

A4. APPENDIX 4:

Briefing – Eastbourne Economy and Economic Development Priorities

Introduction

This briefing summarises findings from background research, interviews and analysis of baseline statistics (conducted by Icen Projects) to produce insights into the economic performance and the prospects of Eastbourne. It concludes with a SWOT analysis, suggests a number of potential strategic priorities for discussion and also provides some conclusions and recommendations on specific issues as required in the project brief.

This briefing results from available evidence, documents and consultation. The economic analysis and research undertaken was primarily relating to the employment land needs assessment aspects of the project. Of course, there may be gaps in evidence to provide all the insights needed to develop a full economic strategy – and we have highlighted where the main ones are.

There are also some gaps in terms of specific and detailed planning and delivery for certain economic priorities and needs. Where suitable suggestions have been made based on findings concerning the key challenges and opportunities facing discussion, and policy and practice in other localities.

Executive Summary

Characteristics and dynamics of the economy: Implications for the economic strategy

Eastbourne can be broadly characterised as a low growth, low value-added and low productivity economy. GVA per head, at £18,866 in 2016, is markedly below the South East of England average of £29,163. Between 2008 and 2016, the rate of economic growth (1.2% per annum) has been less than half the average for England (2.9%) and the South East (2.7%). Productivity is 28% below the England average and has declined over the past 12 years. This is reflected in earnings – where both workers' and residents' earnings are below the England and South East average.

There was zero growth in employment between 2010 and 2019, despite this being a period of a boom in jobs in the UK. Residents are less well qualified than the national average. Manufacturing jobs have declined over the past 20 years, and the creative and cultural sector is perceived as a strength in Eastbourne. Business ownership rates (number of businesses per head) is much lower than the England average.

Clearly there are challenges for Eastbourne and a risk that the town continues this trajectory. What this would mean for the town is a lack of well-paid jobs and new businesses to support local employment and revitalise the town centre. In 2021 the University of Brighton announced they would be leaving the town compounding difficulties.

Stakeholders report a dynamic and entrepreneurial culture in the town. There is merit in trying to attract residents with the means to start, or relocate businesses or activities in higher value services and creative industries. Many seaside towns and boroughs are investing significant time and energy in attracting service

professionals and entrepreneurs who want to move their area of residence – can Eastbourne compete effectively? Its town centre is perhaps its greatest asset. In autumn 2021 Eastbourne Borough Council received confirmation of a £19.8 million grant from the government's Levelling Up Fund supporting town centre and other investment which is a major opportunity.

Impacts of Covid-19 and Brexit: Implications for the economic strategy

Eastbourne's economy has been significantly affected by Covid-19 and its impact on visitor-economy related services such as Accommodation and food; and on its Retail sector. Eastbourne experienced higher rates of furlough during 2020 and unemployment is high compared to the national average.

As the visitor economy recovers, the tourism sector is facing a labour shortage. Business continuity and resurgence in sectors such as hospitality and tourism are vital, as they are a significant sector and employer for the local area. This should be a continued focus. It is unlikely that labour shortages due to EU exit are going to be resolved. Businesses need to be assisted to adapt, through new HR practices, automation and capital investment, and new business models including the use of digitalisation and apps.

Exporting to Europe has been seriously constrained due to red tape and regulatory issues according to some stakeholders. Many small businesses have now ceased servicing EU markets.

During the pandemic there was a resurgence in industrial property demand. A survey of industrial property market operators at the start of the pandemic, counter-intuitively said there has been good industrial space take up.

There is much perception that there are significant changes occurring in markets, sectors, the economy and location choice. Continuing and emphasis on the attractiveness and vibrancy of Eastbourne as a favoured location for residents (including service professionals and entrepreneurs), visitors and creative and cultural industries. The locational factors appeal to quite a few targets – would seem a sensible strategy.

Enterprise and inward investment: Implications for the economic strategy

Rates of business ownership are much lower than the national average. Understanding where covid debts may be a problem, and putting in place support and advice would seem to be appropriate. A small number of digital tech companies have moved from London to Eastbourne as it is more affordable than Brighton. Coworking spaces have been relatively successful, such as The Works and Cohub. Again, a focus for developing and marketing the attractiveness of Eastbourne to small technology businesses would seem to be a valid element of any future strategy.

Skills and employment: Implications for the economic strategy

Eastbourne has a lower-qualified workforce compared to the national and South East average, the skills system was under strain before Covid and Brexit – and the environment has become even more challenging. There will be a need to provide flexible support for those made unemployed during the pandemic, who, with the right support, could access and sustain jobs where there are labour shortages. Digital skills are becoming more important, and there will be a need to address this.

Unemployment was recognised as a growing problem. Better connecting local residents to local jobs was considered to be a priority. There will be a need to keep informed about the changing labour market, skills demands, and some agility in being able to respond.

Town Centres: Implications for the economic strategy

Town Centres across the UK are struggling to understand their futures, and to put in place plans in the face of uncertainty. Eastbourne has been hit by retail closures, and it is likely that retail floorspace will continue to contract. Seasonal tourism has also been hit hard by Covid-19.

The fundamentals of quality of place will continue to attract residents, businesses, and expenditure in town centres. Leaders, organisations, and town centres will have to remain agile in terms of responding to the new economic environment as it becomes clearer what kinds of activities and demands are relevant to the town centre. A toolkit of approaches, initiatives and support – that can be flexed as needed – would seem a sensible approach.

It seems that the Eastbourne Town Centre Action Plan is from 2012 – and it is probably a good idea to update and renew this, in the light of new challenges and potential changes to locational choice and Town Centre activities and uses. The Town Centre is a significant asset, and needs to be thought of in terms of quality of life, amenities, community, local business vibrancy. Such a place-based approach needs joined up approaches.

In autumn 2021 Eastbourne Borough Council received confirmation of a successful £19.8 million bid to the government's Levelling Up Fund. The funding will support town centre regeneration and revitalise the visitor economy with:

- £7.6 million to support the town centre Victoria Place into a pedestrianised area, including new green energy infrastructure, with awnings, lighting and heating; with cafés and restaurants serving year round, also developing the night-time economy.
- £11.2 million to create a culture and education centre at Black Robin Farm, a former dairy farm set on the Downs above the town, connecting with the town centre and seafront and providing a new destination for visitors, space for new businesses and work placements for young people.
- £1.0 million investment in the Towner's Centenary project, creating a number of legacy public artworks across the town that will provide an arts trail connecting the seafront, town centre and South Downs National Park (SDNP), as well as enhancing gallery facilities.

Property Market: Implications for the economic strategy

There has been a period of high demand for industrial and logistics space and market indicators are that this is likely to continue in the medium term.

Building flexibility into use classifications might assist speculative development of employment premises. It would seem sensible, given economic uncertainties, to enable mixed use employment premises, within the bounds of environmental and traffic rules and regulations of course.

Self-build by businesses is probably a minority proposition. Most business occupiers are looking for ready built, suitable accommodation to move into within 12 months. Not all businesses are eligible for the lending required to buy land and plan and build premises.

Infrastructure: Implications for the economic strategy

The area is disadvantaged with poor road, rail, and utility connectivity and capacity. This could continue to constrain growth, development and attractiveness as a business and residential location. Improved broadband and 5G connectivity could help to offset some of these disadvantages, to a limited degree.

Low carbon

There is very little consideration of sustainability and low carbon in infrastructure plans currently. There was very little discussion, and very little in terms of policy documents and plans for dealing with climate change. Climate change legislation, targets, and the changes needed are unavoidable and there is a need to have a planned transition.

Priorities for developing an economic strategy

An overview of the main challenges and opportunities suggest that the following priorities would be useful to consider when developing an economic strategy for Eastbourne:

- Low carbon and sustainability
- Quality of place
- Place promotion and events
- Business support and advice - supply chains, continuity, HR, skills
- Digital business and technology investment
- Youth and adult training and job entry
- Construction innovation and sustainability
- Flexible toolkit and funds for Town Centre Futures
- Data connectivity
- Provision of quality industrial and commercial property

Main conclusions on specific issues outlined in the study brief

SWOT ANALYSIS

The SWOT analysis revealed a large range of detailed issues to consider. Key strengths included quality of place, track record in town centre investments and improvements, attractive coastal location and amenity, active consideration of town centre use and densification, and a strong creative and cultural offer and activities.

Some of the main weaknesses included the supply chain and labour supply disruptions caused by Brexit, which are being faced by main local economies. Locally, some weaknesses could be interpreted as a contracting jobs base, further hit by covid related job loss, lower qualifications and skills attainments, manufacturing decline, low rates of entrepreneurship and poor digital readiness of businesses and residents.

Quality of place presents a continued opportunity for Eastbourne, particularly with active plans and measures to regenerate and improve the borough. There may be opportunities from industrial restructuring due to Covid and Brexit, which may present opportunities as well as risks for the local economy. With labour supply problems, businesses will be forced to use and adapt technology to compensate – which may bring further opportunities.

Threats mostly relate to the uncertainties of economic restructuring and recovery being faced by all localities in the UK and internationally. Industries at risk of slow recovery include tourism and hospitality. The lack of employment land supply and available premises may threaten future growth, as may a slow uptake of digital technologies and skills amongst businesses and residents respectively.

