

BRIGHTON & HOVE CITY COUNCIL

**CULTURE, TOURISM & ENTERPRISE OVERVIEW & SCRUTINY COMMITTEE AD-HOC
PANEL**

1.00pm 31 MARCH 2009

COMMITTEE ROOM 3, HOVE TOWN HALL

MINUTES

Present: Councillor Randall (Chairman)

Also in attendance: Councillor Davis, Councillor Harmer-Strange

Officers Present: Thurstan Crockett, Paula Murray (Head of Culture and Economy)

PART ONE

1. PROCEDURAL BUSINESS

1 PROCEDURAL BUSINESS

1a Declarations of Interests

1.1 There were none.

1b Exclusion of Press and Public

1.2 In accordance with section 100A(4) of the Local Government Act 1972, it was considered whether the press and public should be excluded from the meeting during the consideration of any items contained in the agenda, having regard to the nature of the business to be transacted and the nature of the proceedings and the likelihood as to whether, if the members of the press and public were present, there would be disclosure to them of confidential or exempt information as defined in section 100I of the said Act.

1.3 **RESOLVED** - *That the press and public be not excluded from the meeting.*

2. CHAIRMAN'S COMMUNICATIONS

2 CHAIRMAN'S COMMUNICATIONS

2.1 The Chairman opened the proceedings by emphasising that this was an important issue for the City. That it was necessary to be in at the beginning and that a

precedent had been set by the digital media industry. This sector now accounts for 10% of all jobs in the City.

2.2 The purpose of this Inquiry is to ask people who are embedded in the industry and use their views to develop our policy and strategy.

3. WITNESS STATEMENTS

EVIDENCE FROM THE WITNESSES

3.1 The panel heard from a number of witnesses.

3.2 Evidence from Paul Dickinson, CEO, Carbon Disclosure Project

Paul Dickinson began by telling the panel that he had worked full-time on climate change for 9 years. He believes that this issue, at the top of the G8 agenda, is the defining challenge of this age.

He is concerned that it is a deeply held view by the public and general technical people that there is nothing to worry about. However he thinks that there is the potential for there to be such a significant change to the climate in our lifetime that it could lead to the loss of 80% of the population.

However the situation presents a significant opportunity for Brighton:

- As an alternative holiday destination, as people restrict their airplane travel abroad
- As a vegetarian destination – the silicon valley of alternative lifestyles e.g. Infinity Foods
- To invigorate industries such as making loft insulation
- A good place for home working

Paul Dickinson reminded the panel of the view of Oxfam that half the world will not have food and water by 2030. He then finished by highlighting his business Eye Network which is Europe's largest video conferencing service. It is based in Brighton, but has never been used by Brighton and Hove City Council (BHCC).

Thurstan Crockett said later that the unitary status of the council, operating within a dense city well-served by public transport meant video conferencing had few, if any, applications here.

3.3 Evidence from Jae Mather, Director of Sustainability, Carbon Free Group

Jae Mather works in the field of delivering carbon free buildings and living. He believes that this issue needs to be dealt with now and a key method is economic stimulus packages. Here in Great Britain we have the second lowest level of governmental economic stimulation of environmental industries, alongside Italy. Unlike Korea and China who have realised that the majority of their efforts need to

go into this sector.

In the United Kingdom there is a great generation of innovation, but the government is not doing anything to support them. Jae believes that the public sector is too risk averse and not good at making things happen and offered examples relating to local and central government. He feels that if BHCC wants to take a lead it must support small and medium enterprises (SMEs) in the sector and buy their products.

The Eco Enterprise Project found that there were hundreds of SMEs working in this sector in Kent and East Sussex. The Carbon Free Group formed out of a consortium of the top 10 organisations that were identified. It is an umbrella group for people to work under and now has 28 members ranging from a one person business to a top engineering firm. However they are finding that prize winning businesses are in danger of going out of business because the government does not procure their products or services. He feels that the public sector disproportionately punishes failure and kills innovation.

3.4 Evidence from Nick Hutchinson, Director, Ecosys

He explained that Ecosys is a small Brighton-based consultancy that focuses on resource efficiency and supporting SMEs. He was involved in producing the Sustainable Eco-Enterprise (SEE) Directory. The 2007 edition for East Sussex included sixty seven SEE businesses in Brighton and Hove (36%) (B&H), the majority dealing with waste efficiency.

