



Pacific House (Second Floor)  
Hazelwick Avenue  
Three Bridges  
Crawley  
RH10 1EX  
01293 305965  
coast2capital.org.uk

All Party Parliamentary Group for the South East

Sent by email

12 January 2022

## **APPG Inquiry: Financing the future - what does Levelling-up mean for South East England?**

Dear APPG Members,

We are very grateful for the opportunity to present this submission to the All Party Parliamentary Inquiry. This is a topic which is of relevance and concern to us, as a Local Enterprise Partnership, working with our regional partners to create prosperity within our area and across the South East.

In summary, we would ask Government to consider the following, in order to avoid the risk of inadvertently 'levelling down' areas of the South East, like ours, in the pursuit of addressing regional disparity, and particularly given the economic unknowns and uncertainties still arising from the pandemic:

- Equal access to funding for the South East to ensure swift recovery and future productivity growth, toward the success of 'Global Britain'
- Continued support for LEPs in the form of core Government funding (without which there is a real risk that LEPs will cease to exist)
- Additional support for regional economic development in areas where there is no Mayoral Combined Authority or forthcoming 'County Deal'

### **Background**

Coast to Capital is one of 38 Local Enterprise Partnerships (LEPs) in England. We are a business-led collaboration between private, public and education sectors, representing a large and diverse economy with a value of £46.6 billion, across East Surrey, Greater Brighton, and West Sussex. Like other LEPs, over the past decade we have been an integral part of the national economic investment infrastructure, working with and on behalf of HM Government.

Since 2015, we have invested over £300million in over 90 major [infrastructure projects](#). These include transport infrastructure upgrades, business space creation, residential site enablement, state of the art innovation facilities for HE and business, FE and charitable learning facilities, high-speed and full fibre digital connectivity. We have also played an

important coordinating role in the process of distributing significant European Structural and Investment Funds across the area.

A recent example of our impact was our £1.2 million Getting Building Fund grant to the University of Chichester's new School of Nursing and Allied Health. This state of the art, accredited training centre is run by the University in collaboration with health providers and was created in response to a real need for health practitioners. It recruited its cohort of 40 BSc adult Nursing students ready for September 2021, with 73% being mature students and 87% from the local area. This intake is being doubled for 2022 entry.

We have provided advice, support and funding to individual local businesses via our [Growth Hub](#), with roughly 1,800 new businesses engaged in 2021 alone. We have distributed over £4million of vital business grants through two separate funding schemes, supporting roughly 220 local businesses to adapt and grow in the face of the coronavirus pandemic.

For example, we awarded Brighton based training provider Acceler8 a £10,400 Backing Business Grant to fund the equipment to move from a traditional, in person training model to providing online training. This allowed them to increase turnover and build their client base and in February 2021, Acceler8 won a contract for NHS Blood and Transplant. The money from Coast to Capital not only allowed Acceler8 to transform their service model, but it's also helping them to do the same, through training, for the NHS.

We are also proud to be pioneering work to disaggregate our business support data by gender and ethnicity, to be able to target support to underrepresented groups. This work has been flagged as best practice by the Rose Review of Female entrepreneurship commissioned by HM Treasury.

### **Scenarios for future investment**

With the move to new regional economic investment streams, including Levelling Up Fund and Community Renewal Fund and the UK Shared Prosperity Fund, we expect to see significantly less public investment in our places, as in the wider South East. Most of our local authority areas are in the lowest priority category for the Levelling Up Fund.

We recognise that two of our local authority areas, Arun District Council and Brighton & Hove City Council, were successful in securing funds totalling c.£30 million between them, reflecting Government's focus on coastal areas across the UK. However, Tandridge District Council (in East Surrey) is one of our higher priority local authority areas (Priority 2) for the Levelling Up Fund, and was unsuccessful.

We recognise that many parts of our economy have been historically prosperous, benefitting from and evolving in close proximity to London. However, previously productive parts of our economy have seen a reversal of fortunes during the pandemic, due mainly to the central importance and reliance of our economy on Gatwick airport, the second largest in the UK. This has been felt nowhere more so than in Crawley which, despite high productivity growth in recent years, had among the highest rates of furlough take up in the UK during the pandemic and also at the closure of the scheme.

However, prior to the pandemic, our area has not kept pace with productivity growth in the South East or some other comparator parts of the country for some time. Additionally, the current challenges of exporting goods to the European Market is a significant concern for

exporting businesses, of which our area has a higher proportion. All of these issues are important, and will require future investment in economic and social infrastructure if our economy is to recover and effectively increase GVA growth over the medium and long term.

### **Preparing for the Levelling Up White Paper**

As we anticipate the release of the Levelling Up white paper, which will incorporate the findings and recommendations of the LEP Review, we are working actively with our partners to determine a sustainable model of LEP operation that will allow us to continue to serve the local economy and achieve the same broad aims, namely strategic economic planning and investment, business support services and careers and skills support.

We consider that, as a high performing and impactful LEP, we are in an excellent position to continue to provide high quality, value for money services to our partners, and we certainly hope this is one of the conclusions of the Levelling Up White Paper.