UNIQUE ATTRIBUTES

In sum, the unique attributes of Eastbourne can be listed as:

- Attractive residential and amenity location
- Attractive location for entrepreneurs, self-employed and small businesses who value attractive coastal location
- Strong visitor and cultural offer, local and nearby heritage and visitor assets and attractions
- Emerging creative industries businesses and activities

- Businesses investment interest (including through grant schemes) and recruit, such as food manufacturers entering plant-based food market.

ATTRACTING INWARD INVESTMENT

The consultation revealed some concern that there were successful, innovating companies adapting to new market conditions, but that these were hidden. It is easier to attract businesses and sectors if there is already an existing base that is successful and vibrant. Perhaps there is a need to celebrate local firms more, and develop better relationships and support for them?

In terms of advice on inward investment to Eastbourne – this would be to focus on selling the main strengths of the locality to potential investors, and offering a USP that is perhaps not as available elsewhere on at adjacent localities. Perhaps FDI is not a major opportunity, but investment and relocation from elsewhere in the UK, and continued attraction of small digital, ICT and creative businesses that prefer a more affordable or quiet location compared to Brighton.

- There is much perception that there are significant changes occurring in markets, sectors, the economy and location choice.
- Continuing and emphasis on the attractiveness and vibrancy of Eastbourne as a favoured location for residents (including service professionals and entrepreneurs), visitors and creative and cultural industries.
- Developing and marketing on the basis of the same locational factors that appeal to target investors, businesses and individuals– would seem a sensible strategy – including developing a greater understanding of innovative businesses that are perhaps less well known in the town
- A small number of digital tech companies have moved from London to Eastbourne as it is more affordable than Brighton. It is useful to understand they locational choice, and how they can be used as case studies and collateral for marketing and awareness.
- Coworking spaces have been relatively successful, such as The Works and Cohub. These can provide a focus and incentive for developing and marketing the attractiveness of Eastbourne to small technology businesses.

SKILLS TO SUPPORT EMPLOYMENT AND BUSINESSES

Eastbourne has a lower-qualified workforce compared to the national and South East average, and the skills system was under strain before Covid and Brexit. The environment has become even more challenging. There will be a need to provide flexible support for those made unemployed during the pandemic, who, with the right support, could access and sustain jobs where there are labour shortages. Digital skills are becoming more important, and there will be a need to address this.

Unemployment was recognised as a growing problem. Better connecting local residents to local jobs was considered to be a priority – in particular the risk that new business investment and jobs might by-pass existing residents.

There will be a need to keep informed about the changing labour market, skills demands, and some agility in being able to respond. For Eastbourne residents with lower skills – in-work skills development and learning may be a viable option, or perhaps digital or online facilitated learning would be more affordable and flexible.

MEASURES THAT MAY BE NEEDED TO SUPPORT THE LOCAL ECONOMY TO ENSURE A POST COVID-19 ECONOMIC RECOVERY TO ATTRACT INWARD INVESTMENT AND GROWTH IN THE FUTURE

The following measures that may be needed, include:

Enterprise and investment

- Reshoring, retention and redundancy response
- Financial readiness and advice
- Business resilience, supply chain, project and investment management
- Keeping in touch with market trends, changes and opportunities

Skills

- Agility in skills provision, and in the ability of workers to transition to other employers and occupations is key.

Place

- Attractive and retaining businesses, skills and investment
- The area is disadvantaged in terms of infrastructure, with poor road and rail connectivity and capacity. Improved digital infrastructure may partially address this
- Demand for employment space remains high, there is limited capacity for growth
- Flexible tools and funds for town centre regeneration

Low Carbon

- Climate change, and delivering zero carbon is inevitable, and strategies and actions need to start as soon as possible to help businesses prepare

Knowledge gaps to address to develop an economic strategy for Eastbourne

The evidence and discussions covered during this project has been mainly focused on employment land and premises, and demand conditions for these. To take a strategy forward, there would need to be more research and discussion in the following areas of interest:

- Explaining economic performance: More in-depth analysis and consultations are needed to understand the nature of Eastbourne's economy and its performance and why this has decline so much over the past 12 years, and some of the key barriers and enablers.
- Ambitions, aims and roles: concerning the ambitions for Eastbourne's economy and the role of the District Council.
- Aspirations towards economic growth, population growth, fairness, inclusion, equity and equality, environmental conservation, sustainability and low carbon, and involvement of the private sector.
- Enterprise: need to know more about the business population, and the dynamics of business formation.
- Industrial development and change: understanding what activities and dynamics are causing the high levels of demand for industrial premises and land.
- Demography, workforce and commuting: ageing population, youth cohort, commuting patterns.
- Skills and education: attainment patterns, job skills.
- Low carbon and sustainable transitions are simply unavoidable over the next 10-30 years, and it would be good to understand current plans, priorities, aspirations, opportunities and risks.
- Business perceptions: about Eastbourne as a business location, or locational factors in decision-making about business activities and investment.

- Current priorities and delivery for services and projects related to the economy.
- Eastbourne's function and relation to surrounding districts. How does Eastbourne serve a wider area than its local authority boundaries, what is the potential in terms of providing specialist assets, services, or support to the wider region? How far is Eastbourne dependent on surrounding districts to support jobs for Eastbourne residents, or to help local businesses expand and relocate?
- Some understanding of what other competing locations are doing and how they have reacted and changed priorities in response to Covid-19 and Brexit – e.g. Hastings, Brighton, Worthing, Bognor Regis, Poole, Weymouth, Lyme Regis.
- Horizon scanning - understanding the national government policy agenda and how this may benefit Eastbourne, or how may overlook some of Eastbourne's challenges is critical to understanding and prioritising action and investment.

1. Economic performance

UK economic performance, prospects and long-term challenges

The impact of the Covid-19 pandemic

As we come out of the third national lockdown for England, the immediate and long-term impacts of Covid-19 are significant, and could be far reaching for certain industries and communities. Patterns of investment, employment and how and where people work may change in the future. The main highlights, in terms of the UK economy, are as follows:

Significant fall in GDP: The national impacts are revealing: GDP in November 2020 fell to 8.5% below the levels seen in February 2020 and claimant unemployment has increased to 2.6 million. Furloughs peaked at 8.9 million employments in May – representing one-quarter of all workforce jobs.

Claimant unemployment peaked at 2.678 million (6.4% of the working-age population) in February 2021, increasing from 1.256 million (3.0%) in February 2020. Claimant unemployment now stands at 2.268 million (5.4%) in July 2021.

Youth unemployment is of particular concern, especially for school leavers transitioning to entry-level jobs and apprenticeships, where the number of openings has fallen.

Furloughs peaked at 8.9 million employments in May 2020 – representing one-quarter of all workforce jobs. Furlough and relief schemes have prevented much higher rates of job loss and unemployment.

Covid-19 has amplified existing inequalities in communities, and the impacts have been uneven both spatially and according to income group, age, ethnicity and gender.

In particular, retail, hospitality, and the visitor economy industries – have been severely affected. Office-based activities that provide jobs and footfall for urban areas have also been curtailed, with many people working from home.

Spatial unevenness of Covid-19 impacts. Covid-19 has impacted large city centres more than smaller town centres, as the former have had significant temporary closure of retail, leisure and office/employment premises. Whereas smaller towns have mostly enjoyed buoyant spending and footfall as residents were forced to shop and consume locally during the pandemic.

Covid-19 has had a large impact on UK businesses. The October 2020 Bank of England DMP (Decision Maker Panel) survey estimated that sales were still 17% lower than they otherwise would have been in 2020 Q3, while employment was 8% lower and investment 24% lower.

Businesses face a future debt challenges. As of June 2021, businesses owed local councils almost £2.5bn in unpaid business rates. Insolvency practitioners Begbies Traynor also provided analysis that shows a record 527,000 businesses are in significant financial distress. In “Supporting Economic Recovery – Recapitalising Businesses post Covid-19”, a detailed report on this issue, banking lobby group TheCityUK suggest that, by the end of March 2021, £35bn of unsustainable debt will be owed by UK businesses from government loan schemes; and £100bn of total unsustainable debt will be owed by UK businesses.

Covid has accelerated many trends and changes that were already occurring pre-pandemic. The restructuring of retail, transforming town and city centre roles, remote working and virtual meetings, the increasing digitalisation of business, markets, commerce and society – have all taken a big leap in the past 18 months.

Economic outlook for the UK

UK job losses between 2019 to 2021 could number one or two million. Forecasts produced by Cambridge Econometrics (that have taken into account the impacts of Covid-19 to date and are configured on the basis of the trade deal proposed in the 2019 General Election) suggest that there will be a loss of one million jobs in the UK between 2019 and 2021. In contrast, the Office for Budget Responsibility (OBR) has forecast a loss of two million jobs. The true impact of Covid-19 will not be known until the vaccination programme nears completion, and relief programmes such as the Coronavirus Job Retention Scheme (CJRS) have ended. The sectors most at risk of jobs loss have tended to disproportionately affect lower-paid residents, younger people, women and workers from Black, Asian and minority ethnic (BAME) groups.