The project leaders at Business Link Kent analysed feedback from over 100 business reviews carried out by partners in East Sussex and Kent to build up a picture of their business development needs. They found the following results:

Main opportunities:

- Changing legislation i.e. regarding waste (48%)
- Public sector contracts recognising the economic benefits of using green organisations (40%)
- Economic benefits of SEE (39%)
- Greater public awareness of the issue (34%)
- Rising fuel costs (33%)
- New build projects (27%)
- Economic growth (21%)

Key challenges:

- Small size of eco-businesses (finding it difficult to grow) (43%)
- Fluctuations in public perception e.g. the recession is reducing this as a priority for the public (40%)
- Disreputable suppliers (28%)
- Inconsistent government policies (26%)
- Public procurement process (26%)
- Lack of marketing skills (21%)
- Lack of skilled SEE sector workers (21%) e.g. sustainable construction skills. However this means there is the opportunity to up-skill the population.

Nick also referred to the need to improve regulatory and professional awareness e.g. planners. Ecosys have worked successfully with the Sussex Innovation Centre (SInC) and Business Link on this issue. He stressed the need for SEE businesses to be able to maintain the momentum.

Main areas of requested support:

- Promotions/increase in public awareness (52%)
- Planner/regulator awareness/issues (36%)
- Professional/Trade awareness (28%)
- General business advice (26%)
- Marketing skills (25%)
- Financing advice (25%)
- Public procurement access (22%)
- Technical training/accreditation (20%)

Nick Hutchinson felt that his contact with SEE businesses has been inspiring and that there is real innovation and commitment from these businesses in Brighton and Hove and East Sussex. According to the South East England Development Agency (SEEDA), it is one of the fastest growing sectors in the South East.

He finished by outlining what he feels are the attributes of Brighton and Hove:

- Clear cluster of businesses
- A lot of good practice
- Really significant developments in the pipeline e.g. offshore wind farm
- Very good resource efficiency programme in the area
- Significant active networking e.g. Transition Brighton & Hove, Food Partnership
- Very good public transport system
- Strong council support
- An engaged public
- Need for practical innovation

3.5 Evidence from Tony Mernagh, Director, Brighton and Hove Business Forum

Tony Mernagh began by stating that his concern is whether enviro-industries are a good fit with the local economy. If yes, then they must be pursued. The Low Carbon Industrial Strategy consultation was published last week which highlighted 4 key drivers:

1. Energy efficiency. How this relates to Brighton and Hove –much of the commercial and housing stock here was built when energy efficiency was not a consideration. The University of Brighton has the Centre for the Sustainability of the Built Environment which has an international reputation. It also has good links with Europe and Australia, which is important as other countries are so far ahead of us.

2. Low carbon infrastructure - There is patchy commitment from central government so B&H need to be careful when committing its resources. In his view

wind is the only realistic option open to the UK in the short term. Other regions such as Yorkshire are more advanced in this field. Investment in wind is precarious, as the London Array experience proved.

3. *Low Carbon Vehicles* –Ricardo, based at Shoreham, is considered a world leader in the development of low carbon automotive transport and Elektromotive based at the University of Sussex is at the cutting edge of no-carbon transport infrastructure. He thinks that the aerospace industry will continue, so Brighton could have an advantage with the aero-thermal systems centre at Sussex University.

4. *Place to locate* – when people are decide whether to relocate to B&H, especially attracting people from the rest of the world, they will be guided by 4 factors:

- a) *Do they have they have the workforce?* Our universities combined are the 4th largest and are very adaptive. They are able to tailor courses to engage with business
- b) *Quality of physical workspaces and capacity for expansion.* B&H falls down badly on this. Manufacturing does not really exist here, so we need a functional arrangement with Adur which still has a significant manufacturing sector.
- c) *Affordable accommodation for the workforce.* B&H has relatively high housing costs. Family housing is expensive and in short supply.
- d) *Standard of living/cultural offer.* B&H scores very highly on this factor.