Beyond our own area, we are working collaboratively as part of Catalyst South, a strategic alliance of six LEPs (Coast to Capital, Enterprise M3, Hertfordshire, South East, Solent and Thames Valley Berkshire). Together we represent and provide advocacy for a globally connected economic region which generates almost one fifth of the UK's GDP.

We believe that, along with Government's ambition for greater local democratic representation and devolution, there is a continued need for regional economic planning, led also by the voice of business and education, to provide advocacy and convenorship across functional economic geographies like ours and at a much wider regional level, as with Catalyst South.

We consider there needs to be continued public investment in regional strategic economic infrastructure, that will increase confidence for private investment, to ensure effective and timely economic recovery and drive sustainable prosperity for all parts of the UK. This should include investment in sustainable transport and energy infrastructure, investment and incentives for business and innovation space, pragmatic housing targets, and investment in skills and labour market development for a green recovery.

Without continued support and investment to support the economy over the medium and into the long term, risks inadvertently 'levelling down' this part of the South East, which would seem to act against the core aims of Levelling Up as we understand them, to address inequality and raise prosperity in all places.

We hope this submission is of interest and benefit to the All Party Parliamentary Group and we very much look forward to reading the outcomes of your Inquiry.

Yours faithfully,



**Julie Kapsalis**

**Chair,**

**Coast to Capital**

## **Annex – Further information**

Our latest Covid-19 economic data can be found on our [website](#) and our recent regional economic recovery and investment proposals in [Build Back Stronger, Smarter and Greener](#). Additional summary information on the present economic challenges facing our area, to support the case for investment in the South East, is provided below.

### **Covid-19**

The coronavirus pandemic has had an impact on the whole Coast to Capital economy, due to the significance of the aviation industry and its supply chains across the region. Estimates suggest our gross value added (GVA) could have declined by up to 12% in 2020, compared to a 9.9% contraction in the UK. The pandemic has a profound and extremely worrying impact on places like Crawley, which is home to Gatwick Airport and Manor Royal Business District, the centre for airport related supply chain activity and a cluster of leading, international advanced manufacturing companies.

The impacts of the pandemic have been felt across the Coast to Capital area, given the importance of and impact on the visitor, leisure and retail economy. This is true along our major coastal tourism and cultural centres including Brighton, Worthing, Littlehampton and Bognor Regis, but also in our rural destinations across the South Downs National Park, the Surrey Hills and the High Weald Area of Outstanding Natural Beauty. Rural deprivation and recovery as well as coastal deprivation should be a focus.

We recognise that in some parts of our area, particularly those with flexible, adaptable and growing digital and service-based economies – places such as Brighton & Hove and increasingly centres along the south coast and upward on the central M23 corridor – have fared relatively well during the pandemic or are able to recover more quickly. Nonetheless, the likelihood of continued delay and disruption to recovery based on international travel as well as domestic restrictions for business and leisure travel, all stand to slow the pace of economic recovery and future growth within our economic area.

### **Structural economic issues**

Despite the historic significant of our economy to the UK, extensive research (in preparation for a Local Industrial Strategy) revealed a series of interconnected, underlying and concerning structural issues. Without coordinated investment in our major economic and social assets, these structural issues stand to further erode and undermine recovery and growth over the long term, causing a decline in productivity and contribution to the UK economy as a whole. They include:

- variation in skills levels with much lower skills (linked to deprivation) in certain areas – particularly in coastal communities
- a mismatch in places with higher skilled local populations and the higher wage labour market opportunities available in the area, meaning vacancies in key sectors
- lower levels of innovation grant spending (public, private and education sectors) despite the presence of high value, international market leaders
- commuter wages, to London in particular, distorting the cost of living and housing affordability in most areas
- historic underinvestment in transport infrastructure, particularly on the Brighton Main Line, the central rail corridor from London to the coast

- A decreasing younger population in key employment areas, as well as an ageing population, meaning further pressures on the future labour market
- Lower business and employment growth than many other parts of the South East and England, despite the position, size and complexity of our economy
- The exceptional and extensively protected natural landscape reduces opportunities for development
- Commercial and residential competition for limited development sites in many urban centres, with permitted development seeing extensive loss of commercial premises

### **New trade regulations with Europe**

Exporting businesses are valuable to our economy where in 2017 the total value of exports represented 18% of our gross value added (GVA). This is higher than both the England level of 15% of GVA and 16% for the South East in that same year. Illustrating that exporting businesses in our region make a considerable contribution to our economic output.

However, the combined impacts from the coronavirus pandemic and new trade regulations with Europe has been causing significant challenges for those exporting businesses. Many of our local businesses have cited large numbers of cancelled orders due to new certification procedures and increased costs to deliver to EU countries, impacting on profit margins and elevating risk. With these challenges, more exporting businesses have been seeking business support through our Growth Hub. A third (36%) of businesses engaged by our Growth Hub between January 2021 and January 2022 were exporting businesses, this is ten percentage points higher when compared to the levels seen between January 2020 and January 2021. This illustrates the greater need for business support for exporting businesses in our area.