If this recession is like the previous ones, recovery will take between five and 10 years. When we compare the current crisis to previous recessions, during the 1980s recession (March 1980 until March 1983) there was a loss of 2 million jobs (7.3 per cent), compared to a loss of 2 million jobs (6.7 per cent) in the 1990s recession, and a loss of 880,000 (2.7 per cent) in the 2009 recession. In past recessions, unemployment has tended to take up to four years from the onset of recession to reach its peak. It took six years to recover lost employment from the 1980s recession; and nine years to recover employment lost in the 1990s recession. Even though the 2009 recession had a relatively smaller impact on jobs, it still took five years to recover the lost jobs.

Cambridge Econometrics forecasts shows that the distribution of impacts will be sectorally uneven, with five sectors accounting for almost two-thirds of the loss in GVA. This includes accommodation and food; manufacturing; education; transport and storage; and construction. Knowledge intensive business services (KIBS) are expected to see a smaller proportionate drop, while GVA in some essential sectors (health and social work) are projected to increase.

The impact of Brexit

The Brexit deal agreed in December 2020 has several implications in terms of trade, customs and supply chains. The main features of the deal are summarised below.

Trade in Goods. The agreement ensures that most goods traded between the EU and U.K. will not face new tariffs or quotas. However, British exporters will face an array of regulatory hurdles that will make it more costly and burdensome to do business in Europe, including rules of origin certification. Cars will face special restrictions. Gasoline or diesel vehicles will need to be made with at least 55% local content to escape tariffs. Electric and hybrid vehicles will be allowed to contain 60% overseas content - but that will fall to 55% by 2026. Batteries will be allowed to contain 70% international content, but that will drop over the same period of time to 50%. The absence of a mutual recognition agreement means U.K. regulatory bodies will not be able to certify products for sale in the EU, a potentially big barrier to trade.

Financial Services. The deal offers little clarity for financial firms. There is no decision on so-called equivalence, which would allow firms to sell their services into the single market from the City of London.

The agreement only features standard provisions on financial services, meaning it does not include commitments on market access. No further progress has been made on this since December 2020.

Level Playing Field. Both the EU and UK committed to upholding their environmental, social, labour and tax transparency standards to make sure they do not undercut each other.

Customs. The UK has left the Customs Union. The accord largely commits the EU and Britain to follow international practices aimed at minimising customs costs for businesses. However, in practice, over the last three months this has proved to be particularly burdensome for businesses in several respects – the new processes and paperwork require to clear customs and delays associated with this; the end of groupage clearance (every item must be certificated); the imposition of additional transport and processing fees; and the requirement for EU purchasers to pay UK VAT in advance directly to HMRC.

Aviation. The EU has stopped short of granting automatic recognition to British aerospace designs and products. Such recognition will be confined to minor changes until the EU “gains confidence in the U.K.’s capability for overseeing design certification.”

Haulage. Both sides commit to “good and efficient management of visa and border arrangements for road hauliers, in particular across the U.K.-Union border” and to “appropriately facilitate the entry and stay of” truckers.

Data Flows. The deal includes a temporary solution to keep data flowing between the EU and U.K. until the bloc has adopted a data adequacy decision.

Energy. The U.K. will not have access to the EU’s internal energy market. This was expected but there will be new arrangements in place by April 2022 to make sure that trading is smooth and efficient on interconnectors - huge power cables that run between the U.K. and Europe.

Professional Services. The deal means that there will no longer be automatic mutual recognition of professional qualifications. Doctors, nurses, dentists, pharmacists, vets, engineers or architects must have their qualifications recognised in each member state they wish to practice in, according to the deal. However, the deal does create a framework for the recognition of qualifications in future.

Business Travel. The U.K. and EU agreed that short-term business visitors will not need to hold work permits or undergo economic needs tests.

Agriculture. Trade of farm goods will benefit from the zero-tariff, zero-quota terms between the two sides. U.K. agri-food consignments will need to have health certificates and undergo sanitary and phyto-sanitary controls at member states’ border inspection posts. Food and agri-products entering Northern Ireland from Great Britain will be subject to checks and phyto-sanitary controls.

The OBR has predicted that the economy will suffer a 4% drop in output over the long-term from Brexit, even if the UK and EU sign a free trade deal. As well as the need for recovery policies and programmes to build back the economy and jobs lost, there will be pressures on the public finances due to reduced tax revenues and increased expenditure as a result of the pandemic.

Achieving climate change goals

The ‘Green Recovery’ is a popular term for a potential package of environmental, regulatory and fiscal reforms to be used in the recovery from the economic shock of the pandemic, and has been gaining increased international momentum; for instance, the United States ‘Plan for Climate Change and Environmental Justice’, the European Commission’s ‘European Green Deal’, and the UK’s ‘Ten Point Plan for a Green Industrial Revolution’ have recently been published or progressed to a reasonably advanced stage.

Macroeconomic analysis by Cambridge Econometrics has found a 'Green Recovery' stimulus package could not only help the economy recover but also set the UK on a low-carbon trajectory more aligned with ambitions to become a net-zero economy by 2050¹. The implementation of 'Green Recovery' investments could boost income, employment and GDP in the UK more than 'return-to-normal' stimulus measures (e.g. a VAT cut), with the added benefit of reducing emissions along a 2050 net-zero trajectory. The investments used in the analysis include public investment in energy efficiency; subsidies for wind and solar power; public investment in upgrading electricity grids; car scrappage schemes; and tree planting programmes.

¹ Cambridge Econometrics (2020) Impacts of the UK Ten Point Plan, <https://www.corporateleadersgroup.com/system/files/documents/impacts-of-the-ten-point-plan.pdf>

Covid-19 and Brexit combine to bring supply chain disruptions and shortages

It is now clear that Covid-19 and Brexit (and the debate rages on about the relative contribution to each) have led to some serious supply chain disruptions and shortages in the UK economy. The Confederation of Business Industry's (CBI's) own research has concluded that stock levels in relation to expected sales fell to their lowest level in October (2021) since it began tracking retail industry trends almost four decades ago. The CBI blamed global supply chain disruption triggered by the pandemic and worker shortages in several key industrial sectors, compounded by Brexit disruption as the UK emerges from lockdown. Supply chain issues are now affecting food retail, food processing, construction and manufacturing industries. In addition, recruitment difficulties have been reported for hospitality, construction and manufacturing industries, particular in relation to the lack of EU workers to make up for shortfalls in the UK workforce's availability and skills.

Implications for local economies

The current economic outlook for the UK brings a number of significant challenges.

Risk, uncertainty and labour and material shortages will be important factors in business investment and location decisions going forward.

Additional costs for businesses: almost certainly, the operating environment will become more challenging due to business indebtedness, the changes to overseas market access and exporting and custom rules, and the need to adjust salaries to retain and attract labour.

Additional tax burden on workers and businesses, as tax rates rise to cover the additional costs the Covid crisis has brought to the NHS, the Adult Care System, and UK government.

Real estate market uncertainties. There is general uncertainty about the level of activity amongst office workers, consumers, and tourists/visitors, and what the post-covid-19 future looks like. There have been a number of retail closures during the pandemic, and many retailers have attempted to renegotiate rents and lease terms. This has resulted in significant uncertainty in specific retail markets, although prime location, property investments and builds seem to have continued during the pandemic.

Supply chain and labour uncertainties: securing access to supply chain and labour needs will be major factors for investment and locational decisions in the next few years. For some firms, remote and agile working will be a useful option to address the labour attraction and retention challenges, and for others this will be less suitable.

Industry and market restructuring. There has been a number of major changes brought about by Covid-19, Brexit, and major trends including technology and market structures – and there will be further changes ahead. This can be a challenge for local economies, in terms of understanding what businesses and markets want from the local area, and what local policy makers need to prioritise.

Agricultural land use is also subject to uncertainty with the transition to new agricultural support policies, export and customs controls on agricultural produce and livestock, and labour shortages.

Business continuity may be affected; business acquisition or market entry may be enabled. For an existing business that has experienced significant Covid-19 impacts, and is indebted, perhaps unsustainably – further market events or disadvantages, such as a rise in costs, or decline in a market segment – may be fatal, or may weaken the business's financial position and make it vulnerable to acquisition. New businesses entering a market, or existing businesses diversifying into a new market – may find this more advantageous if they do not face the challenges, particularly indebtedness, or existing incumbents. In particular, existing UK and overseas businesses or investors with favourable finances may seek to increase their market share

through strategic acquisitions. This may bring investment and jobs, and it may also bring relocations and closures.

The carbon challenge presents some critical changes to markets, businesses and consumers. How we produce goods and services, transport them and consume them will have to change significantly – whether this is through renewable energy, circular economies, electric vehicles, or recycling. In 30 years, markets and businesses will not be operating on the same basis as today and there is a need to start planning and implementing this change now.

