be the norm.
- (ii) Prepare a high-tech engineering and scientific instrument activity value proposition.
- (iii) Work with LES to target digital networks (e.g. LinkedIn), affinity sites and online media to reach specialist groups in the high-tech engineering and scientific instrument sectors.
- (iv) Review Wealden-specific business case studies and commission new ones focusing on priority inward investment sectors.
- (v) Introduce a Wealden business envoy scheme (avoiding any confusion with LES Ambassadors) whereby leading business figures act as spokespeople promoting the District.
- (vi) Liaise more closely with LES to ensure that a refreshed investor acquisition message and the current Wealden 'brand' are given at least proportionate exposure on the website, and in digital network, media publicity and event marketing.
- (vii) In liaison with LES, pilot a quarterly e-bulletin in collaboration with local intermediaries for distribution to commercial property specialists within a 50-mile radius of Wealden featuring employment space value and availability, and relocation case studies.
- (viii) Build direct relationships (in coordination with LES to avoid overlap) with the business intermediary networks in Brighton to present Wealden as a high-value location for companies seeking to expand into a less overheated environment within commuting distance for existing employees.
- (ix) Appoint (and train) a media spokesperson for inward investment issues, and make their availability to local and regional media known through operational notes in advance of events, and via LES.
- (x) Prepare a Wealden inward investment press kit comprising news releases, images, case studies, and interview opportunities.
- (xi) Seek to piggy-back on the publicity surrounding the opening and occupation of the three new commercial sites in Wealden with WDC/LES news releases and interview offers.
- (xii) Work with local partners (business and cultural) to source stream of stories that give the opportunity to raise the profile of Wealden for LES to feed into its digital network marketing channels.
- (xiii) Introduce a pilot investor development (aftercare) programme to engage systematically with the top 20 most important firms (based on employee numbers and sector) operating in Wealden.

- (xiv) Engage with the Wealden business community to build support for the introduction of a pilot 'soft landings' programme for inward investors to use as a major differentiating location factor.

Such an incremental performance improvement programme of small initiatives by inward investment locations result in a strong multiplier effect increasing competitiveness and exposure, but without major cost or risk.

5.3 Key Messaging and Selling to Large-Scale Employers

- 5.3.1 Getting messages into the consciousness of a business audience – particularly larger companies – is one of the toughest marketing challenges that inward investment promoters have to face. They are competing against a torrent of 'noise' for a few seconds attention, and hope that their offer gets heard.

One of the reasons why those messages never get through is that they fail to trigger the 'reward or risk' response that the business audience – particularly large-scale employers – has hardwired into its psyche. So messages that simply describe the inward investment features of a location – 'we have the best connectivity, skills, quality of life, business environment' ... etc. – which the majority of IPAs still use – have little impact.
- 5.3.2 Best practice – as we highlighted earlier in this report in relation to value propositions – dictates that inward investment messaging should focus broadly on fast, trouble-free set-up, rapid growth opportunity, good return on investment, and the mitigation of risk. These are among the factors that are important to investors and they need convincing that these benefits can be delivered which, together, represent 'value'. If investment promoters can achieve this, then they are already ahead of the game in communicating key messages to which businesses will respond.
- 5.3.3 For Wealden the task is to convert their current messaging (and location proposition) that is on the LES website and in marketing material from being feature focussed to evidence-based and value-add centred. The challenge is then to use differentiating benefits as a hook that attracts attention, and makes and keeps the District top-of-mind.