However it is very difficult for any local authority to heavily influence who locates here. The digital media decided to locate to Brighton before the local authority began to nurture this sector. However Mr Mernagh believes that the Wired Sussex model of support and inward investment is a good model to work from for other potential clusters.

3.6 **The Panel members then asked the witnesses to come together round the table and asked questions.**

Cllr Randall: *How do you feel that a network could be developed for these industries?*

Tony Mernagh replied that business advice is already provided by Business Link. However this arrangement is being restructured and there will be just one body for the South East rather than six.

Jae Mather felt that sustainable business support could be tailored towards the creation of clusters e.g. making office space/meeting rooms/hot desking.

Paul Dickinson said that the key was to create a buzz and the council should communicate their excitement and openness to change. Jae Mather agreed that change is only made by people being unreasonable e.g. the Merton Rule. 85% of all employment in the UK is from SMEs and their employment and innovation is essential.

Paula Murray: *How can we move things forward, like with the cultural sector? Rather than BHCC coming in late and which are the winners for us to back?*

Nick Hutchinson replied that there is a cluster, but it is not as coherent as the digital media sector, and includes:

- Renewables (installers rather than manufacturing)
- Sustainable construction and maintenance e.g. sustainable building, design and architecture, conversions
- Consultancy
- Waste and recycling e.g. Magpie
- Materials recovery
- Education and training
- Other services (including furniture, printing, cleaning, food, travel and design etc.)

Cllr Davis: *I am concerned that the idea of picking winners has been a national and local government issue for so many years. This is an old concept and the question at the heart of all government support for key industries.*

Nick Hutchinson explained that the businesses in the cluster are all at different stages. The majority are at the Research and Development (R&D) stage, so it is not possible to tell if they are winners - but they do have merit. However the sector as a whole has enough merit to be worth nurturing.

Jae Mather told the Panel that an eco-friendly business park (SuSCon) that had been planned to exhibit best practices had gone awry as a project. However the project had done a lot of work on establishing what the market is for environmental industries. They have a huge amount of data which could be replicated.

He said that he believes the best way to support environmental industries is to procure their goods and services.

Paul Dickinson told the Panel that there were some amazing stories in B & H. You could use £1m to advertise these successes and this would result in 100 businesses you could sell to the world. The money would be being used to sell the brand of Brighton as a green silicon valley, including councillors pledging that they will save the world.

Cllr Harmer-Strange: *If 85% of the economy is made up of SMES, how many of them are we getting to in Brighton & Hove?*

Tony Mernagh explained that B&H and SEEDA are putting together an Innovation and Growth Team (IGT). They have taken the top 250 highest growth organisations (including global growth and Gross Value Added (GVA)) in B&H and East Sussex. The IGT will be established in January 2010 and the business plan is currently being put together. The IGT could be very useful for this area, but green industries will be considered in the same way as other industries.

He highlighted the example of CERES Power based in Crawley. They are using

cutting edge technology to produce domestic Combined Heat and Power Units for replacing traditional boilers. Any form of new technology such as this will have 3 stages:

1. R&D to develop the product and ongoing R&D to perfect/improve it
2. Construction (B&H is unlikely to have a role in this as it will probably be done in the Far East, unless it is highly technical construction e.g. Ceres has opened a plant in Horsham.
3. Installing and maintaining (where B&H could have a big role)

There is scope for B&H to play a role in stages 1 and 3 and, as a knowledge-based economy, this is what Tony Mernagh believes we should be preparing for.

However, Paul Dickinson felt that we should not limit ourselves to just those stages, as environmental industries are not the same as other industries: our future is reliant upon their success.

Tony Mernagh then restated his belief that even if environmental industries have great growth potential, they should be looked at in just the same way as other industries.

Cllr Randall: *Is there any potential for us carrying out manufacturing in B&H?*

Tony Mernagh told the panel he thought that this kind of work could be encouraged in Adur and Newhaven which have a manufacturing history and still have manufacturing capacity albeit generally low tech. Cllr Randall suggested that it could be a constructive way forward to work with East Sussex. Tony Mernagh suggested that representatives from East and West Sussex needed to be invited to work with B&H. This work could enhance both our relationships with neighbouring businesses and authorities and their perception of B&H.

Paul Dickinson felt that the future of manufacturing should be – don't do it. He used the example of the North Laines as the future of retailing as the money stays in B&H.