Real estate investors are likely to pile into prime markets, with high demand and more secure rental incomes; but shy away from more risky investments – although institutional finance may be more difficult and expensive to secure. Where industrial or office properties are in high demand, and command sufficient rental values, we are likely to see continued investment and growth. Similarly, for successful residential rental and sales, permitted development conversions are likely to continue. Conversely, property markets that are in decline, or are uncertain are unlikely to see much investor interest, unless valuations are corrected for the new market environment, and new uses can be found for premises and land. Another uncertainty is the availability of investment finance, the costs, and returns that must be made. Data on property market investments from real estate databases such as CoStar suggest that overseas institutional investment into UK office and industrial property had virtually halted in 2019, and was being replaced by local authority investment.

Re-thinking location factors, strengths and weaknesses in the current and changing market and economic environment is going to be critical.

2. Eastbourne's economy

This section summarises findings from economic data (provided by Cambridge Econometrics and Icen Projects) and consultations. It also provides some commentary, interpretation and identifies issues that need to be considered by a future economic strategy.

CHARACTERISTICS AND DYNAMICS OF THE ECONOMY

Evidence and insights from the consultation

Low growth, low value added, low productivity economy. GVA per head in Eastbourne (£18,866 in 2016) is markedly lower than the South East average (£29,163) and England average (£27,740). Whilst GVA growth between 1998 and 2008 kept pace with national average, between 2008 and 2016 it was much lower, at 1.2% annually (England = 2.9%; SE = -2.7%). East Sussex GVA per hour worked – at £25.60 – is much lower than England (£35.60) and SE (£38.20). East Sussex GVA per filled job – at £40,170 – is much lower than England (£57,266) and SE (£59,806). Productivity has declined – with GVA per hour worked declining by 4.9% from 2004 to 2016 – compared to increases in England (9.8%) and SE (10.5%).

Weaker earnings of both residents and workplace (workers whose jobs are located in the borough) pay – with residents' weekly median full-time earnings of £535.90 (England = £592.10; SE = £636.30); and workplace weekly median full-time earnings of £527.90 (England = £592.20; SE = £614.00).

Contracting jobs. There was no growth in employment 2010-2019, despite there being a significant jobs boom in the UK as a whole.

Lower-qualified workforce: 32.5% residents (working age, etc?) NVQ4+ qualified, below national average (43.1%). 9.2% of working-age residents had no qualifications – far exceeding the England (6.4%) and SE (4.9%) averages.

Economic participation near the national average. The economic activity rate (the share of working-age residents in work or actively seeking work) was lower than national average in 2019, but at national average in 2020. The employment rate (the share of working-age residents in employment) was slightly below national average in 2019 and 2020. Consultation respondents cited serious pockets of deprivation in Eastbourne.

The share of population of working age is lower than average and has grown at a much slower rate compared to nationally. Eastbourne had a working-age population of 92,400 in 2020, representing 56.8% of the total population – lower than the rate in England (62.3%), And the South East (61.1%). Eastbourne's working-age population has grown by 0.5% since 2010 (England 3.3%, SE 2.6%).

Manufacturing has experienced significant employment decline since 2001, although remains a significant employer, with diverse firms including furniture and kitchen manufacturing, pumps manufacture, and exhibition stands and support.

The creative and cultural sector was viewed as a strength in Eastbourne.

The business base is smaller (on a per capita basis) and has not grown by as much as the national average. There are around 7,000 private businesses in Eastbourne. The borough has a low business density – with 54 businesses per 10,000 working-age residents, lower than the national average (England = 68). There is a lower presence of microbusinesses compared to nationally. The business stock has grown by 21% over ten years – a lower rate of growth than England (33%) and South East England (27%). One-year business survival rates are lower than the national average.

Characteristics and dynamics of the economy: Implications for the economic strategy

Clearly, the trend prior to Covid and Brexit was one of decline, and loss of the means to achieving a more productive, wealth-generating economy.

There are significant risks ahead for Eastbourne, in terms of:

- Through losing its attractiveness, or ability to support higher value-added sectors and economic activities
- The local economy is likely to continue to transition to lower value roles, or be mainly concerned with its role as a residential location and venue for day-trips and domestic tourism
- Once the premises, businesses, venues, physical and human capital are lost for higher value added services, manufacturing, and creative sectors – they are very difficult to regain, particularly if premises and land are in short supply
- There may be some rewards in trying to attract residents with the means to start, or relocate businesses or activities in higher value services and creative industries – but there probably needs to be some kind of critical mass, 'buzz' and local skills and service base to support that – in order to be attractive
- Many seaside towns and boroughs are investing significant time and energy in attracting service professionals and entrepreneurs who want to move their area of residence – can Eastbourne compete effectively?

Impacts of Covid-19 and Brexit

Sector specialisations with both negative and positive consequences from the Covid-19 pandemic – the also largest sectors in employment terms being:

- **Positive** – in terms of likely to see increase in jobs and investment:
 - Human health and social work
- **Negative** – severely impacted by the pandemic
 - Accommodation and food services
 - Wholesale and retail

Eastbourne has experienced slightly higher rates of furloughing – with peak furlough in May 2020 of 34% of employed residents (SE 30%, England 32%)/

Unemployment is comparatively high – The claimant rate was 6.5% in July 2021 (compared to 3.7% in February 2020) (UK=5.5% in July 2021). There were 3,900 claimant unemployed in Eastbourne in July 2021 – 74% higher than the total in February 2020.

The tourism and hospitality sector is now facing a labour shortage. Reflecting the national shortage, and the exit of 1.3 million EU workers from the UK, stakeholders were citing this a major issue affecting employers in Eastbourne. The Conference business was part of the visitor strategy for Eastbourne, but has obviously been impact by the pandemic, with uncertainty about the extent and nature of its recovery. hospitality. There was a general perception that past strategies and approaches for the visitor economy were well developed and delivered – e.g. quite a few stakeholders perceived Sussex Modern as a success which is encouraging high end tourism.

The English Language teaching business and residential market has been seriously affected by Covid-19, as this was mainly young people from Europe. There was some indication from stakeholders that they thought this sector was not viable in future.

Construction materials and labour shortages have been a major concern in recent months. Many stakeholders reported that Local builders couldn't get the materials they needed, particularly imported materials and components such as timber, concrete, and glass. Prices rises have been a feature.

Exporting to Europe has been seriously constrained due to red tape and regulatory issues according to some stakeholders. Many small businesses have now ceased servicing EU markets.

During the pandemic there was a resurgence in industrial property demand. A survey of industrial property market operators at the start of the pandemic, counter-intuitively said there has been good industrial space take up.

There was a perception, from consultations that there were some significant dynamic changes occurring in markets, sectors and the economy – and that considering these was critical to any future economic strategy. Travel has changed and the way people work has changed. The way consumers shop has changed, and there has been a collapse in footfall at retail parks – and Eastbourne has a large retail park sector. The visitor economy has changed, and we do not know if the increasing trend towards domestic UK vacations is a temporary blip due to Covid restrictions, or is going to be a source of long-term growth. Consumer and commuting patterns have changed, along with the move to zero carbon. This puts a number of major investments and plans into question – for example, are the existing road schemes the correct solution? Is broadband and 5G connectivity of more concern now?

Impacts of Covid-19 and Brexit: Implications for the economic strategy

- Business continuity and resurgence in sectors such as hospitality and tourism are vital, as they are a significant sector and employer for the local area. This should be a continued focus.
- The labour shortages due to EU exit are not going to be resolved. Businesses need to be assisted to adapt, through new HR practices, automation and capital investment, and new business models including the use of digitalisation and apps.
- Continuing and emphasis on the attractiveness and vibrancy of Eastbourne as a favoured location for residents (including service professionals and entrepreneurs), visitors and creative and cultural industries. The locational factors appeal to quite a few targets – would seem a sensible strategy.

ENTERPRISE AND INWARD INVESTMENT

There was a perception that covid loan repayments may be significant problem in future. There has not been much in terms of businesses collapses and closures caused by the pandemic. Businesses survived with debt and the next 6-9 months will be crucial to their continued survival.

Most effort in East Sussex goes into business retention rather than inward investment. The lack of suitable premises has seen a number of large firms leave the county.

Have seen a small number of digital tech companies moving from London to Eastbourne as it is more affordable than Brighton. Coworking spaces have been relatively successful, such as The Works and Cohub.

The majority of businesses are micro businesses. These have been very resilient and flexible during lockdown.

Telephone outreach has uncovered lots of businesses looking to invest (including through grant schemes) – many of which are running at maximum capacity. Businesses are now looking to recruit. E.g. Food manufacturers entering plant-based food market. There are some strengths of entrepreneurship and innovation that are perhaps not recognised. May be a lack of understanding of the support for innovation which is out there.

Enterprise and inward investment: Implications for the economic strategy

- Indebtedness is a major challenge for SMEs nationally. However, useful to understand the scale, nature and extent of the problem locally, and what scope there is for support.
- The consultation revealed some concern that there were successful, innovating companies adapting to new market conditions, but that these were hidden. Perhaps we need to celebrate these more, and develop better relationships and support for these firms?
- There is some anecdotal reporting of Digital tech firms and entrepreneurs moving into Eastbourne. Need to understand why they choose Eastbourne as a location, what kinds of activities they are undertaking, and what their needs are in the future.

