

The Rt Hon Stephen Timms MP  
HM Treasury  
1 Horse Guards Road  
London  
SW1A 2HQ

27 February 2007

Dear Mr Timms,

### **CSR07**

Further to the South East's submission to the CSR last year we are writing jointly to follow up on questions that have arisen from subsequent regional meetings with review team colleagues. Whatever the tensions between the two aspects of the Regional Economic Performance PSA it is clear that the Government's regional growth objectives are not currently being met, and that much of the progress on the goal of narrowing regional disparities is by virtue of slower growth in the Greater South East.

This cannot be welcome. It is of real concern, however, that the review team seems to be looking for an explanation for this more in the current regional arrangements than, for example, in the volume of investment available to support growth. In particular there appears to be an emerging preoccupation in the review with structures rather than delivery, and with the search for ideal solutions rather than a focus on what works. The number of regional strategies and bodies that now exist do so largely as a result of ad hoc responses by various Government departments to regionalism. In the South East we believe we have been able to make sense of this by joining up at the regional and sub-regional levels, with notable success. It is after all a key principle of devolution that regions should be free to effect such integration of policy and delivery in the way that suits us best: each region is different, has its own priorities and challenges, its unique geography, sub-regional institutions and spatial politics.

In South East England we have demonstrated that we can secure buy-in to ambitions for sustainable growth, and deliver that growth, through a constructive partnership approach to regional and sub-regional working. Our RDA and Assembly are well regarded, acknowledged performers, and even in a context sceptical of regionalism, enjoy the confidence of stakeholders throughout the region.

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In the face of widespread controversy about the growth agenda, we have succeeded in substantially aligning the regional spatial strategy and the regional economic strategy, and as a region have united behind a set of tough choices on regional funding allocations. In particular the agreement to devote more than two years of our entire regional transport budget to the project to improve the A3 at Hindhead in support of the regeneration of South Hampshire signals the strength of the alignment achieved in the region between economic, housing, transport and environmental objectives.

The RFA process however is only the start of the significant progress we are now making on delivering within a framework of shared regional strategies. The new requirement for the RSS to include an implementation plan has prompted really innovative thinking and exciting opportunities to add even more value at the regional level. The core idea is that of a **single delivery plan** for the region. This is under development right now, building on the comprehensive start made with the RSS implementation plan. That already sets out in some detail what needs to happen to deliver the South East Plan, when it needs to happen, who's responsible and how much it will cost. With the recent adoption of a new RES we are now in the process of creating a delivery plan spanning both strategies. Our ambition is steadily to widen the scope of this plan to incorporate, for example, regional health and skills delivery. Once agreed our intention is routinely and jointly to monitor progress and manage resources so that we and our stakeholders can be held to account against this single plan for South East England.

Progress on that single plan will rely on the infrastructure necessary to support growth. We have strong structures at Regional level in the Regional Housing and Transport boards and in the South East Regional Skills for Productivity Alliance with its six sub-regional Alliances. We have also developed a clear sub-regional focus in both RSS and RES which will be carried through into the single delivery plan and which is already evolving new governance models, for example in the 11 local authorities of the Partnership for Urban South Hampshire and in the business-led Gatwick Diamond.

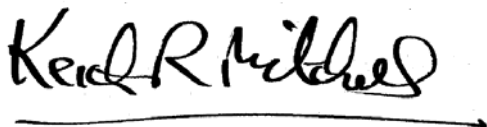
In our submission last year to the CSR we proposed the creation of a **Regional Infrastructure Fund** (RIF) able to leverage private funds and to forward-fund investment to support regionally significant planned growth. We have been working with colleagues in the South West to develop the practicalities of the RIF and recently submitted a more detailed prospectus to you showing how we could pilot the RIF in relation to key regional priorities. We are now examining a legal framework for the RIF, in order to clarify what we need in terms of special purpose vehicles and governance arrangements and, most importantly, how we can capture value to repay up-front investment and attract private sector participation. We are exploring with our regional Boards (Housing, Transport and RDA) the proposition to pump-prime the RIF from regional capital budgets, while the regional revenue top-slice of the proposed Planning Gain Supplement offers an important means of sustaining the fund once it is operating. We are sharing this work with colleagues in Government as we proceed, since it is essential that we have agreement on the freedoms and flexibilities required in due course to make the RIF approach fly.

Meanwhile, in the context of both RSS and RES priorities, the RDA continues to lead and facilitate a comprehensive approach to regeneration, bringing together local partners across boundaries and integrating the physical development needed to create the platform for growth with other interventions necessary to support economic growth itself. For example, in Hastings and Bexhill, the Five Point Plan agreed in 2002 has already delivered landmark town centre infrastructure including a new station, the area's first higher education presence in a new University Centre Hastings, the first new speculative business space for 35 years and progress towards the new Millennium Community. There is now hard evidence that these regeneration outputs are having a real impact on the area's economic performance. For example:

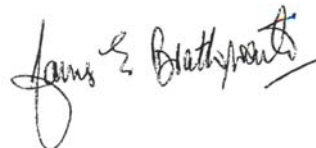
- **The area has seen a net growth of 175 businesses between 2002 and 2005, following years of declining numbers.**
- **Average local wages have risen from £341 per week (just 72% of the national average) in 2002 to £433 per week (80% of the national average) in 2006.**
- **Achieved rents for office space have risen from around £5 per square foot in 2002 to around £12.50 per square foot by the end of 2006.**
- **Business confidence has improved markedly, with a 2006 survey of local businesses showing 73% expecting turnover to increase over the next 2 years, and 54% expecting staff numbers to increase.**

So our conclusion from the South East experience is that the number of regional strategies and bodies is of less concern than the opportunity to foster strong relationships between them. With clear accountabilities, and an understanding of the culture of and dividends from partnership working, multiple regional bodies and strategies may well make functional and operational sense. What matters is what works. We are making it work in the South East and would be dismayed if this progress were to be frustrated.

Yours sincerely,



**Cllr Keith Mitchell**  
**Chairman of the Regional Assembly**



**James Brathwaite CBE**  
**Chair of SEEDA**