According to Nick Hutchinson, B&H is not likely to be a big part of manufacturing, so need to skill up for installation and maintenance. For example, there are high level boiler functions and people do not know how to use them. We could consider small scale high renewables such as wind turbines.

Cllr Randall: *Is it possible to source locally for sustainable housing?*

Jae Mather replied that the construction is being done in Europe and the installation in the United Kingdom (UK). He gave the example of Durham that has a dying industrial centre that needs replacing. Financial support can be obtained to support the extra cost (10-15%) of manufacturing in the UK. This will be helped by the Local Multiplier 3 (LM3), which measures the impact of spending money on the local economy.

Tony Mernagh thought that we could manufacture high end products e.g. B&W high-tech, hi-fi speakers are made in Worthing. However, the maintenance and

servicing of products may well be more profitable e.g. Rolls Royce makes more than 50% of its profit from maintenance and servicing and this could be a vital area for B & H to explore and where we should develop our skills base especially at levels below NVQ4.

Cllr Harmer-Strange: *Would it be possible for B&H to create the space for manufacturing, even in the high end of the sector?*

Thurstan Crockett told the Panel that Tony Mernagh has spent ten years looking into how to develop more business space in the city and recent opportunities have fallen down due to schemes collapsing. Paul Dickinson stated his belief that money can save all. Rich people want to spend money on high end environmental projects, rather than Bentleys.

Tony Mernagh agreed that the space is not here and can only be gained by collaborating with nearby towns. Jae Mather suggested Hastings as having a large amount of space, but Thurstan Crockett felt this was outside B&H's economic area.

Paul Dickinson emphasised the importance of creating environmental jobs to protect our children, then suggested selling B&H as the children's city.

Tony Mernagh suggested that it was not necessary to re-invent manufacturing when it was being carried out next door. He said that B&H needed Adur, East Sussex and the Learning and Skills Council to understand the need to deliver:

- R&D
- Manufacturing
- Maintenance

Thurstan Crockett highlighted the role of City College who had set up a 'constructing futures' pre-apprenticeship courses in the construction industry. Part of the curriculum could relate to sustainable buildings. Tony Mernagh suggested future development schemes could provide a training ground. Low carbon energy efficiency could be the area that B&H are most able to exploit.

Jae Mather told the panel that Registered Social Landlords are planning large renovation projects, concerned by fuel poverty. They are also offering apprenticeships, some of which are in East Sussex. The 2013 Code for Sustainable Homes could currently only be met by 2% of the industry.

Cllr Randall: *What can BHCC do in terms of procurement?*

According to Jae Mather, procurement is the most important function that a Council can carry out in this sector. This can include demanding sustainable materials. Examples of robust policies can be obtained from ICLEI – Local Governments for Sustainability, who help public organisations from across the world. Good quality examples include Global to Local and Procurement Plus. For example Maidstone BC who set up the first sustainable cleaning contract, which has been used by BHCC, and led to a 3% reduction in costs.

When Cllr Randall said that BHCC could show off its sustainability to inspire the city, Jae Mather replied that the policies were there but the procurement team needed to be up scaled. There are so many tools that have come out of the UK, but not often used in the UK.

Nick Hutchinson cited some examples of good practice in other local authorities for the Panel to look at:

- Woking- radical innovation, local energy production and distribution
- Camden
- Durham
- Merton

Paul Dickinson informed the panel that he was keen to encourage BHCC to use his video conferencing business to cut down the use of private and public transport. However he was not sure who to contact about this. He felt that BHCC needed to employ people who had sufficient time to procure products and services that had not been bought before.

Tony Mernagh cited examples of where Local Authority leadership had succeeded in B&H:

- The excellence of the bus service which has an excellent reputation for sustainability
- Jubilee Library
- One Brighton

When going down the path of green industry, one must not pick things that are going to fail. This is because we need 16,000 jobs and we are also losing jobs daily. So we need to find the industries that have the best fit for Brighton and Hove.

Paul Dickinson concluded by saying that the evidence was piling up to show that the risks of this industry were rather small.

4. FUTURE MEETINGS

5. ANY OTHER BUSINESS

Signed

Chair

Dated this

day of