SKILLS

Lower-qualified workforce: 32.5% residents (working age, etc?) NVQ4+ qualified, below national average (43.1%). 9.2% of working-age residents had no qualifications – far exceeding the England (6.4%) and SE (4.9%) averages.

Occupational profile similar to national average: 50.5% of residents were in the most skilled occupations, similar to the national average of 50.2%.

There is a large concentration of lower skill sectors including hospitality, retail and social care. Many stakeholders consulted were aware of the low rates of qualifications attainment, and higher prevalence of residents with no qualifications. There is a

There is a lack of labour supply for hospitality and tourism and other sectors due to Brexit. Businesses are having problems replacing EU staff who have left. This is an issue for all skill levels of jobs.

For a skills driven recovery, stakeholders thought that more intervention was needed in digital skills, especially in retail, hospitality and leisure sectors. Need to allow normal people to generate sales online. Need to support start-ups with digital business.

There were some views that the institutions for skills were weak. There was one stakeholder who commented that the Business Education Partnership has collapsed and that young people don't understand the world of work and business.

Skills: Implications for the economic strategy

- The skills system was under strain before Covid and Brexit – and the environment has become even more challenging.
- There will be a need to provide flexible support for those made unemployed during the pandemic, who, with the right support, could access and sustain jobs where there are labour shortages.
- There is scope to support businesses and employers with HR advice and systems to better understand and manage their skills and recruitment needs.

LABOUR MARKET – PARTICIPATION

Risk of build-up of unemployment problems. There were perceptions from stakeholders interviewed that youth unemployment was high, and a problem; and that unemployed residents were not engaged in training or activities to access new employment opportunities. There is also uncertainty regarding staff retention after the Covid furlough schemes end, with some fear that 1 in 5 staff may be made redundant.

Aspiration to better link local people to local jobs. There has been some aspirations expressed by Council members and other stakeholders, that more could be done to better link local people to local jobs, and to ensure that future growth and development does not by-pass local residents.

Labour market participation: Implications for the economic strategy

- Currently – there is a risk of an increase in unemployment from redundancies, and due to the lack of activity or support to get people back into work.
- Once furlough ends, and the economy begins further recovery in Autumn there is perhaps a need to rapidly assess needs to improve labour market participation and reduce the risk of long-term unemployment.
- The risk of redundancies would also point to the need for an effective redundancy response service.

HOUSING

There were limited observations made concerning housing. Like most other localities in the UK, there had been a significant jump in house prices during the pandemic and after lockdown ended.

Permitted Development Rights have enabled the expansion of housing in former commercial or retail buildings. Some developments are of low quality - which affects quality of place and image. In the long-term, the encroachment of residential uses into areas formerly dedicated to employment use can squeeze out remaining employers as there are sometimes complaints about nuisance and noise that are connected with running a business, and limited scope for businesses to extend or improve their premises.

There were some concerns over the commuting activities of new residents who move into new houses. If the local jobs base does not expand or cater to new residents – will this increase commuting, traffic congestion and emissions?

TOWN CENTRES

Town centres are being hit by multiple challenges – changes to retail demand and provision; changing residential perceptions; use or decline during the Covid pandemic; and permitted development rights.

Premises formerly used for employment and retail are easily being changed to residential use – such as the TJ Hughes site in Eastbourne. Long-term – this may cause problems in future, due to the lack of a local employment base. However, some spaces in larger town centres (e.g. Eastbourne) are struggling to be relet – because it is hard to adapt some buildings to new or alternative uses (such as department stores).

There was a perception that secondary town centres are doing ok – partly buoyed by the need to stay local during the pandemic and lockdowns.

Eastbourne has been hit by retail closures – but plans are proceeding for the reuse of these large premises. TJ Hughes and Debenhams sites have the potential for major redevelopment for mixed-use. There is a focus on the experience / leisure offer for residents.

Welcome back funding – has helped with events and promotions, pop-up food and drink – has helped footfall recover.

Hospitality has been hit hard by Covid, and the seasonality of tourism is tough on businesses. There have been attempts to address this with events all-year round. The strategy of a major theatre refurbishment (The Congress) and new conference space refurbishment (Welcome Building), to increase the theatre and visitor offer was working before Covid, but obviously there are now uncertainties over the pace of recovery because coach tourism and business tourism has fallen and reduced visitor numbers.

Some stakeholders thought densification and mixed use was one of the only viable strategies for Eastbourne - E.g. Mixed-use development, repurposing upper floors. There is demand in town centre for the right property – that has smaller offices for small businesses as opposed to large floorplates. But there is a need for mixed-use schemes to make property investments viable and solve town centre issues.

Public realm, pedestrian access and sustainable transport need addressed. There are ambitions to connect Eastbourne Town Centre to the seafront end of Terminus Road – which are being addressed through the use of Levelling Up funding. Some of the public realm needs attention, and cycling routes are not of sufficient quality.

Overall – the town has an attractive offer in terms of living environment, amenities, connectivity to London and local businesses. Need to work with the positives as well as addressing the negatives.

Town Centres: Implications for the economic strategy

- Town Centres across the UK are struggling to understand their futures, and to put in place plans in the face of uncertainty.
- The overwhelming messages are that
 - 1) we need to be prepared for high street floorspace to contract by up to 30%. This is the figure that national bodies have estimated that is excess retail floorspace in the UK, not needed in the future
 - 2) residents, businesses and visitors will continue to be attracted to quality environments and locations – in terms of natural capital, environment, culture, leisure, business clusters, and transport ease and accessibility. Town centres will have to compete as quality destinations.
 - 3) affordability is increasingly becoming a tension. On the one side, increased attractiveness brings in new residents, who bid up housing prices and costs. But on the other side, this disadvantages those who are challenged in terms of housing affordability. This leads to the erosion of balanced, inclusive communities and also causes potential problems with labour supply for key workers and lower-paid jobs
 - 4) leaders, organisations, and town centres will have to remain agile in terms of responding to the new economic environment as it becomes clearer what kinds of activities and demands are relevant to the town centre. A toolkit of approaches, initiatives and support – that can be flexed as needed – would seem a sensible approach
- The Eastbourne Town Centre Local Plan (2013) – how far is this out of date? Would updating this be helpful going forward?
- The Town Centre is a significant asset, and needs to be thought of in terms of quality of life, amenities, community, local business vibrancy. Such a place-based approach needs joined up approaches.

COMMERCIAL PROPERTY MARKET – EMPLOYMENT LAND AND PREMISES

High demand, constrained supply. The common market perception amongst main stakeholders is that there is limited space or options for development in Eastbourne. There is no 5-year housing land supply which may put further pressure on employment sites. There is an acute under-supply of offices, but uncertainties about future demand.

Industrial estates are ageing and coming to end of their useful life, all apart from Highfield. There could be options to intensify and modernise use in existing estates.

PDR has led to a lot of office loss, most of it poor grade and of no real future viability. Much of the office stock was of poor quality and old, but has not been replaced.

Significant demand from existing businesses to expand premises and find bigger premises. There is much interest in high-spec business space. Office demand is for Grade A.

Co-working space was thriving pre-covid – e.g. Pacific House. The Works and the Cohub also successful. But limited grow-on space.

The focus has been on intensification due to the lack of land availability – viability studies or proposals now a priority

There was some perception that lengthy planning process have been a major barrier to delivery of major sites, and that Local Plans meant little to businesses – with some sites taking two years to get permission, then two years for construction. There was some perceptions that businesses don't work according to a Local Plan Period. They don't plan where to be in 5 years' time but in one year's time.

There were also concerns about the lack of flexibility in use classes. Some perception was that it is better to have flexibility in the system and that Class E may help. Developers often don't realise how long it will take to get a development built and let. The planning system perhaps needs to be more responsive to occupiers' needs. Need to get sites ready but with flexibility to accommodate slightly different uses. E.g. industrial sites with some retail – as they all create jobs. Lines between uses are blurring – e.g. an internet company may have various uses in one place. This would make speculative development easier.

No large industrial sites allocated meaning lack of spaces for large manufactures (high tech) to expand. Many of these firms may have to relocate, but they often don't want to because of workforce and skills supply. Important to balance the benefits of large businesses with the benefits small businesses can bring on smaller sites. May need to look at greenfield sites which are easily accessible.

The real estate market is cautious post-Covid. Covid has led to a continuation of hesitancy that has resulted from Brexit. Investors are looking for stable conditions. Owner occupiers are starting to come back as people need a new office out of necessity and can't wait any longer. There will be continued caution in the speculative market. Historic attitudes to development has also been an issue. Nothing was ever built speculatively so it's required a big commitment for smaller companies to build their own units.

Commercial property market – employment land and premises: Implications for the economic strategy

- **There has been a period of high demand for industrial and logistics space, but can we assume this will continue?** There are some assumptions that this will continue – but it would be prudent to reassess this in Q4 2021 / Q1 2022 due to economic uncertainties of recovery and the post-covid, post-Brexit economy.
- **Building flexibility into use classifications might assist speculative development of employment premises.** It would seem sensible, given economic uncertainties, to enable mixed use employment premises, within the bounds of environmental and traffic rules and regulations of course.
- **Self-build by businesses is probably a minority proposition.** Most business occupiers are looking for ready built, suitable accommodation to move into within 12 months. Not all businesses are eligible for the lending required to buy land and plan and build premises.

INFRASTRUCTURE

Despite poor road and rail connectivity, logistics is growing, and there are sizeable distribution companies already established. The wider area has poor road and rail connectivity, with no motorways and very little in terms of dualled roads. Despite this, logistics demand is growing fast across certain parts of the area. The A27 is a key hotspot and to a lesser extent the A22 particularly to the south which has access to the A27. An extension to HS1 – has shown through feasibility work that it could extend through Hastings and Eastbourne. Despite a perception of East Sussex having poor road connections, Britain's largest book distributors, Gardner's Books, are located in Eastbourne.

Utilities are a drawback, particularly electricity. Eastbourne has electricity grid connectivity and capacity challenges. There are issues in terms of balancing needs between business and residential, and car charging points for example. The power company currently is resisting calls to install EV charging points, although a number of public charging points are now available. There is reportedly a lack of energy infrastructure and supply to support intensified land use.

Net Zero which calls into question car dependency. Retail parks fuel car dependency with an environmental cost.

Limited sustainable transport infrastructure and options. Although there has been some progress in installing an electric bike hire scheme.

Infrastructure: Implications for the economic strategy

- **The area is disadvantaged with poor road, rail, and utility connectivity and capacity.** This could continue to constrain growth, development and attractiveness as a business and residential location. Improved broadband and 5G connectivity could help to offset some of these disadvantages, to a limited degree.
- **There is very little consideration of sustainability and low carbon in infrastructure plans currently.** There was very little discussion, and very little in terms of policy documents and plans for dealing with climate change. Climate change legislation, targets, and the changes needed are unavoidable and there is a need to have a planned transition.

3. Specific issues to consider (as specified in the project brief)

SWOT ANALYSIS

STRENGTHS Local - Track record in place-based improvements and town centre improvements - Coastal location is an attraction for visitors, talent, entrepreneurs - Town Centre rethink and rejuvenation well-timed in terms of changing opportunities - Options being discussed for future planning including intensifications - Cultural and visitor economy offer strong - Creative industries activities	WEAKNESSES Covid - Youth job entry / unemployment - Indebtedness of businesses - Weakened hospitality, tourism, retail industries Local - Retail and hospitality hit hard by Covid - Low growth / low productivity / low pay - Contracting jobs base - Lower qualifications and skills - Manufacturing decline - Low rate of entrepreneurship and growth in business base - Poor digital readiness of businesses and workers - High unemployment rate and risks of LTU - Planning designations not flexible enough for spec builds - Poor connectivity (transport and data)
OPPORTUNITIES Global/national - Climate change transition – if can get ahead of the curve and create some advantages - Quality of place remains important to attract and retain talent, visitors and entrepreneurs - Restructuring will always create opportunities as well as losses - Market uncertainty – if have strong locational or favourable market conditions – reduces some uncertainty Covid - Diversifying and onshoring supply chains can create opportunities - Labour shortages may speed up digitalisation and capital investment - Incentive for employers to work with authorities on youth training, apprenticeships and employment Brexit - Diversifying and onshoring supply chains can create opportunities - Labour shortages may speed up digitalisation and capital investment - Construction costs and labour shortages may speed up transition into MMC and innovation in the construction industry - Uneconomic agricultural land may be redeployed for other uses Local - Digital and creative business growth can occur without major capital investment in land and property needed - Strengthens case for broadband and 5G connectivity	THREATS Global/national - Climate change transition - Additional tax burden on employees and businesses - Market uncertainties / industrial restructuring - Real estate market uncertainty Covid - Viability of businesses, and indebtedness – particularly in hospitality - Supply chain disruption - Labour supply disruption - Youth job entry / unemployment - Indebtedness of businesses - Impact on hospitality, tourism, retail industries Brexit - Supply chain disruption - Labour supply disruption – incl. for hospitality / tourism - Agricultural viability and land use - Construction material shortages and costs Local - Market uncertainties / industrial restructuring - Location factors / preference uncertainties - Labour shortages for certain industries - Meeting demand for industrial and commercial property - Town Centres facing multiple challenges in uncertain environment - Very little concrete progress or plans for climate change

Unique attributes

In sum, the unique attributes of Eastbourne can be listed as:

- Attractive residential and amenity location
- Attractive location for entrepreneurs, self employed and small businesses who value attractive coastal location
- Strong visitor and cultural offer, local and nearby heritage and visitor assets and attractions
- Emerging creative industries businesses and activities
- Businesses investment interest (including through grant schemes) and recruit, such as food manufacturers entering plant-based food market.

Attracting inward investment

Successfully attracting and retaining inward investment is reliant on having a locational offer that is relevant to the current and future needs of businesses and sectors. The basic components of this offer generally consist of:

- Locational assets and factors of production – such as infrastructure (such as transport and ports), natural assets (such as natural resources), employment sites, and relevant skills.
- Proximity to customers – some investments are driven by proximity to the customer base. Reasonable travel or delivery times matter here.
- Proximity to supply chain – many industries are reliant on a functioning supply chain that is reasonably proximate or has reasonable delivery times. In the past this has been important to reduce stocks that need held (and less cash to sink into supply stockpiles). Securing suppliers and supplies has become more of a priority during Covid-19 and after Brexit than has the operation of just-in-time supply chains – which has partly fuelled the boom in demand for warehousing and logistics space and services.
- 'Critical mass' or 'knowledge spillovers' – many investors follow the value chain of their industry, and wish to locate near competitors or complementary industries. They expect to benefit from the spillovers in skilled labour, knowledge, innovation, and supplier opportunities.

Industry and business trends and opportunities

It is also about understanding the market place in terms of industry and business trends that apply to the UK, regionally and locally. We have distilled some of the main points below:

Foreign Direct Investment Trends: 1,538 FDI projects landed in the UK in 2020 to 2021². 596 (39%) were made by new investors to the UK, and 942 (61%) were made by existing investors in the UK. In 2020, Ernst & Young estimated that the UK remained competitive with other European nations - the UK obtained 975 projects last year compared to 930 in Germany but ten behind France and 12 per cent down on 2019's figure of 1,109. Overall, in Europe:

- There was a substantial boost in the scale of transport and logistics, and life sciences projects, with the former almost doubling following a massive growth in online shopping during the pandemic and the latter jumping by 62 per cent.
- The United States remains the UK's biggest source of foreign investment despite a slight fall in their overall share of the UK's FDI projects. Britain also remains the top beneficiary of investment from India, Ireland and Australia.
- Digital technology and health sectors are likely to be the 'key growth areas' for the UK.

In advanced manufacturing and engineering, substantial UK growth has occurred in areas such as composite materials, low carbon technologies, digital process engineering, additive manufacturing, and robotics and autonomous systems. Acceleration of innovation and technology adoption is the key trend in manufacturing. [According to McKinsey](#), Industry 4.0 technologies were already transforming manufacturers' operations before the pandemic. Now adoption is diverging between technology haves and have-nots. After Covid-19, manufacturing and its supply chains are likely to be much more digital, as is already evident in the immediate response to the crisis. Industry 4.0 - which includes connectivity, advanced analytics, automation, and advanced-manufacturing technologies - was gaining momentum before COVID-19, helping companies transform their operations in everything from production efficiency to product customization, with improvements in speed to market, service effectiveness, and new business model

² Department for International Trade inward investment results 2020 to 2021 (HTML version) - GOV.UK (www.gov.uk)

creation. *One implication, for local areas – is that Industry 4.0 facilities tend to require bigger footprints in new buildings, rather than the conversion of existing manufacturing premises.*

The agri-food and drink sector has been characterised by Surging prices reflect strong demand, along with weather uncertainties, macroeconomic conditions, and COVID-19-related supply disruptions. The UK's Agriculture sector is being buffeted by a range of acute challenges. There is the transition to a new policy framework and the ending of direct payments to farmers after the UK's departure from the EU. Policy is now being shaped by the desire to deliver public benefits, notably environmental goods, rather than income support. In England, the phasing out of direct payment over the 7-year agricultural transition and introduction of the new Environmental Land Management (ELM) scheme presents many challenges. Prior to Covid-19 hitting the UK, investment in the food and drink manufacturing sector had already begun to fall in late 2019, while GVA and exports had seen growth over the year. Productivity had started to decline after reaching a 12-year high in 2017. Brexit brings further challenges in terms of maintaining uninterrupted supply of imported food and ingredients to all parts of the UK.

Construction and Development has to some extent been buoyed by UK capital investment in infrastructure, and continued housing demand. Key future trends include: greater focus on cost controls and supply chain management, increasing diversification, modular construction (or MMC = modern methods of construction), digitising the supply chain, and a shortage of workers due to lack of EU construction workers. In terms of construction markets – commercial property and retail property demand are uncertain. Transport investment was significant, particularly in terms of UK government investment, but falling transport use due to Covid-19 has affected the budgetary positions of transport authorities. The shift to low carbon and net zero will also significantly affect property design, retrofit, construction materials, methods and costs in future.

Creative and cultural sectors have been amongst the worst affected by the Covid-19 pandemic. Enforced cancellations and indefinite closures caused immediate financial pressures for performing arts organisations. In the first 12 weeks of lockdown, more than 15,000 theatrical performances were cancelled with a loss of more than £303 million in box office revenue. Concerns about a talent drain are evident. Financial pressures will cause people to leave the creative industries for alternative employers.

The Digital technology and communications market is big, and growing. The UK is amongst the top nations globally for VC investment into the tech sector. The UK is more attractive to international investors than ever: 63% of investment into UK digital technology came from overseas in 2020, up from 50% in 2016. The UK digital technology start-up and scale-up ecosystem is valued at \$585bn - 120% more than in 2017, and more than double the next most valuable ecosystem, Germany, at \$291bn. Emerging submarkets include fintech, healthtech, climate tech, food tech, mobility tech and insurtech.

Health and Social Care is facing acute pressures in terms of finance and staffing. According to the Kings Fund, NHS hospitals, mental health services and community providers are now reporting a shortage of nearly 84,000 FTE staff, severely affecting key groups such as nurses, midwives and health visitors. Social care in the UK is facing a shortage of funding, providers and staff.

Logistics and Distribution has grown year on year over the past decade in the UK. Future investment trends will be shaped by consolidation and the demand for integrated service providers, increased use of technology, increasing sustainability, the increase in last mile deliveries and services, and more localised warehouses.

The main UK strengths in **low carbon industries** includes electric vehicles, smart grids, transport, telematics, energy storage, off-shore wind, biofuels, and solar PV. The UK low carbon economy (LCE) could grow from around 2% of UK Total Output in 2015 to up to around 8% by 2030, and around 13% by 2050. This corresponds to a UK LCE market size of between £210 billion and £600 billion in 2030 and between

£510 billion and £1,400 billion in 2050. The levels of UK employment associated with the LCE are between 1.0 and 2.2 million in 2030, and between 2.5 and 5.0 million in 2050.

The **Professional and Business Services** sector continues to provide high value, good quality jobs and adds £190bn to the economy, [according to a recent study for BEIS](#). From a capital perspective, most banks are in a stronger position now than before the last crisis, with more than three times more capital – but they are poised to invest in technology and reduce their labour force in order to address decreasing profit margins. Business to business and professional services are divided between those businesses which have been agile during the pandemic, and others which have not been agile or have served declining markets during the pandemic, such as the SME market. Driven by financial realism and a desire to comply with risk management, health and safety and other regulations, professional and business services firms will look at outsourcing as a means of remodelling business operations, getting fixed costs off their books, and using a third party to bring efficiency to necessary but non-core functions. While the crisis may trigger an evolution in the use of outsourcing, clients will evaluate potential partners through a different lens, testing for greater resilience, flexibility, and control as well as cost and quality. Simple offshoring alone will no longer be sufficient.

Tourism and hospitality has been the most affected sector during the pandemic. In their analysis of the impact of pandemic, Visit Britain estimates that the UK received 11.1 million inbound visits in 2020, a 73% decline from the visit levels seen in 2019. In 2019, before the pandemic, Visit Britain forecast that the tourism industry would be worth over £257 billion by 2025 – just under 10% of UK GDP and supporting almost 3.8 million jobs, which is around 11% of the total UK number. However Covid-19 has clearly impacted foreign and domestic tourism visits, and the recovery period is likely to take years.

Practical issues

There are several 'practical' issues which are worth illustrating as they are important for securing inward investment:

- Speed of build, development or being operational. Many investors wish to be operational 12 months after the initial investment decision. Speed of establishment is a factor. Some investors will require a soft landing in a smaller rented property or space early on in the location process to manage their larger-scale location expansion or relocation.
- Very few investors are willing to build their own properties. They do not have the luxury of time to build a bespoke plant, unless their requirements are very specialised. Spec build properties that fit a range of uses would be advisable.
- The inward investment market is in flux due to Covid-19 and Brexit. The unfortunate aspect of Brexit is that it makes any investments that aim to be operational in the EU market less attractive to the UK. On the flip-side we could see some re-shoring of activities formerly undertaken in the EU or internationally, back to the UK.
- Acquisitions have been on the rise. In particular, there has been a lot of activity from US interests buying up UK firms, particularly those with IP or technology advantages that have value in the future.

Recommendations

The consultation revealed some concern that there were successful, innovating companies adapting to new market conditions, but that these were hidden. It is easier to attract businesses and sectors if there is already an existing base that is successful and vibrant. Perhaps there is a need to celebrate local firms more, and develop better relationships and support for them?

In terms of advice on inward investment to Eastbourne – this would be to focus on selling the main strengths of the locality to potential investors, and offering a USP that is perhaps not as available elsewhere

on at adjacent localities. Perhaps FDI is not a major opportunity, but investment and relocation from elsewhere in the UK, and continued attraction of small digital, ICT and creative businesses that prefer a more affordable or quiet location compared to Brighton.

- There is much perception that there are significant changes occurring in markets, sectors, the economy and location choice.
- Continuing and emphasis on the attractiveness and vibrancy of Eastbourne as a favoured location for residents (including service professionals and entrepreneurs), visitors and creative and cultural industries.
- Developing and marketing on the basis of the same locational factors that appeal to target investors, businesses and individuals– would seem a sensible strategy – including developing a greater understanding of innovative businesses that are perhaps less well known in the town.
- A small number of digital tech companies have moved from London to Eastbourne as it is more affordable than Brighton. It is useful to understand their locational choice, and how they can be used as case studies and collateral for marketing and awareness.
- Coworking spaces have been relatively successful, such as The Works and Cohub. These can provide a focus and incentive for developing and marketing the attractiveness of Eastbourne to small technology businesses.

Skills to support employment and businesses

Eastbourne's economy

Analysing Eastbourne's economy, there are distinct skills needs across sectors that will experience future growth in demand for employment

- Health, residential care and social work
- Professional services, ICT and digital, and creative businesses

There are also challenges associated with sectors which have experienced a reduction in demand due to the pandemic, but for which there might eventually be a sharp rebound in demand:

- Food and beverage services
- Wholesale and retail

Eastbourne has a lower skills and qualifications profile than the regional and national average, and this may hinder further growth and recovery.

Skills infrastructure context

The main features of skills infrastructure that are changing, and will have a significant impact include:

- Brexit – and the constraints on available labour supply that used to be fulfilled by EU workers
- The proposed changes to 16-19 skills, including abolition of BTEC qualifications and introduction of 'T-levels'
- The reduction in take-up of apprenticeships since introduction of the Apprenticeship Levy in 2017. Take-up by employers has reduced by 25-30% in most localities in England

Future skills needs and delivery

If we look at the future of skills needs, these are very much around:

- Ensuring that labour market entrants have the base skills needed by employers, that also help with future training and development. These skills include:

Core or soft skills – communication, customer handling, team working

STEM skills

Project management and management skills

Self-motivation

Self-learning

- Ensuring that digital skills are improved across the workforce

Digital skills are becoming more important, and there will be a need to address this. Skills and labour supply shortages will become more prevalent and a challenge in certain sectors. There will be a need to keep informed about the changing labour market, skills demands, and some agility in being able to respond.

Responding to the skills challenge

Eastbourne has a lower-qualified workforce compared to the national and South East average, and the skills system was under strain before Covid and Brexit. The environment has become even more challenging.

There will be a need to provide flexible support for those made unemployed during the pandemic, who, with the right support, could access and sustain jobs where there are labour shortages. Digital skills are becoming more important, and there will be a need to address this.

Unemployment was recognised as a growing problem. Better connecting local residents to local jobs was considered to be a priority – in particular the risk that new business investment and jobs might by-pass existing residents.

There will be a need to keep informed about the changing labour market, skills demands, and some agility in being able to respond. For Eastbourne residents with lower skills – in-work skills development and learning may be a viable option, or perhaps digital or online facilitated learning would be more affordable and flexible.

Skills recommendations

From available evidence (and without a focused, in-depth study) it is difficult to ascertain the key skills strengths, weaknesses and needs of Eastbourne employers, or to evaluate the effectiveness of the skills system and infrastructure to ascertain these needs.

Other localities have approached their local skills issues and needs in the following ways:

- Skills Advisory Panels
- Hands-on support for SMEs – HR and skills planning, upskilling, help accessing apprenticeships
- Piloting government initiatives - digital partnerships, inclusive employment
- Skills charters and commitments with employers
- Careers advice and information services, often funded by the Careers Enterprise Network
- ESF projects
- Raise awareness of skills shortages, teacher recruitment difficulties etc
- Online portals and self-help services

This could be considered a more tactical approach that has responded to the national funding and policy context. Some localities have developed their own unique skills strategies which are much more proactive – for example:

The [Ambition Southend](#) skills and labour market strategy aims is to enable an efficient, effective labour market with clear, accessible career pathways for residents, which is able to respond to emerging economic risks and opportunities. The strategy involved an in-depth study of labour market and skills performance and outcomes, and mapping out the current skills support landscape (who does what), and understanding the key challenges in the future, and suggesting means of tackling these head-on.

5 objectives:

- Raised productivity
- Jobs growth
- Meet the current and future skills needs of employers
- Increase skills attainment and wages of lowest earners
- An inclusive workforce

5 strategic priorities were established:

- (A) Leadership and communication – because improving the Southend skills and labour market system is a significant challenge that requires collaboration and communication.
- (B) Life transitions – because skills support and interventions were being formulated around critical points in resident's lives such as subject choice at school, parenthood, and redundancy
- (C) Agility in provision – because the capacity and responsiveness of education and training provision will need to deal with future skills requirements and economic uncertainty
- (D) Experience of the workplace – because evidence suggests that participating in a work experience placement has a positive impact
- (E) Assets and networks – because significant regeneration and construction projects were occurring in the borough

Measures that may be needed to support the local economy to ensure a post Covid-19 economic recovery and growth in the future

Sector-specific impacts

Eastbourne's economy has been significantly affected by the Covid-19 pandemic.

- Eastbourne's economy has been significantly affected by Covid-19 and its impact on visitor-economy related services such as Accommodation and food; and on its Retail sector.
- Eastbourne experienced higher rates of furlough during 2020 and unemployment is high compared to the national average.
- As the visitor economy recovers, the tourism sector is facing a labour shortage. Business continuity and resurgence in sectors such as hospitality and tourism are vital, as they are a significant sector and employer for the local area. This should be a continued focus.
- It is unlikely that labour shortages due to EU exit are going to be resolved. Businesses need to be assisted to adapt, through new HR practices, automation and capital investment, and new business models including the use of digitalisation and apps.
- Exporting to Europe has been seriously constrained due to red tape and regulatory issues according to some stakeholders. Many small businesses have now ceased servicing EU markets.
- During the pandemic there was a resurgence in industrial property demand. A survey of industrial property market operators at the start of the pandemic, counter-intuitively said there has been good industrial space take up.
- There is much perception that there are significant changes occurring in markets, sectors, the economy and location choice.

Recommended areas to explore for support

ENTERPRISE AND INVESTMENT

Reshoring, retention and redundancy response – the current economic environment is very uncertain. Businesses will continue to make decisions based on their financial and market position and outlook for future trading. This means that local authorities may receive little warning that a key employer plans to relocate, close, consolidate, contract or expand on their current site.

Financial readiness and advice – increased business indebtedness is a feature of the pandemic. Businesses wishing to grow face bigger hurdles to access investment capital. There may be need to offer assistance and advice here.

Business resilience, supply chain, project and investment management – Covid-19 and Brexit have introduced significant uncertainties, delays and additional costs for many businesses, and investments such as in supply chains, construction and capital projects.

Keeping in touch with market trends, changes and opportunities is vital. Many industries and markets will be subject to significant changes due to the market environment, technological change, climate change and the speed and nature of economic recovery. Approaches to promoting business investment and retention should be appraised and updated at least on an annual basis.

SKILLS

Agility in skills provision, and in the ability of workers to transition to other employers and occupations is key. This requires a deep understanding of local skills needs, weaknesses in provision, and connections need to be made between education and training providers, employers and residents.

PLACE

Attractive and retaining businesses, skills and investment will remain significantly dependent on having valued and high quality location factors. It is important that this is borne in mind when planning and delivering new employment sites, housing developments and town centre regeneration.

The area is disadvantaged in terms of infrastructure, with poor road and rail connectivity and capacity. This may constrain growth in the future. Continuing to maintain local attractiveness as a business and residential location may require improved broadband and 5G connectivity, as it could help to offset some of the transport connectivity disadvantages, to a limited degree.

Demand for employment space remains high, there is limited capacity for growth. This would suggest that considerations need to be made to provide employment land supply that aligns with demand and future needs, and to also work with neighbouring local authorities to try to retain businesses in the locality, to preserve local jobs.

Flexible toolkit and funds for Town Centre Futures. Town Centres face an uncertain future, with much in flux in terms of market demand, retail's future and industry location preference. There will therefore need to be a flexible approach, with a range of tools and funding mechanisms available.

LOW CARBON

Climate change, and delivering zero carbon is inevitable, and all public and private organisations will have to adapt. Plans and actions need to occur in a planned and well – managed way. The alternative is for public and private sectors to have to catch up rapidly once legislative limits and caps become looming or kick-in. For the council to invest in, and undertake actions without a consideration of climate change and carbon reduction would mean short-term investments, with a limited lifespan and capacity – they would have to be adapted to deal with climate change eventually.

Existing infrastructure issues and barriers to economic growth that need to be addressed for both local authority areas (i.e. transport links, broadband services, mobile connectivity etc.).

Eastbourne is disadvantaged with poor road, rail, and utility connectivity and capacity. This could continue to constrain growth, development and attractiveness as a business and residential location. Improved broadband and 5G connectivity could help to offset some of these disadvantages, to a limited degree.

There is very little consideration of sustainability and low carbon in infrastructure plans currently. During consultations, there was very little discussion, and very little found in terms of concrete delivery plans or vehicles. Our review of policy documents and plans dealing with climate change revealed some good aspirations, but little sense of how they would be achieved. Climate change legislation, targets, and the changes needed are unavoidable and there is a need to have a planned transition.

4. Gaps and questions to address in formulating an economic strategy for Eastbourne

The evidence and discussions covered during this project have been mainly focused on employment land and premises, and demand conditions for these, and have been based on available documents, strategies and evidence. Therefore, the conclusions and recommendations are fairly limited, in that there has not been the investment in a full blown local economic strategy and the analysis and development work that entails.

To take a strategy forward, there would need to be more research and discussion in the following areas of interest:

Explaining economic performance

More in-depth analysis and consultations are needed to understand the nature of Eastbourne's economy and its performance, and some of the key barriers and enablers. For example, the role of creative industries has been mentioned by stakeholders in interviews, but it would be useful to understand the scale of this, and how it links to other industries and activities.

Ambitions, aims and roles

What are the ambitions for Eastbourne's economy? This can be across a spectrum of policy choices such as:

- Growth orientation
- Fairness, inclusion, equity and equality
- Attitudes to environmental conservation
- Sustainability and low carbon
- Involvement of the private sector
- Vision for the Town Centre
- Willingness to campaign on local priorities and issues where there are no apparent policy solutions or resources

How does Eastbourne Borough Council view its role? How are the roles of other organisations and stakeholders viewed?

It is also useful to understand Eastbourne Borough Council's role as a land owner, developer, or actor in the local economy.

Enterprise

We need to know more about the business population, and the dynamics of business formation.

Industrial development and change

There's a lot of demand for industrial / distribution premises and land in Eastbourne and Wealden – but for what activities? There has been some disagreement that manufacturing is in decline – but what we are probably seeing is that manufacturing in its strictest sense is declining, but there are other activities such as repair, services, distribution – moving into industrial premises. It would be useful to understand in more detail the composition of the industrial base, particularly in terms of growth dynamics.

Demography, workforce and commuting

There needs to be a bit more investigation of workforce and commuting-related issues, such as:

- What are the demographic dynamics in terms of age? Are there pressures on adult social care and the housing stock? Are there cohorts of young people that will need FE and jobs?
- What is the size and composition of the workforce, and rates of economic participation? Is the workforce going to grow, stay the same or contract in future?
- What are the commuting patterns in Eastbourne? What kinds of jobs do residents commute out to, or commute in to fulfil?

Skills and education

In more detail, what are the current skills and education attainment patterns and how have these changed? How does the skills profile of jobs match the qualifications profiles of residents?

Low carbon

Low carbon and sustainable transitions are simply unavoidable over the next 10-30 years. Any local area which embraces and plans for this, is preparing for the future. Does Eastbourne have a good understanding in place of how this will affect current industrial specialisms, employers, jobs, transport and commuting? If so, is there a comprehensive strategy or an action plan?

Business perceptions

Business perceptions about Eastbourne as a business location, or locational factors in decision-making about business activities and investment are useful. Whilst the economic study has focused on land and premises needs, location decision often involve other key issues such as workforce availability, proximity to suppliers or customers, accessibility and connectivity, quality of place, and business ownership patterns.

Current priorities and delivery

What are the current priorities for services and projects related to the economy? Which projects or initiatives have the potential to be transformative for the economy? The visitor economy currently seems a priority – what are the goals, or objectives?

Eastbourne's function and relation to surrounding districts.

How does Eastbourne serve a wider area than its local authority boundaries, what is the potential in terms of providing specialist assets, services, or support to the wider region? How far is Eastbourne dependent on surrounding districts to support jobs for Eastbourne residents, or to help local businesses expand and relocate?

Competitor review

A strategy would benefit from a good understanding of what other competing locations are doing and how they have reacted and changed priorities in response to Covid-19 and Brexit – e.g. Hastings, Brighton, Worthing, Bognor Regis, Poole, Weymouth, Lyme Regis.

Horizon-scanning

Understanding future challenges and opportunities is another important aspect of developing an economic strategy. These can be political, economic, environmental, social, technological or governmental.

Also – understanding the national government policy agenda and how this may benefit Eastbourne, or how may overlook some of Eastbourne's challenges is critical to understanding and prioritising action and investment.